RaiaDrogasil

Earnings Presentation – 3Q15

October 30th, 2015

Disclaimer

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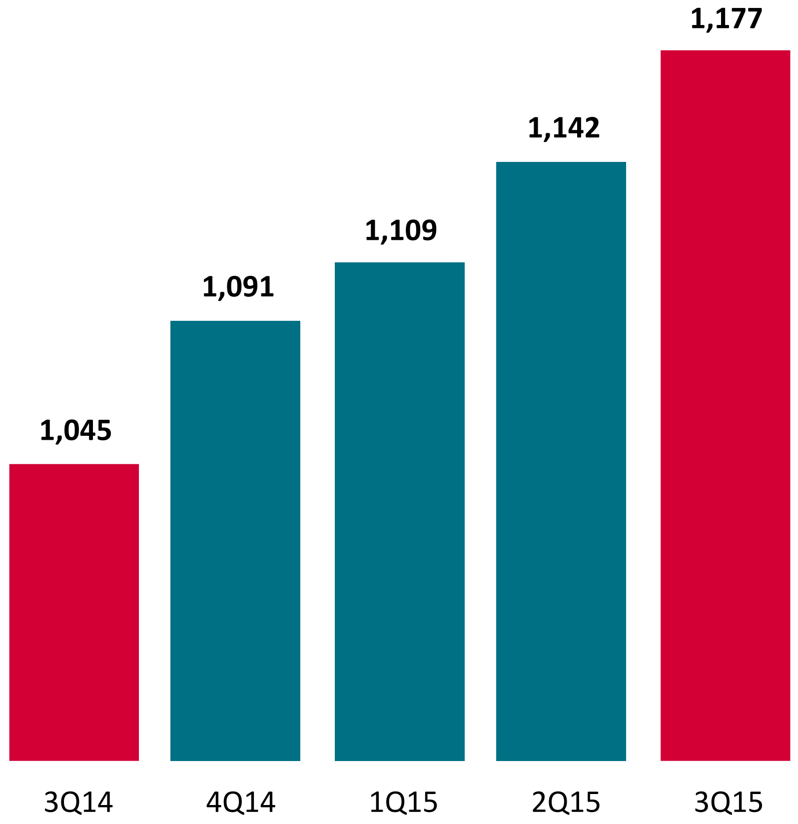
Highlights

- **Drugstores:** 1,177 stores in operation (37 openings and two closures)
- **Gross Revenues:** R$ 2.4 billion, 20.0% of growth (12.0% for same-store sales)
- **Gross Margin:** 28.9% of gross revenues, a 1.0 percentage point margin increase
- **EBITDA:** R$ 181.3 million, a 7.6% margin, 0.2 percentage point margin expansion
- **Adjusted Net Income:** R$ 95.0 million, a 4.0% margin and an increase of 18.0%
- **Cash Flow:** R$ 68.2 million free cash flow, R$ 66.7 million total cash generation
- **RADL3:** recent entry into the IBOVESPA and the IBrX-50 indices
- **Store Opening Guidance:** increase from 130 to 145 already in 2015

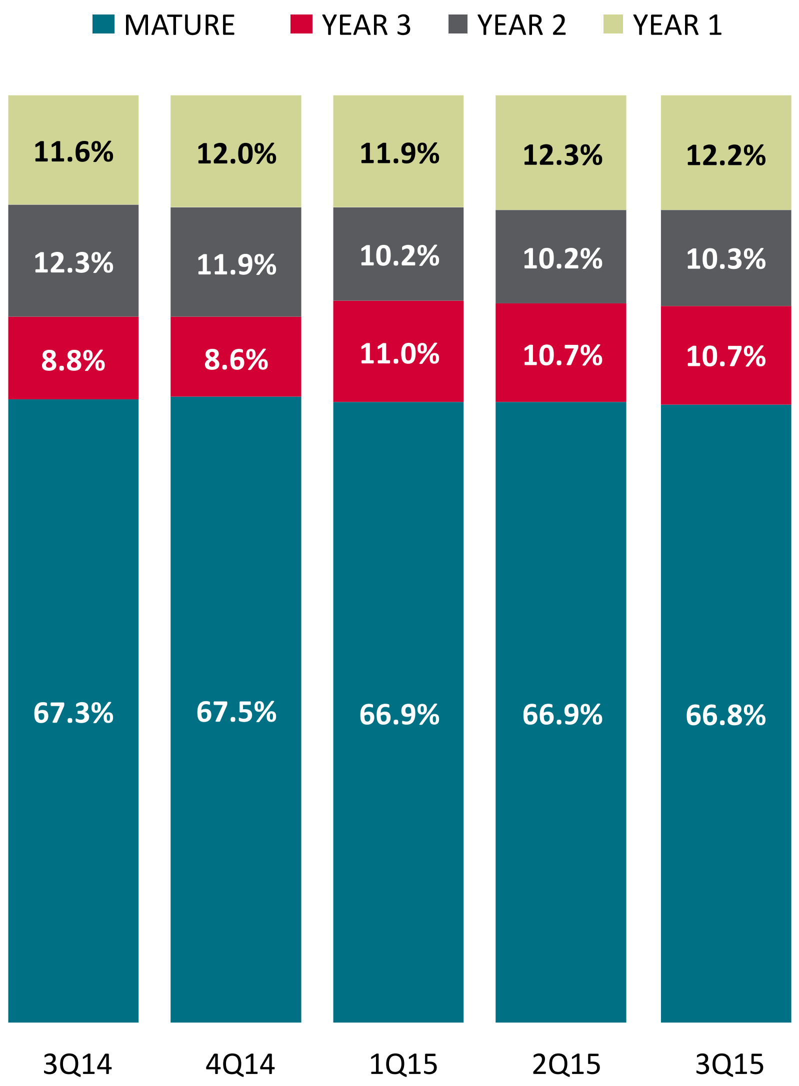
We opened 94 stores in the 9M15 vs. 80 in the 9M14. Revising guidance from 130 to 145 new store openings already in 2015. 33.2% of stores still undergoing maturity.

Store Count



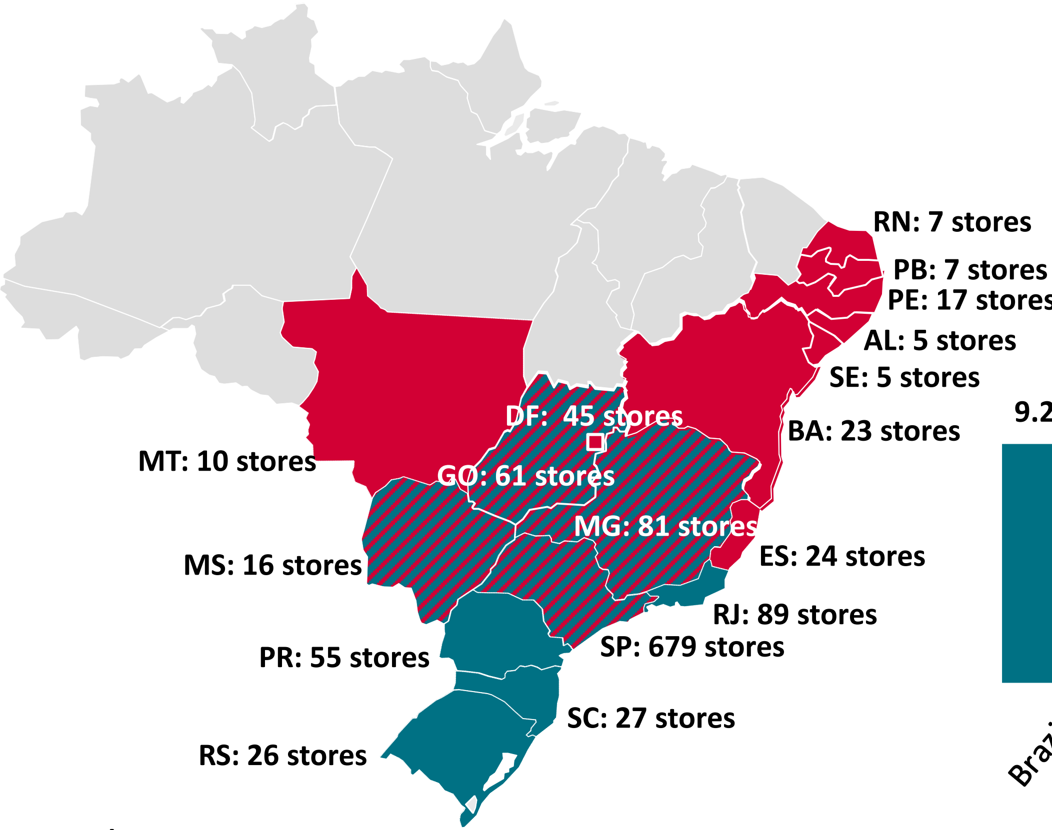
	3Q14	4Q14	1Q15	2Q15	3Q15
Opened	33	51	19	38	37
Closed	(3)	(5)	(1)	(5)	(2)

Age Structure of Store Portfolio



Our national market share increased substantially (+ 0.8 pp), with gains in every region where we operate.

Geographic Presence

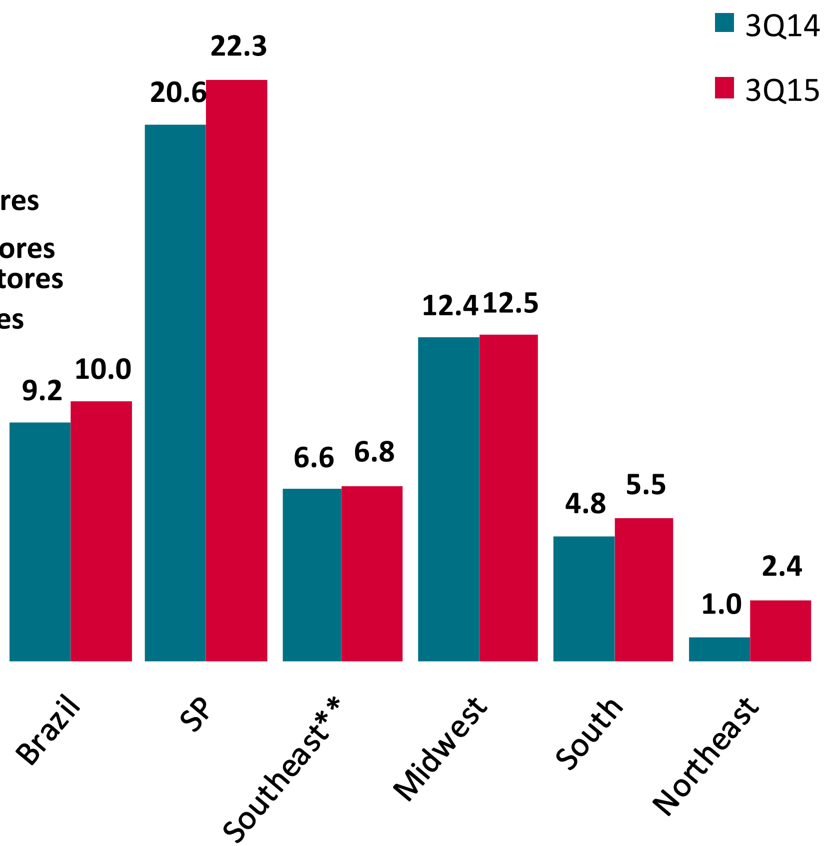


Total: 1,177 stores

Raia: 568 stores

Drogasil*: 609 stores

Market Share***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION

Brazil	SP	Southeast**	Midwest	South	Northeast
100.0%	25.9%	24.5%	9.1%	16.7%	18.9%

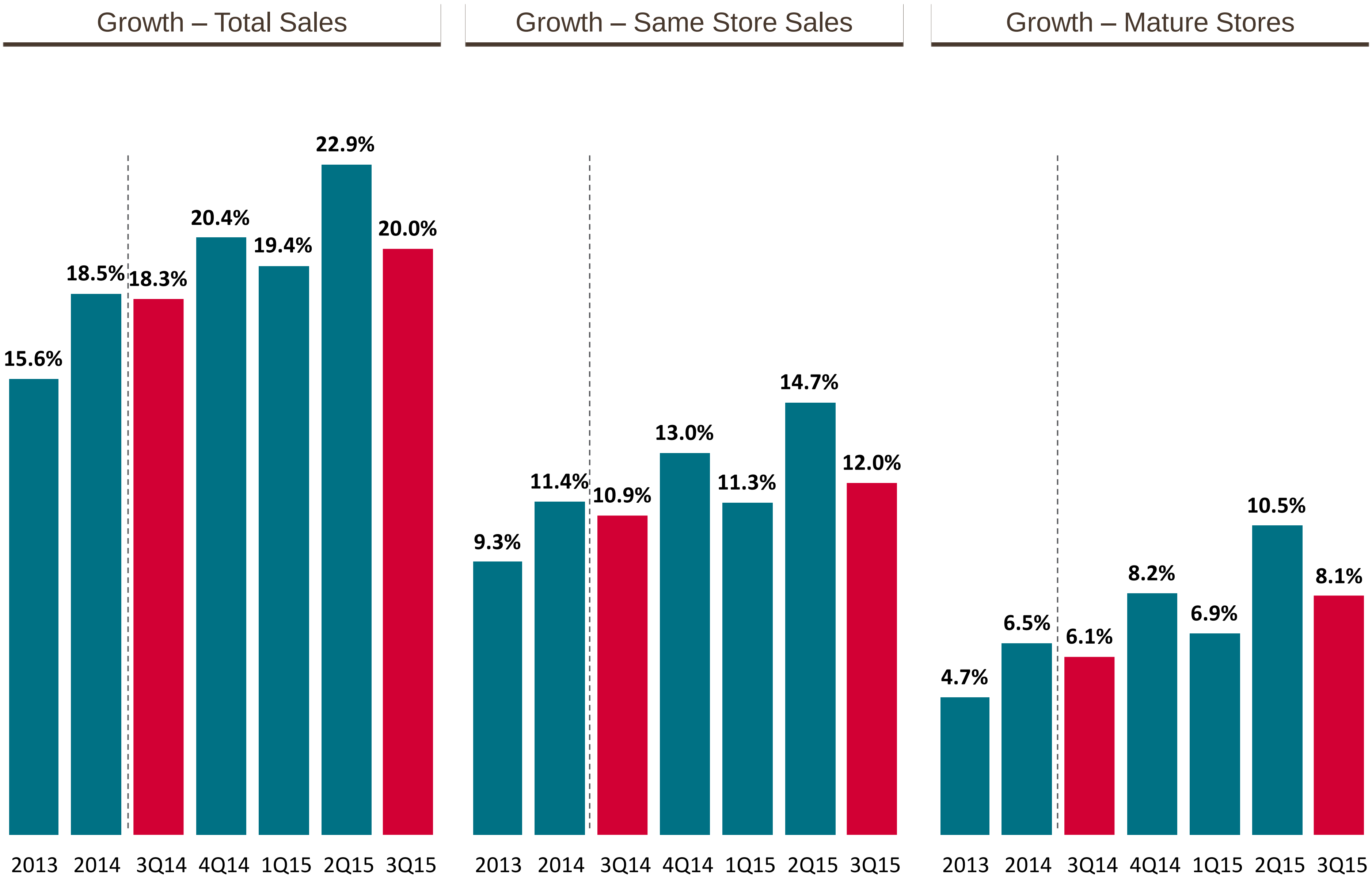
Source: IMS Health

* Includes Farmasil stores

** Excludes São Paulo

*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 9.7%

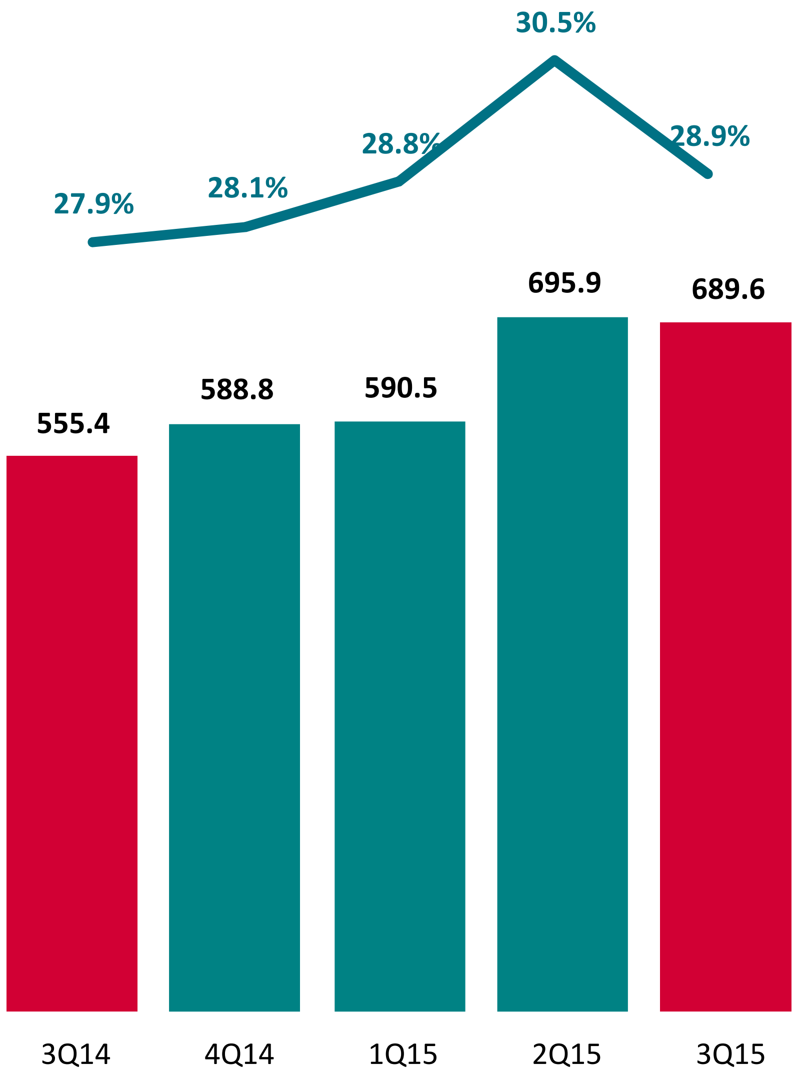
Revenues increased by 20.0%. Same store sales grew by 12.0% while our mature stores recorded an increase of 8.1%. World Cup impact of +0,7% was partially offset by calendar effect of -0.4%.



Gross margin increased 1.0 pp due to improvements in commercial terms, forward buying, opportunistic purchases, inventory losses and NPV adjustment. Cash cycle reduction of 7.2 days.

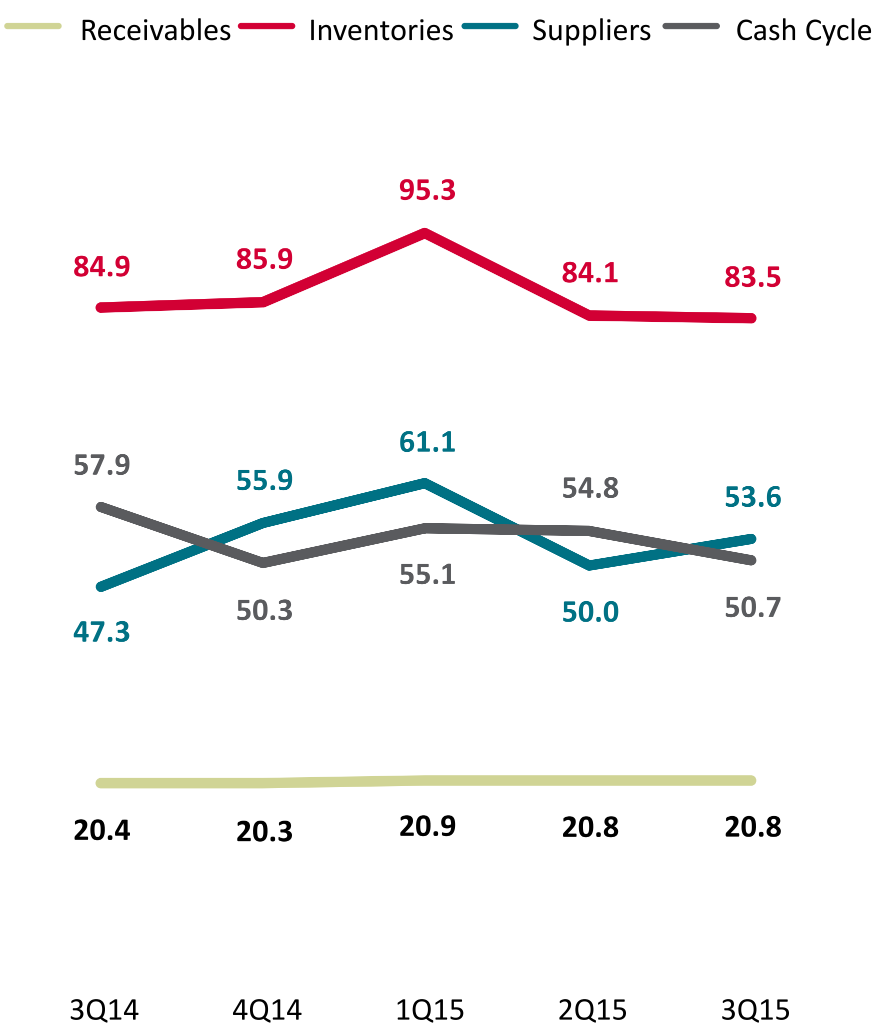
Gross Margin

(R$ million, % of Gross Revenues)

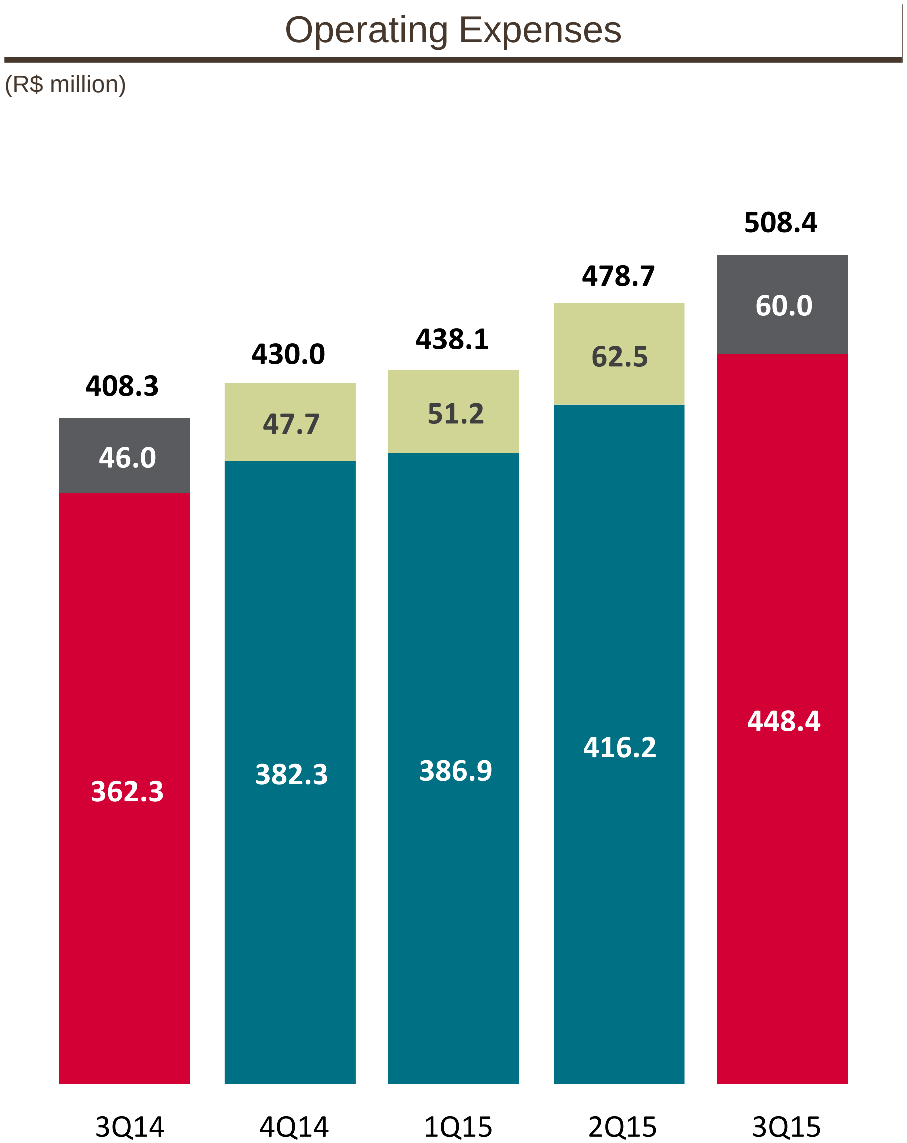


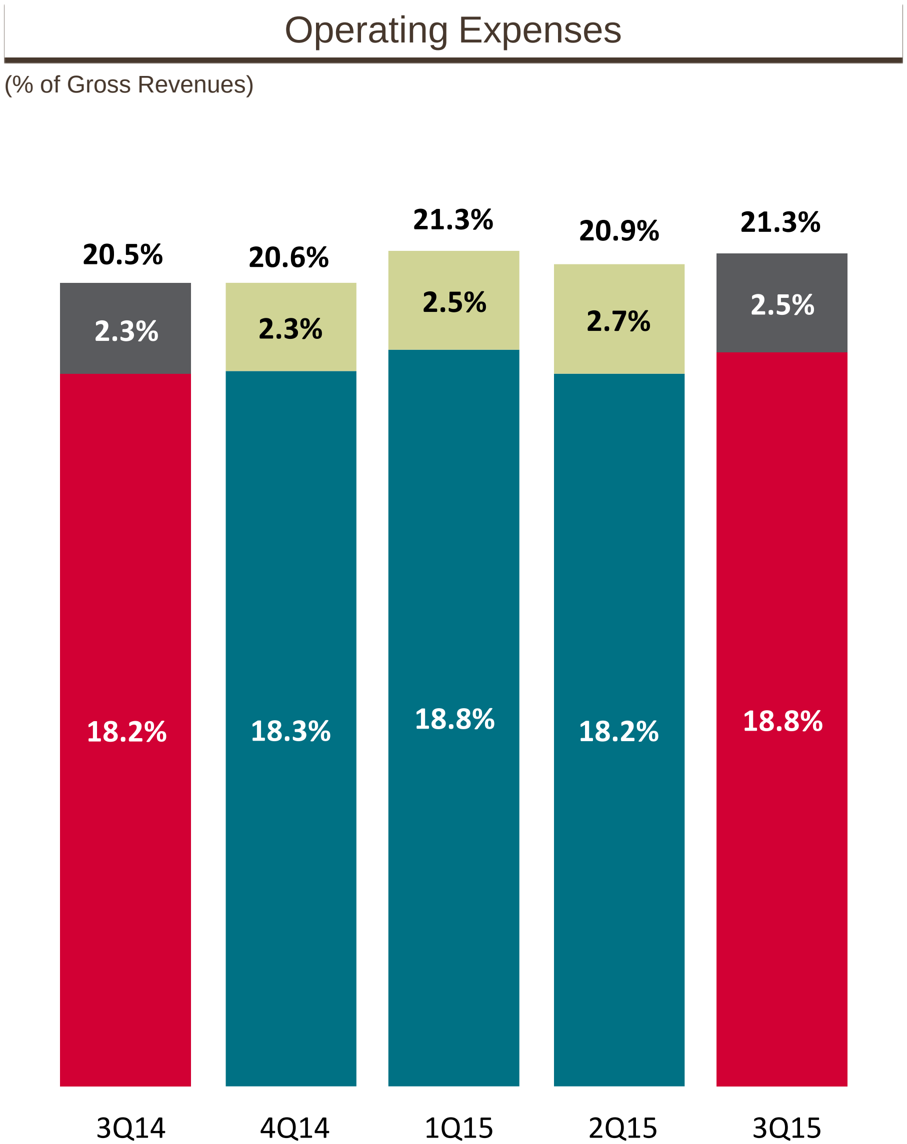
Cash Cycle

(COGS Days, Gross Revenues Days)



SG&A increased 0.8 pp. 3Q15 sales expenses inflated by personnel, electricity, faster store-opening pace. G&A increased by the low comp base of the variable compensation allowance.



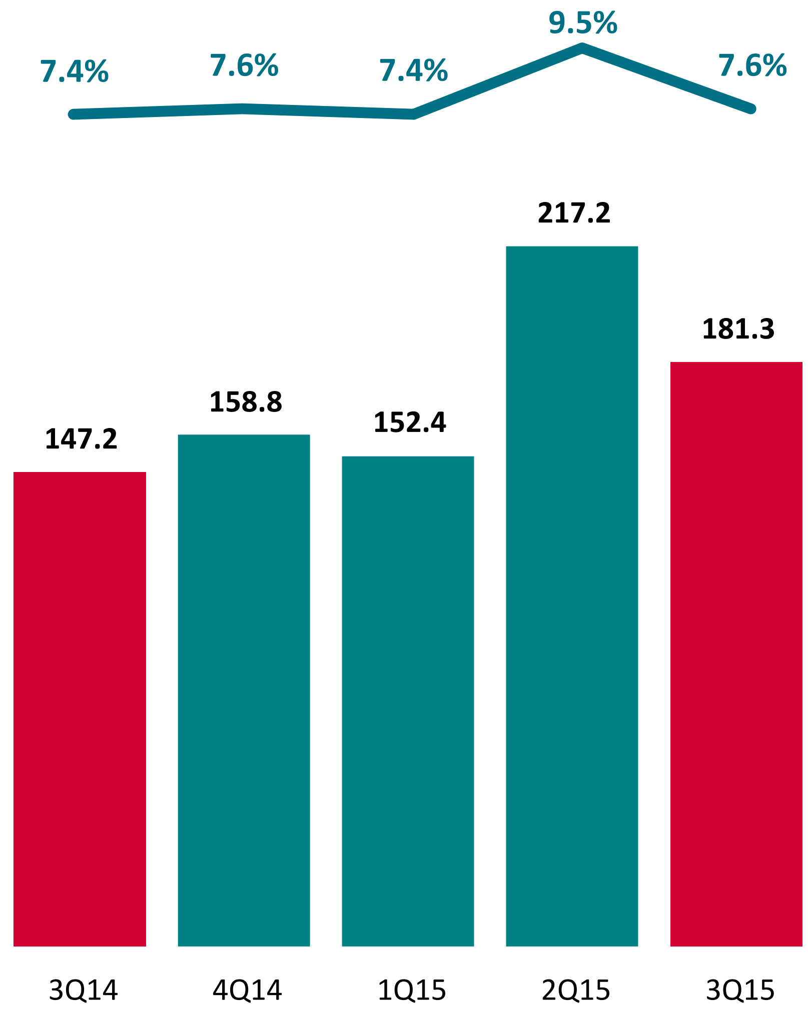


Sales Expenses General & Administrative Expenses

We reached an EBITDA of R$ 181.3 million, a 7.6% margin, driven by gross margin increase and partially offset by SG&A pressures. Store openings penalized EBITDA by R$ 10.8 million.

EBITDA

(R$ million, % of Gross Revenues)

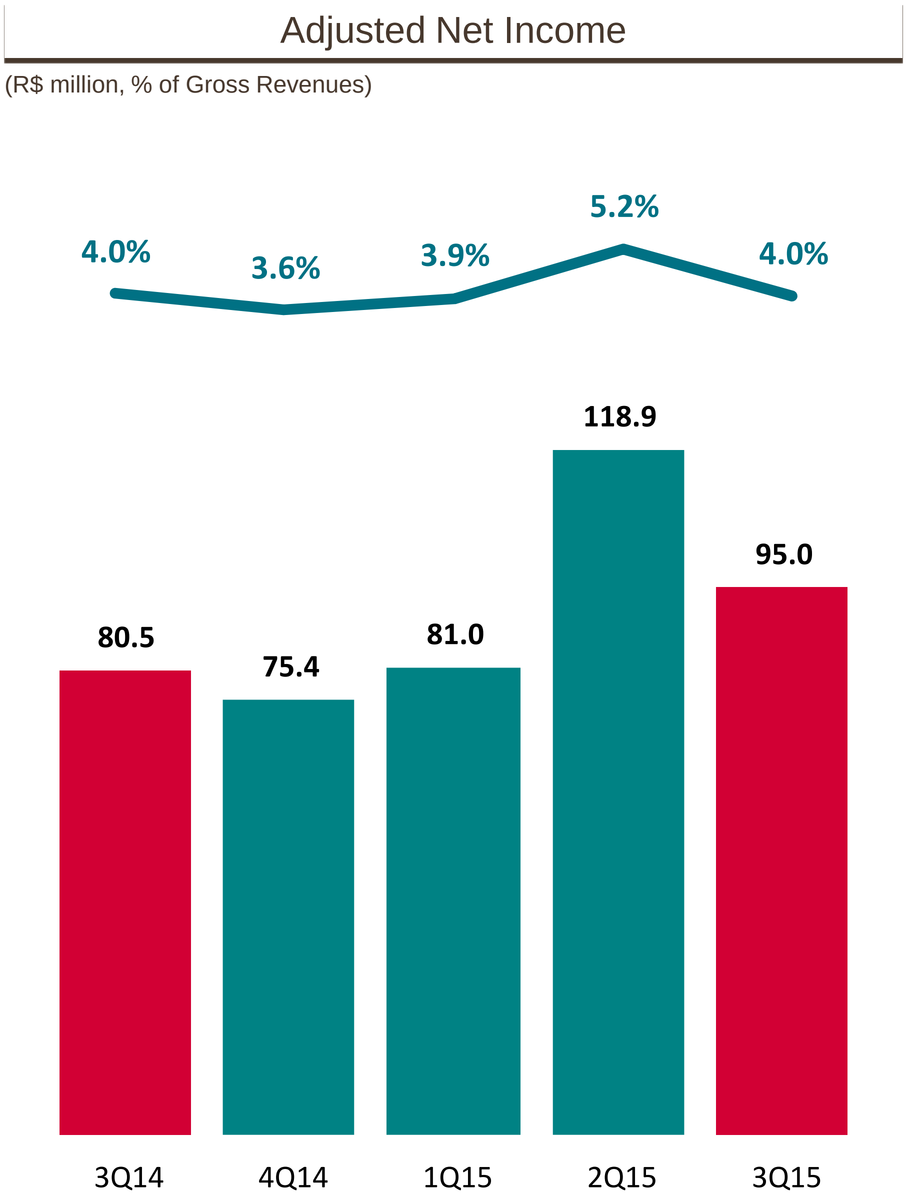


1.083* stores operating since 4Q14 :
(performance in the 3Q15)

- R$ 2.3 billion of Gross Revenues
- R$ 192.0 million of EBITDA
- EBITDA margin of 8.3%

* 1,091 stores at year-end less eight stores closed

Our adjusted net income increased by 18.0%. Reported net income grew 24.0%, as non-recurring expenses ceased to exist.



Free cash flow of R$ 68.2 million and total cash flow of R$ 66.7 million. Operating cash flow more than fully funded the investments undertaken in the 3Q15.

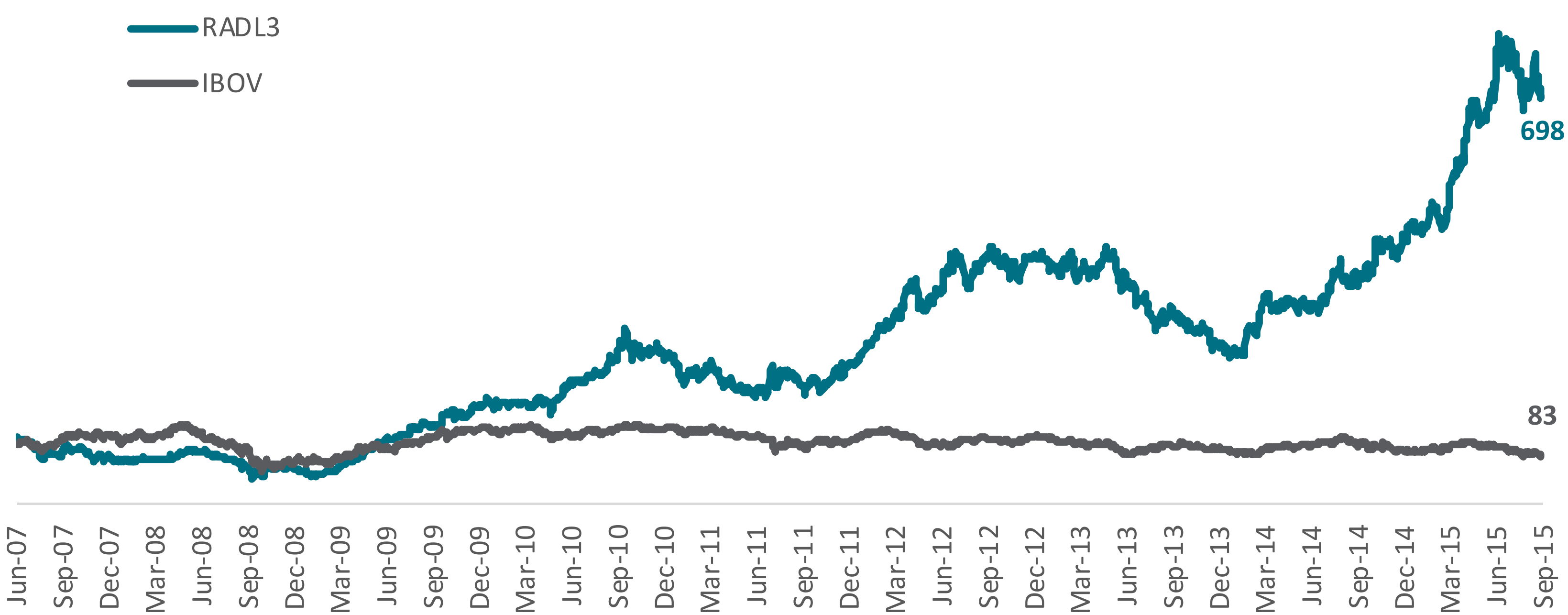
Cash Flow *(R$ million)*	**3Q15**	**3Q14**	**9M15**	**9M14**
Adjusted EBIT	**123.5**	**98.9**	**384.0**	**244.9**
Non-Recurring Expenses	-	(2.8)	-	(5.6)
Income Tax (34%)	(42.0)	(32.7)	(130.6)	(81.4)
Tax Shield from Goodwill	10.7	10.7	32.1	32.1
Depreciation	57.7	48.3	166.8	136.0
Others	(9.2)	(5.6)	(8.6)	(2.1)
Resources from Operations	**140.8**	**116.9**	**443.8**	**323.9**
Cash Cycle*	14.6	(49.7)	(141.7)	(192.6)
Other Assets (Liabilities)	11.4	27.7	16.4	29.9
Operating Cash Flow	**166.7**	**94.8**	**318.5**	**161.2**
Investments	**(98.5)**	**(64.6)**	**(244.2)**	**(187.4)**
Free Cash Flow	**68.2**	**30.2**	**74.3**	**(26.2)**
Interest on Equity	(0.0)	-	(64.0)	(17.0)
Income Tax Paid over Interest on Equity	(5.0)	(3.0)	(13.8)	(4.1)
Net Financial Expenses	(15.0)	(8.6)	(44.1)	(28.0)
Share Buyback	-	-	-	(20.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	18.5	10.4	61.3	26.9
Total Cash Flow	**66.7**	**29.0**	**13.7**	**(69.3)**

* Cash cycle includes variation in accounts receivables, inventories and suppliers

** Does not include financing cash flow

Raia Drogasil generated a Total Shareholder Return of 55.0% YTD. Average annual return since Drogasil's IPO of 27.0% and of 32.1% since Droga Raia's IPO.

Share Appreciation



Performance 2015

RADL3: 54.2%
BOVESPA: (9.9%)
Alpha: 64.1%
Average Trading Volume RADL3: R$ 60.0 MM

Entrance in the two main Brazilian Stock Indices on 9/4

IBOVESPA

Índice Brasil 50 IBRX 50

We are developing several middle-term & long-term Initiatives to enhance store productivity and offset inflationary pressures

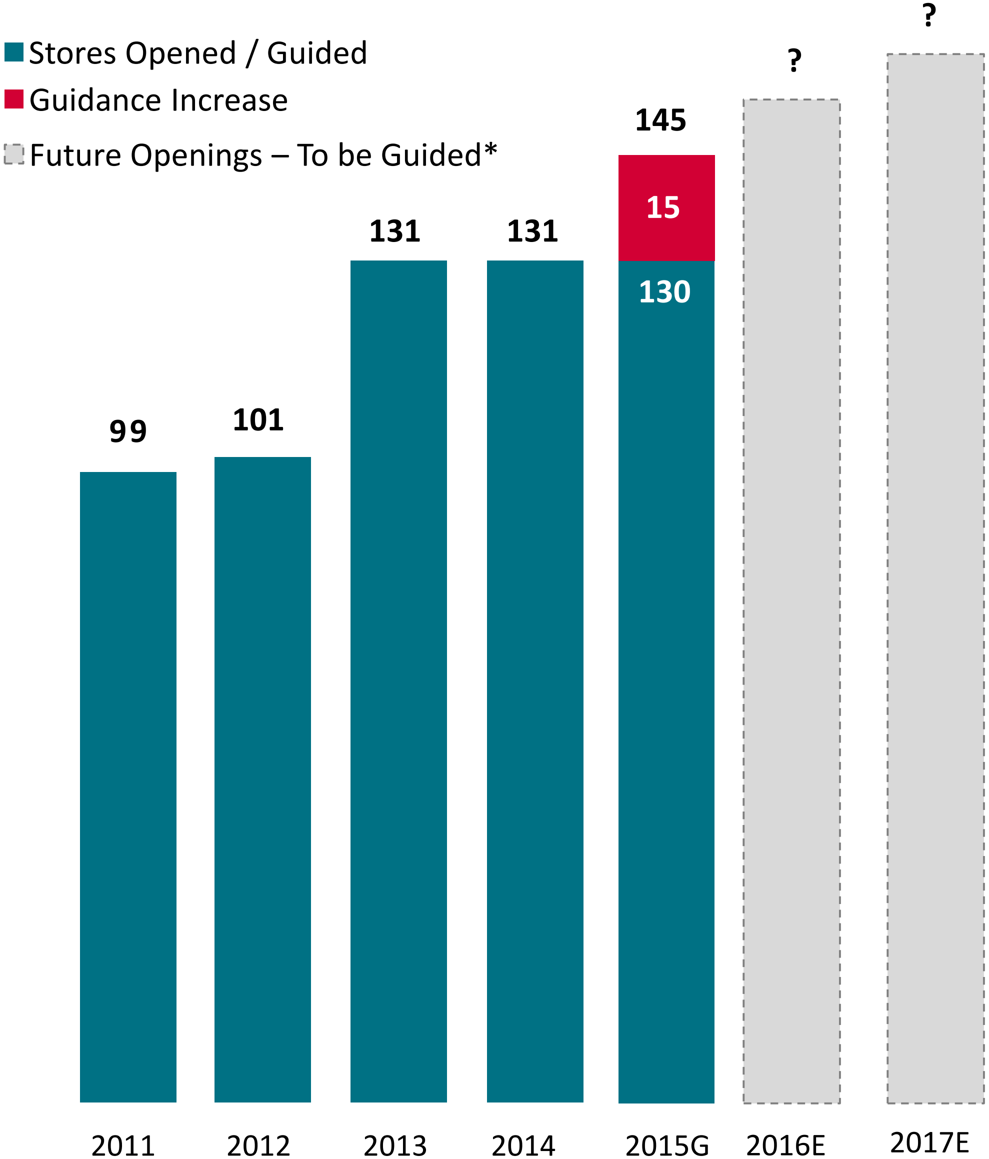
- **Inflationary Pressures are the Main Challenge to Margin Expansion**
  - Wages (12% of revenues) have had real increases over the last five years
  - Energy (0.7% of revenues) has increased 0.2 percentage point in 2015

- **Strong Corporate Focus to Support Stores on Boosting Labor Productivity**
  - Introducing New Staffing Algorithm
  - Reduced Employee Turnover
  - Accelerated the people replenishment (improved HR processes)
  - Rolled out a Leadership Development Training
  - Improved Support Processes (cleaning and security)
  - Increasing Data Lines Throughput
  - Upgrading Proprietary Store Systems (POS and Pharmacy Systems)
  - Enhanced Preventive Maintenance (IT & Air Conditioning)
  - Automated the Service Requirement Workflow
  - Streamlined the Price-Marking Process

- **Developing Several Initiatives to Drive Energy Efficiency at Stores**
  - Introduced Electron Alignment Technology
  - Rolling out LED Lighting
  - Revising Store Air Conditioning Specification
  - Creating an Energy-Efficient Store Prototype
  - Promoting Internal Energy Saving Campaigns

Increasing the store guidance from 130 to 145 stores already in 2015

New Store Openings



** Bar Proportions are Merely Illustrative, no Specific Trend Implied*

Main Challenges

- Accelerating Prospections
- Tougher Licensing Requirements
- Excessive 4Q Opening Concentration
- Developing New Managers

Main Solutions

- Expanded the Real Estate Team
- Increasing Contract Buffer
- Implementing PMO to Align Functional Areas & Streamline Process
- Enhancing Training Programs & Reducing Turnover

IR Calendar

- **2015 Earnings (after market)**
  - **4Q:** February 18th, 2016

- **Raia Drogasil Day**
  - December 4th, from 8 am to 1 pm
  - Hotel Unique, São Paulo

- **Next Conferences**
  - November 17th: **Citi Consumer and Retail Conference**, Citi (São Paulo)
  - December 3rd: **Brazil Opportunities Conference**, JP Morgan (São Paulo)
  - January 6th to 8th: **8th Latin America Executive Conference**, Morgan Stanley (Miami)
  - January 11th to 14th: **JP Morgan Healthcare Conference: Emerging Markets Track**, JP Morgan (San Francisco)