



EARNINGS RELEASE 2Q13

São Paulo, August 8th, 2013. RaiaDrogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 2nd quarter of 2013 (2Q13). The consolidated quarterly information of RaiaDrogasil S.A. for the period ended June 30th, 2013 were prepared in accordance with IFRS and were reviewed by our independent auditors in accordance with Brazilian and international standards of auditing. Such financial statements were prepared in Reais and all growth rates are related to the same period of 2012.

As a result of the creation of RaiaDrogasil, we incurred both in 2013 and in 2012 on certain non-recurring expenses related to the integration and to the alignment of certain accounting practices between the entities. To facilitate a better understanding and analysis of our operating performance, we are supplementally presenting adjusted results for 2013 and 2012 excluding the effects of non-recurring expenses.

In April and May we recorded a reduction in social charges on labor, a line which was then classified as part of Taxes, Discounts and Returns since it was calculated as a percentage of revenues. In order to maintain historical comparability, we reclassified such charges to Sales Expenses.

HIGHLIGHTS:

- **Drugstores: 906 stores in operation (25 openings and 10 closures)**
- **Gross Revenues: R\$ 1.6 billion, 16.6% of growth (10.2% for same-store sales)**
- **Gross Margin: 27.0% of gross revenues, a 1.1 percentage point margin decrease**
- **Adjusted EBITDA: R\$ 103.5 million, an increase of 3.2%**
- **Adjusted EBITDA Margin: 6.5%, a 0.8 percentage point decrease**
- **Adjusted Net Income: R\$ 58.6 million, 3.7% of net margin**

RADL3: R\$ 19.55/share

Number of Shares: 330,386,000

Market Cap: R\$ 6,459 million

Closing: August 7th, 2013

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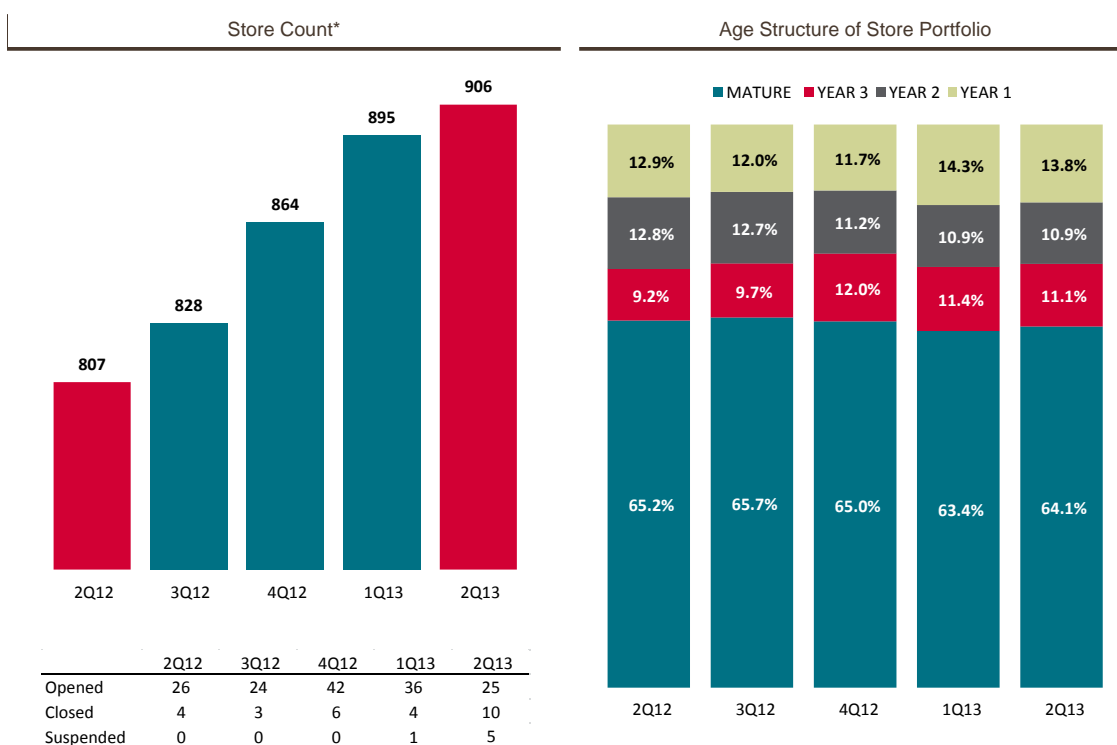
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Combined Summary	2Q12	3Q12	4Q12	1Q13	2Q13
<i>(R\$ thousand)</i>					
# of Stores (end of period)	807	828	864	895	906
Store Openings	26	24	42	36	25
Store Closures	4	3	6	4	10
Suspended Stores	0	0	0	1	5
# of Stores (average)	795	819	843	879	897
Head Count	19,383	19,927	20,113	20,274	21,195
Pharmacist Count	2,789	2,875	3,004	3,073	3,207
# of Tickets	31,193	32,360	32,205	30,958	33,596
Gross Revenues	1,375,186	1,451,823	1,479,979	1,438,405	1,604,091
Gross Profit (Adjusted)	387,060	380,105	400,578	382,340	433,760
% of Gross Revenues	28.1%	26.2%	27.1%	26.6%	27.0%
EBITDA (Adjusted)	100,246	81,144	83,094	66,165	103,472
% of Gross Revenues	7.3%	5.6%	5.6%	4.6%	6.5%
Net Income (Adjusted)	51,128	37,030	34,784	26,486	58,634
% of Gross Revenues	3.7%	2.6%	2.4%	1.8%	3.7%



STORE DEVELOPMENT

We ended the quarter with a total of 906 stores in operation. We opened 25 new stores and closed ten stores in the quarter. Additionally, we reopened a previously suspended store and temporarily suspended operations at five other stores for rebranding.



* Does not include suspended stores, which have been temporarily closed to be rebranded.

At the end of the period, 35.9% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenues and profitability.

We closed a total of 14 stores in the 1H13 as part of a portfolio optimization program that is expected to be concluded in 2013. We estimate that, by year-end, we will have closed a total of 20 to 25 stores in 2013.

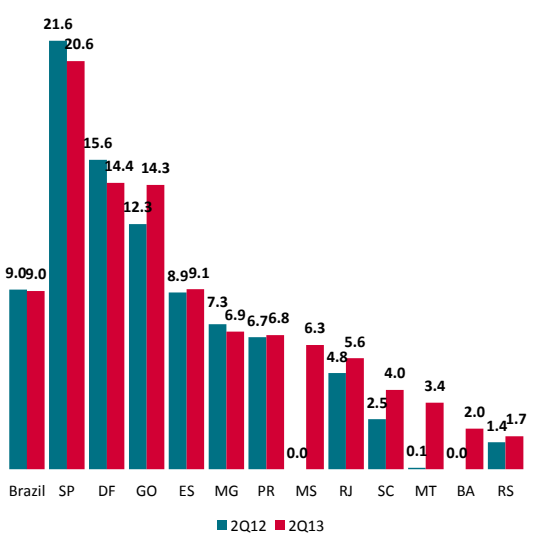
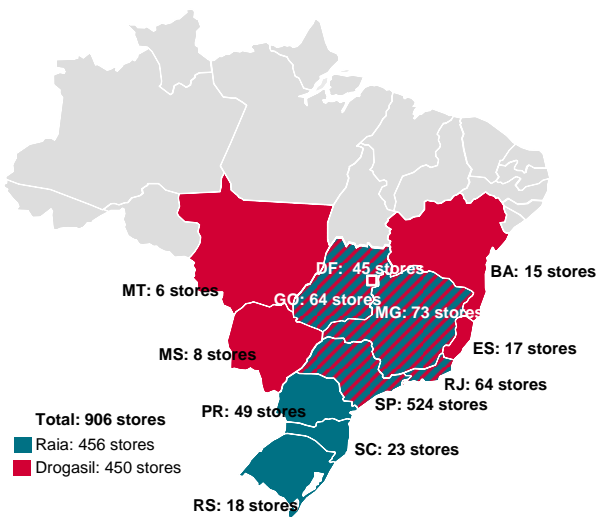
We recorded a national market share of 9.0% in June, in line with the previous year. Our main highlights have been Goiás, with a market share gain of 2.0 percentage points fueled by our acquisition of 26 Santa Marta stores, and Rio de Janeiro, where we recorded a market share gain of 0.8 percentage point. We also highlight our successful entry in Bahia, Mato Grosso and Mato Grosso do Sul, where we reached market shares of 2.0%, 3.4% and 6.3%, respectively, and our progress in Santa Catarina, a recent market where we gained 1.5 percentage points. Finally, we lost 1.2 percentage points of market share in the Federal District (Brasilia), where we have not opened stores over the last two years, 1.0 percentage point in São Paulo and 0.4 percentage point in Minas Gerais.

The following chart illustrates our geographic presence and market shares in the states where we operate.



Geographic Presence

Market Share (June '13)



PHARMACEUTICAL MARKET DISTRIBUTION BY STATE (LAST 12 MONTHS)

State	Distribution (%)
Brazil	100.0%
SP	27.4%
DF	2.6%
GO	3.5%
ES	2.0%
MG	10.4%
PR	6.0%
MS	1.2%
RJ	12.7%
SC	3.8%
MT	1.2%
BA	4.7%
RS	7.2%

Source: IMS Health

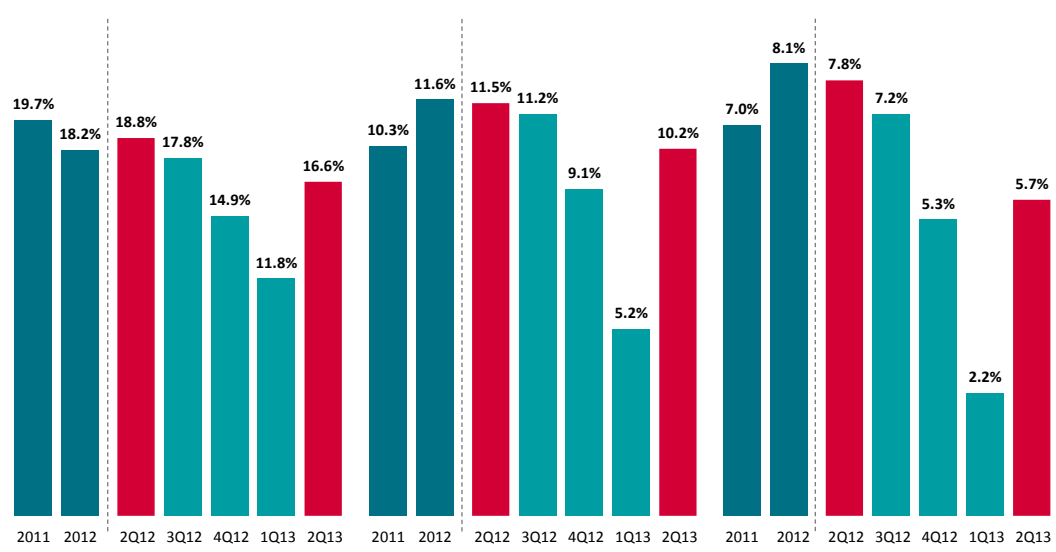
GROSS REVENUES

We recorded gross revenues of R\$ 1,604.1 million, a 16.6% increase over 2012. Excluding the stores that have been closed or suspended from the comp base, our growth would have been 18.1%, an impact of 1.5 percentage point.

Growth – Total Sales

Growth – Same Store Sales

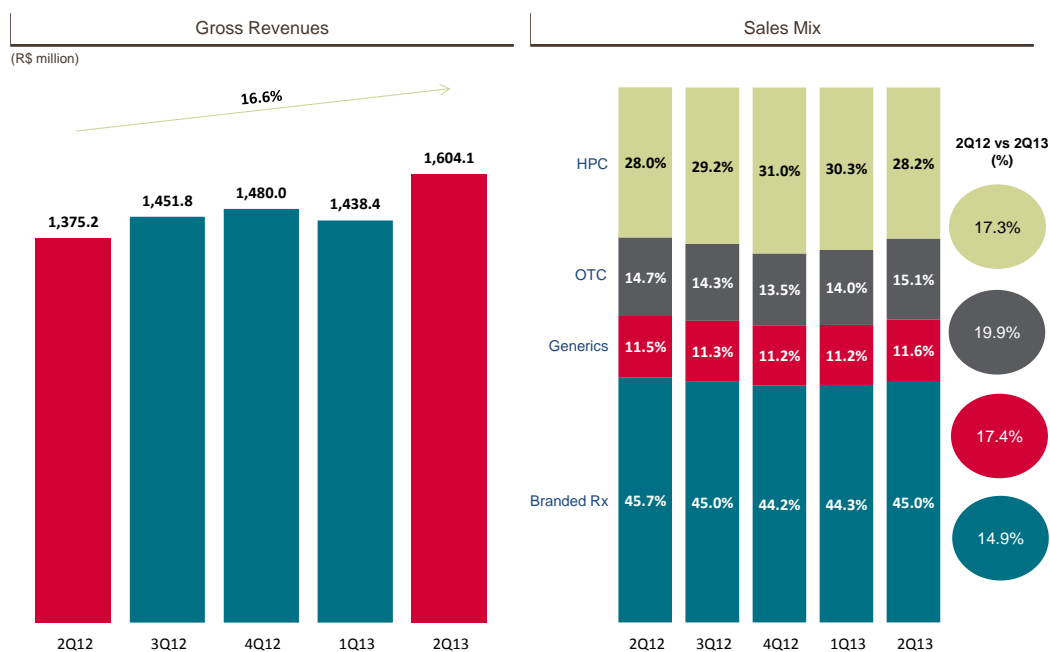
Growth – Mature Stores





Our same-stores grew 10.2%, while our mature stores grew 5.7% in the 2Q13. It is important to highlight that we recorded a positive calendar effect in the quarter of 0.7% when compared to 2012 due to the fact that the Easter holiday fell in the 1Q13.

Other factors that affected our growth in the quarter were, on the one hand the civil unrest that happened in June all over the Country, and on the other hand the strong flu season recorded in April and May, which turned OTC into the highlight category of the quarter, with 19.9% of growth, an increase of 0.4 percentage point in the sales mix when compared to the previous year, as shown in the chart below.



Finally, we also recorded expressive growth in Generics (17.4%) and in HPC (17.3%), which increased their participation in our sales mix by 0.1 percentage point and by 0.2 percentage point, respectively.

GROSS PROFIT

We recorded a gross margin of 27.0% in the quarter, a 1.1 percentage point contraction.

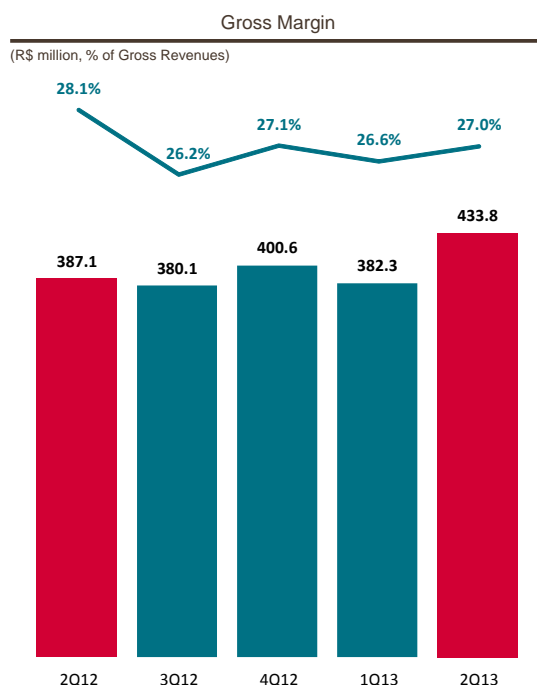
We implemented in the quarter a change in purchasing strategy that caused a transitory gross margin loss of 0.4 percentage point in the quarter. Additionally, our margin was also affected by the change in taxation undertaken in the 3Q12, which increased our tax burden and caused a loss of 0.4 percentage point in the 2Q13, and by trade allowances related to the 1Q12 that were booked in the 2Q12, when our post-merger supplier renegotiations had been concluded, which artificially increased our gross margin comp base.

The change effected to our purchasing strategy consisted in the incorporation of a significant portion of off-invoice purchasing discounts, especially in Generics, to our on-invoice purchasing price. Although the economic impact in regime is neutral, there is a transitory loss as we cease to book those discounts as trade allowances and as the new, lower replenishment cost is yet to be fully reflected in our cost of goods sold under the average cost method. As our inventories rotate, the margins will normalize, which is expected to happen already in the 3Q13.



We believe this change is important in order to eliminate trade allowance collection delays from suppliers, to reduce margin volatility, since trade allowances used to be directly related to our purchasing volume, and to allow us to reduce inventories and increase our bargaining power with suppliers by being able to cease purchases whenever convenient without penalizing our gross margins.

Finally, the government of São Paulo issued a decree on April 16th, 2013 that allows the tax authorities to notify manufacturers that sell to wholly-owned distribution companies in order to shift their point of tax collection from the manufacturer to the distribution company. Since the increase in our tax burden is due to manufacturers that sell under a low transfer price to their wholly-owned distributors to achieve a tax break, we believe this decree has the potential of neutralizing our margin losses, depending on which manufacturers will have their tax regime changed. However, as the government is taking longer than expected to notify our suppliers and to implement the change, we believe our margin will be fully normalized only in the beginning of 2014.



SALES EXPENSES

Sales expenses totaled R\$ 289.8 million, amounting to 18.1% of gross revenues, a 0.5 percentage point increase when compared to the 2Q12.

Our sales expenses increased 0.5 percentage point over the 2Q12 due to structural factors such as inflation pressures on rentals (0.2 percentage point), as well as to transitory pressures, including the opening of a new distribution center in the 4Q12 (0.1 percentage point) and the pressure from new stores openings (0.2 percentage point), as we opened 61 stores in the 1H13 versus only 35 in the same period of 2012.

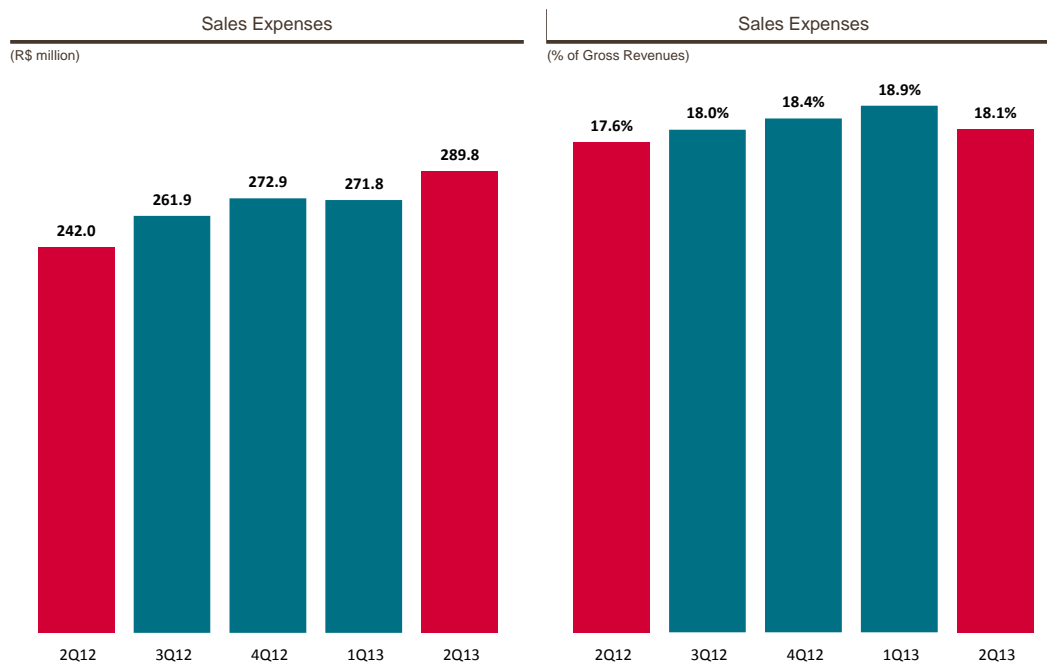
We also have reclassified the variable compensation allowance related to store personnel from G&A to sales expenses, which represented an expense increase of 0.1 percentage point that was fully offset by reductions in other expenses.



We achieved a 0.3 percentage point sales expenses dilution when compared to the 4Q12, as our logistics expenses have been partially absorbed by our growth (0.1 percentage point) and as we diluted personnel expenses (0.2 percentage point) through a reduction in social charges recorded in April and in May.

The government issued a provisional measure (MP 601) last December reducing social charges for several retail sectors to 1% of gross revenues (instead of 20% of payroll expenses), which became effective in April. However, since this provisional measure expired as it failed to be voted by the Congress on time, our social charges on payroll returned to their historical levels already in June.

It is important to mention that the Brazilian Congress passed on July 11th a provisional measure (MP 610), now converted into a law, which reinstated the reduction in social charges for several retail sectors, not including drugstores. Our trade associations are in talks with authorities aiming at reinstating our reduction in social charges as intended by the Government in the original provisional measure, which at the moment remains uncertain. As a result of the ongoing discussions, we have not yet reversed the reduction in social charges allowance pursued in the 1Q13. If the conversations prove fruitless, we will book an allowance of R\$ 9.4 million, of which R\$ 5.9 are from previous years.

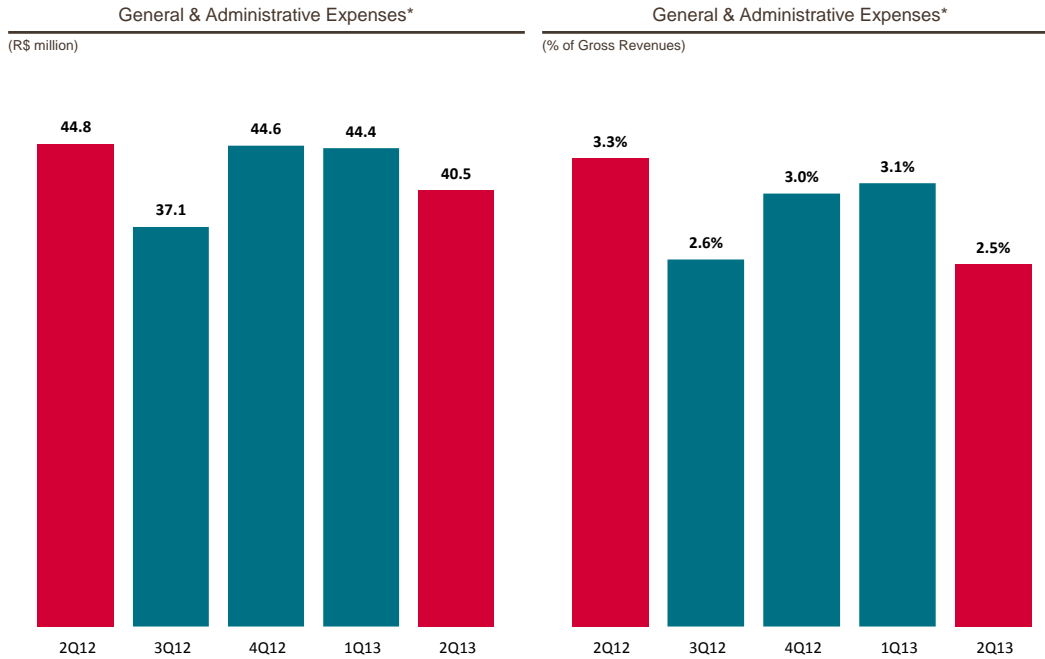


GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R\$ 40.5 million in the quarter, equivalent to 2.5% of our gross revenues, a 0.7 percentage point decrease when compared to 2012.

In the 2Q13 we recorded a lower compensation allowance when compared to the 2Q12 (0.5 percentage point) due to a partial reclassification to sales expenses (0.1 percentage point) and to the fact that the results obtained in the 1H13 are below our compensation targets (0.4 percentage point). Additionally, the reduction in social charges for our administrative personnel recorded in April and May generated an expense reduction of 0.1 percentage point.

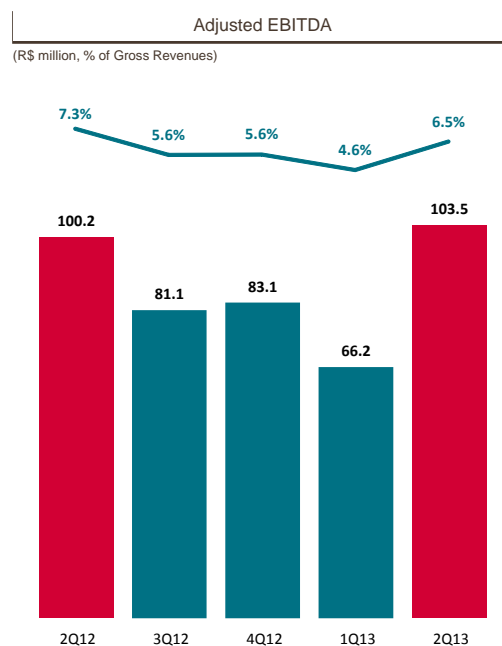
It is important to highlight that we recorded an expense reduction of R\$ 3.9 million when compared to the 1Q13, which was due to a lower variable compensation allowance (R\$ 2.2 million), to the reduction in social charges (R\$ 1.6 million) and to other expense reductions (R\$ 0.1 million).



* Excludes R\$ 8.1 million of non-recurring expenses recorded in the 2Q13 and R\$ 2.7 million in the 2Q12.

EBITDA

We reached R\$ 103.5 million of EBITDA, an increase of 3.2% and a margin reduction of 0.8 percentage point.





Our EBITDA margin reduction was due to a contraction in gross margin of 1.1 percentage point, which was partially offset by an expense dilution of 0.3 percentage point.

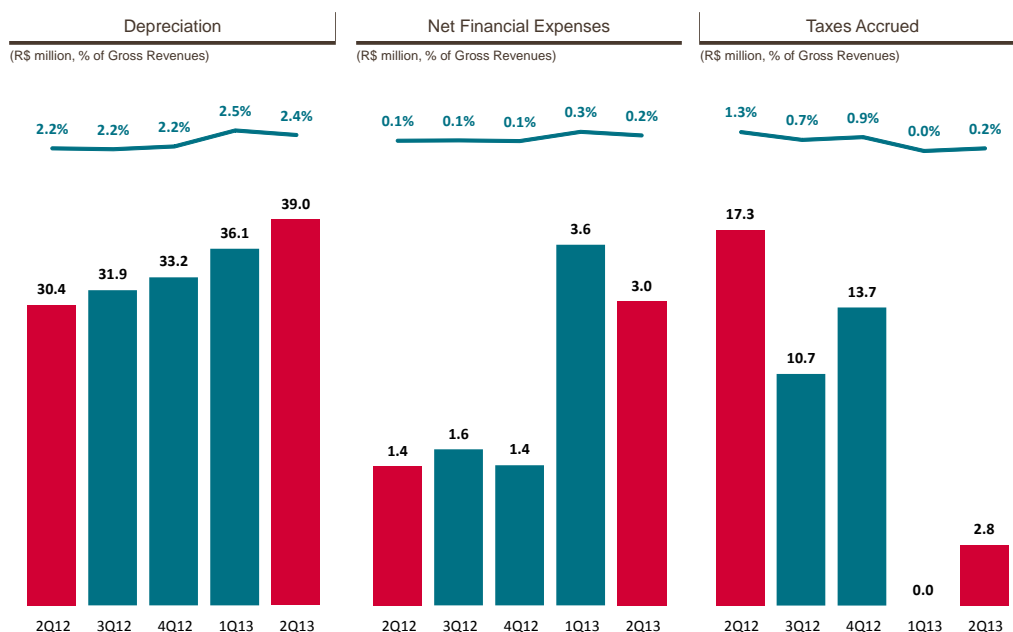
Stores in the opening process, closed and suspended stores reduced the EBITDA by R\$ 11.0 million in the 2Q13. Therefore, the 845 stores that were already in operation since the end of 2012 (864 stores at year-end, less 19 stores closed or suspended) produced an adjusted EBITDA of R\$ 114.5 million, equivalent to an EBITDA margin of 7.4% of the revenues achieved by those stores in the quarter.

DEPRECIATION, FINANCIAL EXPENSES AND INCOME TAXES

Financial expenses increased by 0.1 percentage point, mainly due to our lower average cash position when compared to that of the 2Q12.

Depreciation totaled R\$ 39.0 million, or 2.4% of gross revenues, and increased due to the acceleration on the store openings since the end of 2012.

The tax shield from goodwill amortization represented R\$ 13.0 million in the quarter, reducing taxes accrued by 1.1 percentage point, from 1.3% in the 2Q12 to 0.2% in this quarter. It is important to mention that the goodwill amortization is reflected in our adjusted net income from the 4Q12 onwards.

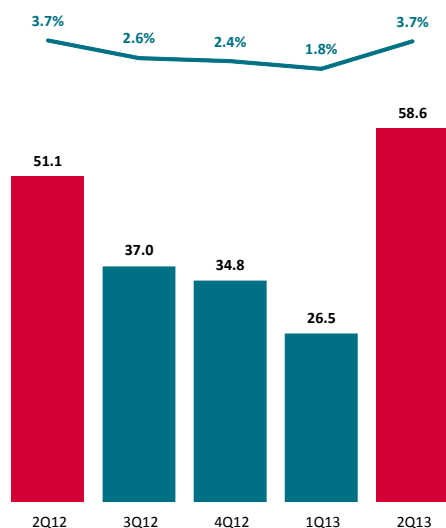


ADJUSTED NET INCOME

We recorded an adjusted net income of R\$ 58.6 million in the quarter, a net margin of 3.7%, according to the chart below:



Adjusted Net Income
(R\$ million, % of Gross Revenues)



Our net margin remained at the same level of the previous year as our lower EBITDA margin (0.8 percentage point) and the increases both in depreciation (0.2 percentage point) and in financial expenses (0.1 percentage point) were offset by the tax shield from the goodwill amortization.

NON-RECURRING EXPENSES

In the 2Q13 we incurred R\$ 8.1 million in non-recurring expenses, according to the table below:

<u>Adjustments</u> (R\$ million)	<u>Gross Profit</u>	<u>SG&A</u>	<u>EBITDA</u>	<u>D&A and Income Tax</u>	<u>Net Profit</u>
Integration Expenses					
Consulting		(1.9)	(1.9)	0.7	(1.3)
Legal and Accounting		(0.8)	(0.8)	0.3	(0.6)
Farmácia Popular Program		(3.7)	(3.7)	1.3	(2.5)
Store Closures		(1.6)	(1.6)	0.5	(1.0)
Total	0.0	(8.1)	(8.1)	2.7	(5.3)

We booked R\$ 1.9 million in consulting expenses, R\$ 0.8 million in legal and accounting expenses related to the incorporation of Raia, and also R\$ 1.6 million in write-offs related to store closures.

We booked R\$ 3.7 million in expenses related to Farmacia Popular, a government program in which selected drugs are sold with little or no co-pays, as the government subsidizes the cost. Due to the fact that all Droga Raia stores lost their licenses to sell under the program after the incorporation and that it takes months to reclaim the licenses, we decided to assume the cost of the program during that transition in order to minimize disruptions to our clients. This expense has

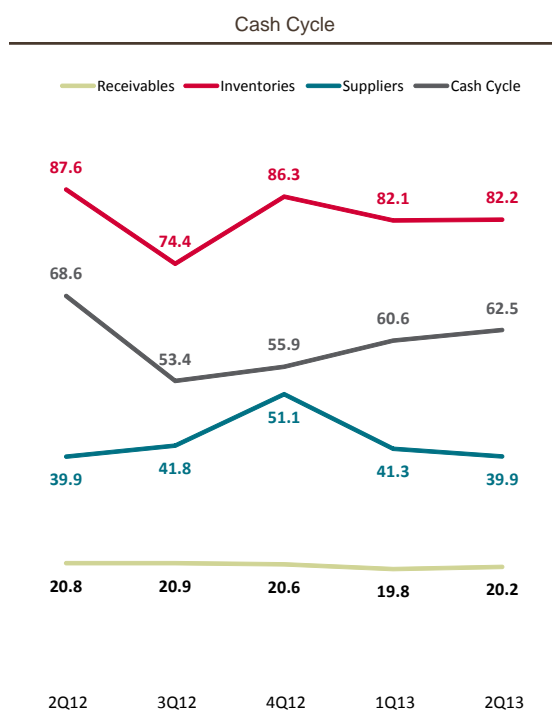


already started to decline as Droga Raia's stores are progressively getting relicensed (from R\$ 5.5 million in the 1Q13 to R\$ 3.7 million in the 2Q13).

CASH CYCLE

Cash cycle was reduced by 6.1 days in the 2Q13.

Inventories decreased by 5.4 days in the quarter, reflecting a lower forward buying when compared to 2012, while days of suppliers remained in line with the 2Q12. Finally, receivables decreased by 0.6 days as we discounted R\$ 10.9 million in receivables to fulfill our short-term financing needs.



CASH FLOW

We recorded a cash consumption of R\$ 31.4 million in the quarter, versus R\$ 39.2 million in the 2Q12.

We generated R\$ 99.6 million in resources from operations, as opposed to R\$ 95.2 million in the 2Q12, which corresponded to 6.2% of our gross revenues. We invested R\$ 71.0 million in working capital, including R\$ 11.7 million in ICMS tax credits recovery. As a result, our cash flow before investments amounted to R\$ 28.5 million, versus a cash generation of R\$ 10.6 million in the 2Q12.

Fixed asset investments amounted to R\$ 59.9 million in the quarter, versus R\$ 49.8 million in the 2Q12, including R\$ 34.9 million in store development, R\$ 17.4 million in existing stores renovation, and R\$ 7.6 million in infrastructure.

We accrued R\$ 16.0 million of interest on equity in the quarter.



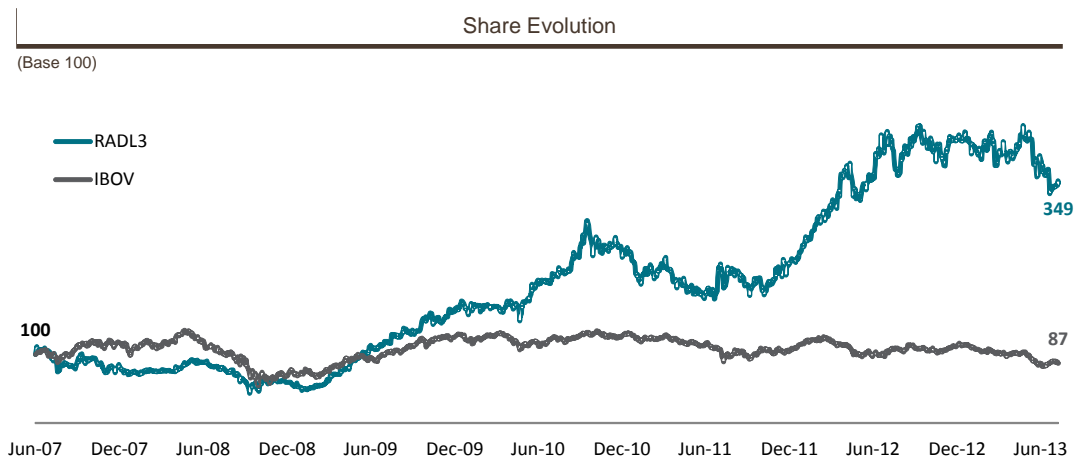
Cash Flow <i>(R\$ million)</i>	2Q13	2Q12
Adjusted EBT	61.4	68.5
(-) Non-Recurring Expenses	(8.1)	(2.7)
(-) Income Tax	(1.0)	(3.5)
(+) Depreciation	39.0	30.4
(-) Other Adjustments	8.3	2.6
Resources from Operations	99.6	95.2
Cash Cycle*	(96.5)	(112.8)
ICMS Recovery	11.7	-
Others	13.7	28.2
Cash Flow Before Investments	28.5	10.6
Investments	(59.9)	(49.8)
Total Cash Flow	(31.4)	(39.2)

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

** Does not include financing cash flow

CAPITAL MARKETS

Considering our share price on August 7th of R\$ 19.55, we have posted a negative return of 15.3% in the year, a superior performance than the IBOVESPA, that was down by 22.2% over the same period. In the 2Q13, our average daily trading volume was of R\$ 22.7 million.





Since the IPO of Drogasil, we achieved a cumulative increase of 249.1% when compared to a negative return of 12.8% of the IBOVESPA over the same period, a compound annual return of 20.6% in the period.

Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 86.6% when compared to a decrease of 30.2% by the IBOVESPA, a compounded annual return of 26.6%. These figures do not include dividends and interest on own capital paid over the period.

Adjusted Income Statement

(R\$ thousand)

	2Q12	2Q13	6M12	6M13
Gross Revenues	1,375,186	1,604,091	2,662,033	3,042,496
Taxes, Discounts and Returns	(52,514)	(54,400)	(103,061)	(104,364)
Net Revenues	1,322,672	1,549,691	2,558,972	2,938,133
Cost of Goods Sold	(935,612)	(1,115,931)	(1,845,397)	(2,122,033)
Gross Profit	387,060	433,760	713,575	816,100
Operational (Expenses) Revenues				
Sales	(241,982)	(289,794)	(466,383)	(561,555)
General and Administrative	(44,832)	(40,495)	(85,585)	(84,908)
Other Operational Expenses, Net				
Operational Expenses	(286,814)	(330,288)	(551,968)	(646,463)
EBITDA	100,246	103,472	161,607	169,637
Depreciation and Amortization	(30,384)	(39,005)	(59,297)	(75,070)
Operational Earnings before Financial Results	69,862	64,467	102,310	94,567
Financial Expenses	(4,549)	(4,888)	(9,426)	(10,512)
Financial Revenues	3,154	1,840	9,845	3,850
Financial Expenses/Revenues	(1,395)	(3,048)	419	(6,662)
Earnings before Income Tax and Social Charges	68,467	61,419	102,729	87,905
Income Tax and Social Charges	(17,339)	(2,785)	(26,781)	(2,785)
Net Income	51,128	58,634	75,947	85,120

Income Statement

(R\$ thousand)

	2Q12	2Q13	6M12	6M13
Gross Revenues	1.375.186	1.604.091	2.662.033	3.042.496
Taxes, Discounts and Returns	(52.514)	(65.122)	(103.061)	(115.085)
Net Revenues	1.322.672	1.538.969	2.558.972	2.927.411
Cost of Goods Sold	(935.612)	(1.115.931)	(1.847.006)	(2.123.432)
Gross Profit	387.060	423.038	711.966	803.979
Operational (Expenses) Revenues				
Sales	(241.654)	(278.613)	(465.370)	(545.273)
General and Administrative	(45.160)	(40.954)	(86.598)	(84.606)
Other Operational Expenses, Net	(2.718)	(8.132)	(9.342)	(18.295)
Operational Expenses	(289.532)	(327.699)	(561.310)	(648.174)
EBITDA	97.528	95.339	150.656	155.805
Depreciation and Amortization	(30.384)	(39.005)	(59.297)	(75.070)
Operational Earnings before Financial Results	67.144	56.334	91.359	80.735
Financial Expenses	(4.550)	(4.888)	(9.427)	(10.513)
Financial Revenues	3.154	1.840	9.845	3.850
Financial Expenses/Revenues	(1.396)	(3.048)	418	(6.663)
Earnings before Income Tax and Social Charges	65.748	53.286	91.777	74.072
Income Tax and Social Charges	(16.415)	(13.016)	(23.058)	(19.523)
Net Income	49.333	40.270	68.719	54.549



Assets	2Q12	2Q13
<i>(R\$ thousand)</i>		
Current Assets		
Cash and Cash Equivalents	124,927	73,557
Accounts Receivable	314,956	355,570
Inventories	900,762	1,008,445
Taxes Receivable	91,496	67,939
Other Accounts Receivable	99,178	118,743
Following Fiscal Year Expenses	14,772	12,876
	<u>1,546,091</u>	<u>1,637,130</u>
Non-Current Assets		
Deposit in Court	9,987	9,851
Taxes Receivable	25,444	10,515
Other Credits	1,042	868
Property, Plant and Equipment	397,236	499,337
Intangible	1,128,613	1,158,418
	<u>1,562,322</u>	<u>1,678,989</u>
ASSETS	<u>3,108,413</u>	<u>3,316,119</u>

Liabilities and Shareholder's Equity <i>(R\$ thousand)</i>	2Q12	2Q13
Current		
Suppliers	409,832	489,390
Loans and Financing	64,443	71,246
Salaries and Social Charges Payable	105,472	111,195
Taxes Payable	49,165	45,408
Dividend and Interest on Equity	22,599	17,317
Provision for Lawsuits	2,192	4,618
Other Accounts Payable	54,617	67,931
	<u>708,320</u>	<u>807,105</u>
Non-Current Assets		
Loans and Financing	99,583	121,620
Provision for Lawsuits	4,585	8,936
Income Tax and Social Charges deferred	53,174	80,302
Other Accounts Payable	7,965	6,407
	<u>165,307</u>	<u>217,265</u>
Shareholder's Equity		
Common Stock	908,639	908,639
Capital Reserves	1,039,935	1,039,935
Revaluation Reserve	13,224	13,034
Income Reserves	229,537	294,721
Accrued Income	43,451	35,420
	<u>2,234,786</u>	<u>2,291,749</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,108,413</u>	<u>3,316,119</u>



	2Q12	2Q13	6M12	6M13
Cash Flow				
Earnings before Income Tax and Social Charges	65,748	53,286	91,778	74,072
Adjustments				
Depreciations and Amortization	30,384	39,005	59,297	75,070
P,P&E and Intangible Assets residual value	747	1,079	995	1,938
Provisioned Lawsuits	1,269	997	572	2,215
Provisioned Inventories Loss	578	6,453	1,676	9,650
Allowance for Doubtful Accounts	(31)	(258)	973	(777)
Interest Expenses	3,747	4,319	8,033	8,789
	102,442	104,881	163,324	170,957
Assets and Liabilities variation				
Accounts Receivable	(36,149)	(21,957)	(47,924)	(20,958)
Inventories	9,273	(107,431)	(87,462)	(44,700)
Other Short Term Assets	24,928	15,847	(748)	22,221
Long Term Assets	(10,262)	318	7,590	5,810
Suppliers	(85,891)	32,926	(126,536)	(86,197)
Salaries and Social Charges	20,128	17,927	13,013	18,297
Taxes Payable	(2,527)	4,622	(1,057)	2,040
Other Liabilities	(5,454)	(15,079)	(23,552)	(22,129)
Rent Payable	1,350	1,790	1,788	2,935
Cash from Operations	17,838	33,844	(101,564)	48,276
Income Tax and Social Charges Paid	(3,533)	(978)	(6,179)	(8,711)
Net Cash from (invested) Operational Activities	14,305	32,866	(107,743)	39,565
Investment Activities Cash Flow				
P,P&E and Intangible Acquisitions	(50,951)	(60,092)	(89,496)	(112,084)
P,P&E Sale Payments	1,152	154	1,153	197
Net Cash from Investment Activities	(49,799)	(59,938)	(88,343)	(111,887)
Financing Activities Cash Flow				
Funding	16,236		26,562	26,121
Payments	(10,158)	(10,857)	(25,650)	(27,688)
Interest Paid	(2,457)	(2,533)	(7,229)	(6,529)
Interest on Equity and Dividends Paid	(12,641)	(12,989)	(12,641)	(12,988)
Net Cash from Funding Activities	(9,020)	(26,379)	(18,958)	(21,084)
Cash and Cash Equivalents net increase	(44,514)	(53,451)	(215,044)	(93,406)
Cash and Cash Equivalents in the beginning of the period	169,441	127,008	339,971	166,963
Cash and Cash Equivalents in the end of the period	124,927	73,557	124,927	73,557



2Q13 Results Schedule

RaiaDrogasil will disclose its results for the 2Q13 on August 8th, 2013, after BM&FBovespa's trading hours.

Conference Calls – August 9th, 2013

Portuguese

at 10:00 am (Brasília) / 9:00 am (US ET)

Dial in access:
+55 (11) 3127-4971
Conference ID: RaiaDrogasil

Replay (available 'til 8/15/13):
+55 (11) 3127-4999
Replay ID: 10777609

English

at 12:00 pm (Brasília) / 11:00 am (US ET)

Dial in access:
+1 (412) 317-6776
Conference ID: RaiaDrogasil

Replay (available 'til 8/15/13):
+1 (412) 317-0088
Replay ID: 10031602

Live broadcast through the internet at: www.raiadrogasil.com.br

Quiet Period: According to best Corporate Governance Practices, we will be in quiet period from July 24th, 2013 to August 9th, 2013, after the Conference call.

For more information, please contact our Investor Relations department.

E-mail: ri@raiadrogasil.com.br