

Earnings Presentation – 2Q14

August 8th, 2014



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Highlights of the Quarter



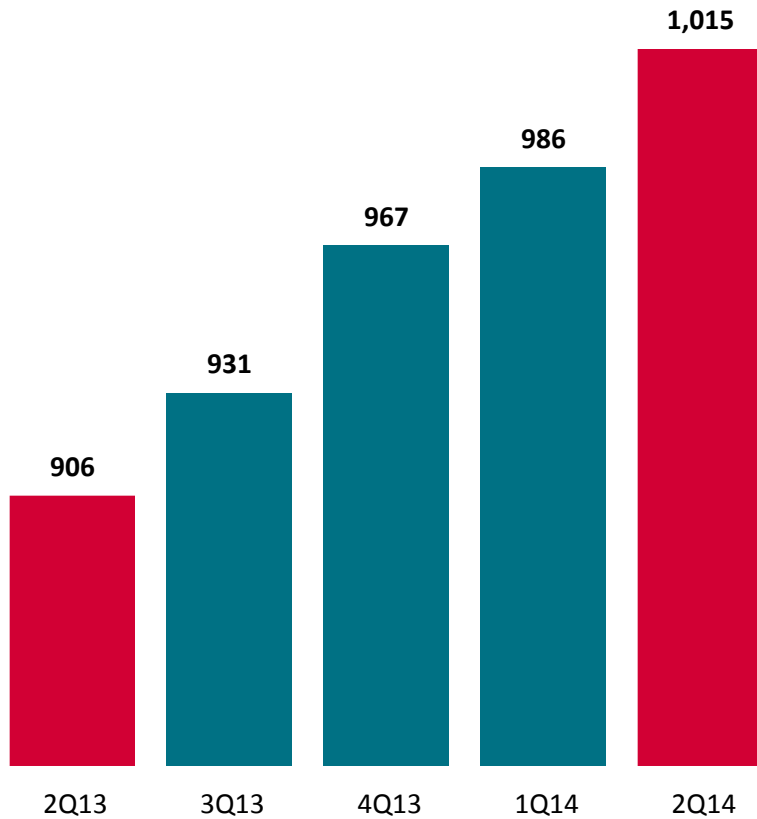
- **Drugstores:** 1,015 stores in operation (29 openings and two closures)
- **Gross Revenues:** R\$ 1.9 billion, 15.7% of growth (8.9% for same-store sales)
- **Gross Margin:** 28.1% of gross revenues, a 1.1 percentage point margin increase
- **Adjusted EBITDA:** R\$ 131.3 million, an EBITDA margin of 7.1% and an increase of 26.9%
- **Adjusted Net Income:** R\$ 73.8 million, a net margin of 4.0% and an increase of 26.0%
- **Cash Flow:** R\$ 51.5 million positive free cash flow, R\$ 19.5 million total cash flow





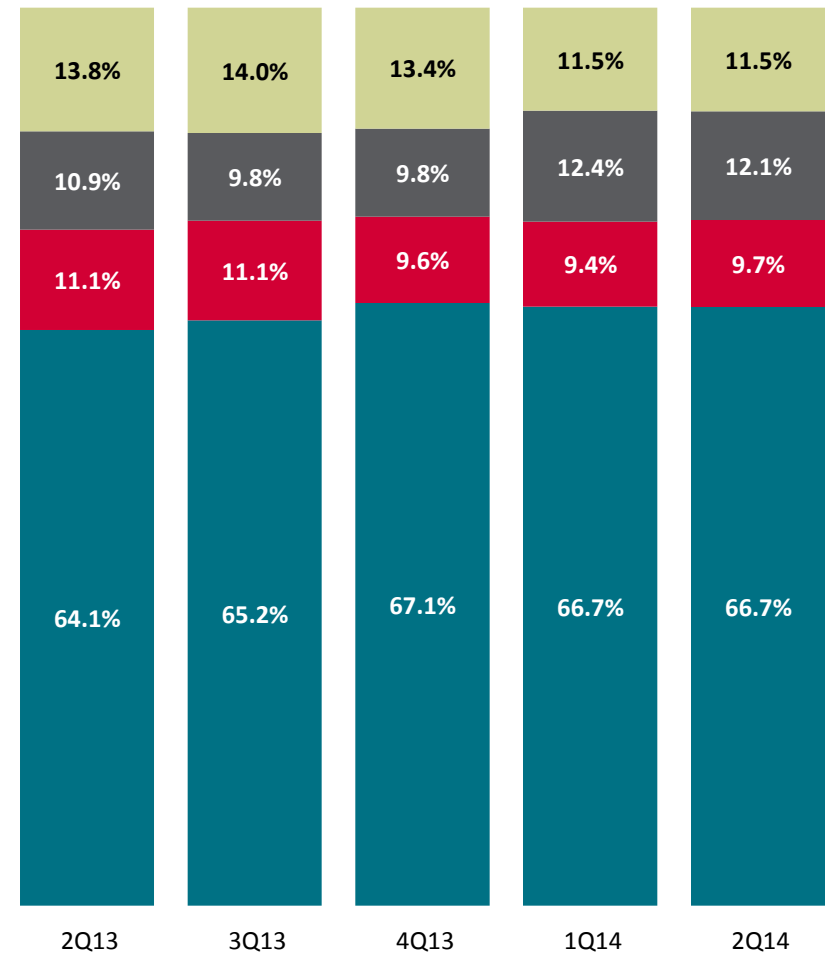
We opened 29 stores, closed 2 and reopened another 2 suspended stores. At the end of the quarter, 33.3% of stores were still undergoing maturation.

Store Count*



Age Structure of Store Portfolio

■ MATURE ■ YEAR 3 ■ YEAR 2 ■ YEAR 1



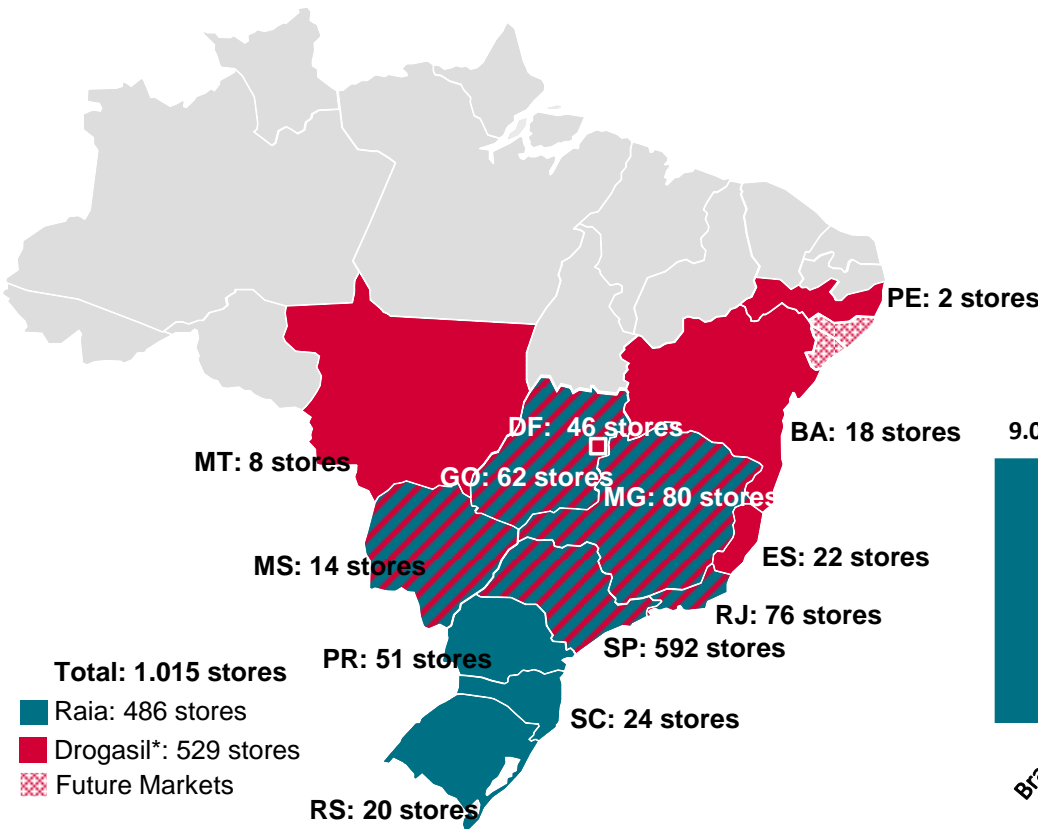
	2Q13	3Q13	4Q13	1Q14	2Q14
Opened	25	29	41	18	29
Closed	(10)	(6)	(4)	(1)	(2)
Reopenings/(Suspensions)	(4)	2	(1)	2	2

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

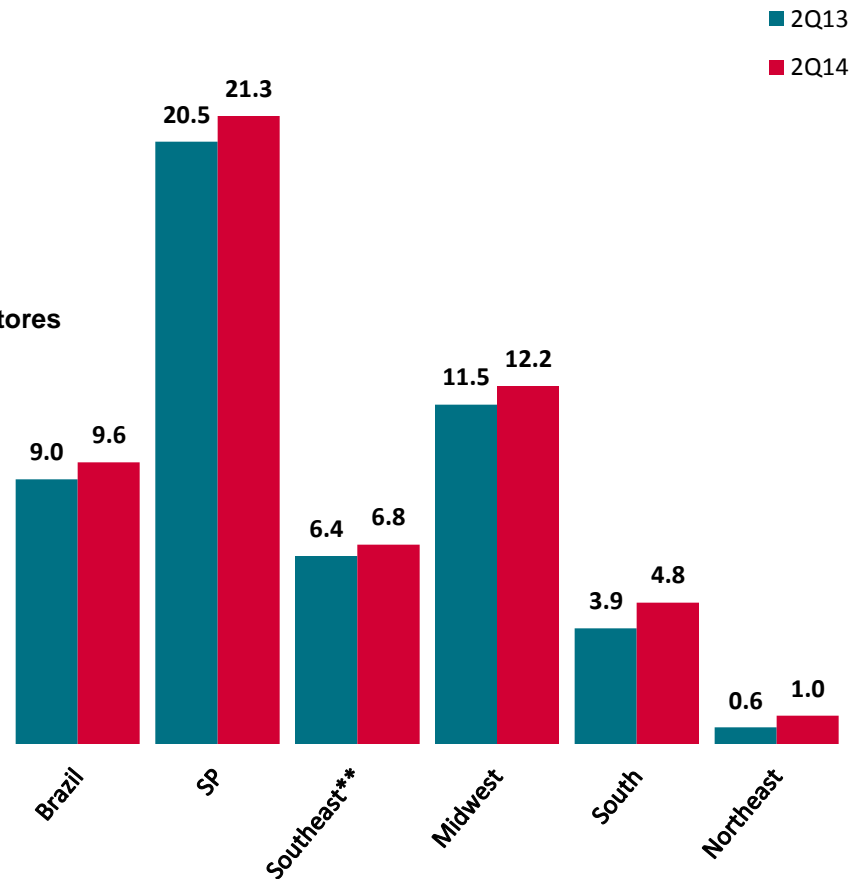


Comparable share increased by 0.6 p.p., with growth in all markets. Became the only Brazilian drug chain to reach the milestone of more than 1,000 stores in operation.

Geographic Presence



Market Share (June '14)***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (JUNE '14)

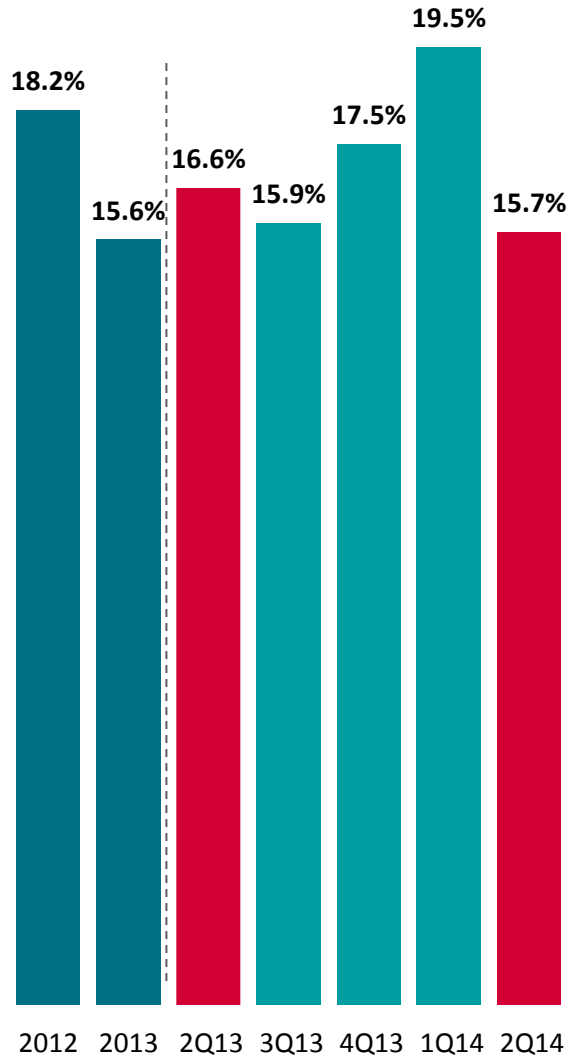
Region	Brazil	SP	Southeast**	Midwest	South	Northeast
Market Share (%)	100.0%	27.2%	24.1%	9.1%	16.6%	18.1%

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 9.3%

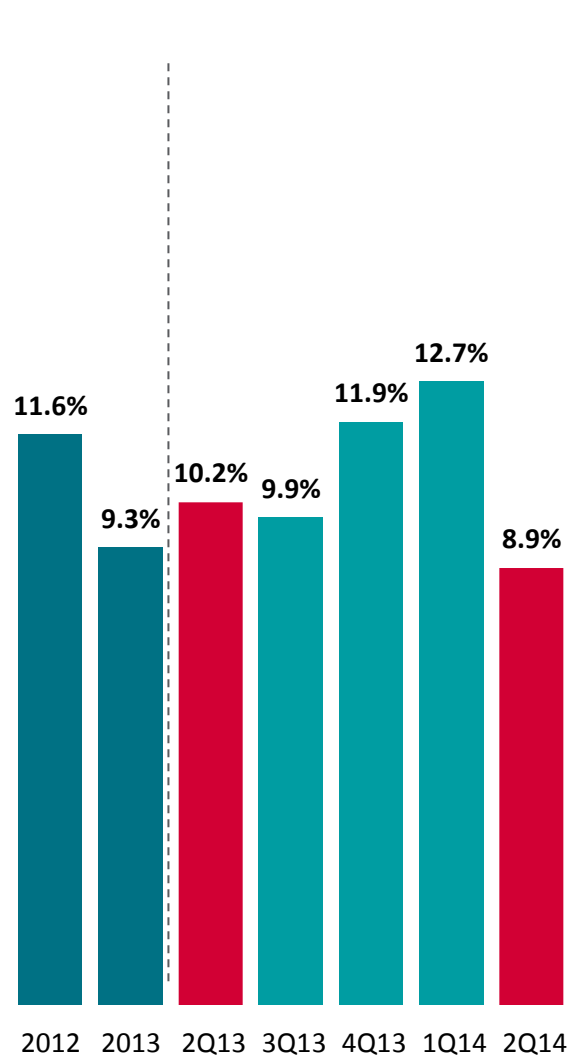


Revenues increased by 15.7%, with 8.9% for same stores and 4.2% for mature stores, driven by the calendar (-0.8%), World Cup (-1.3%) and the 2Q13 demonstrations (+0.8).

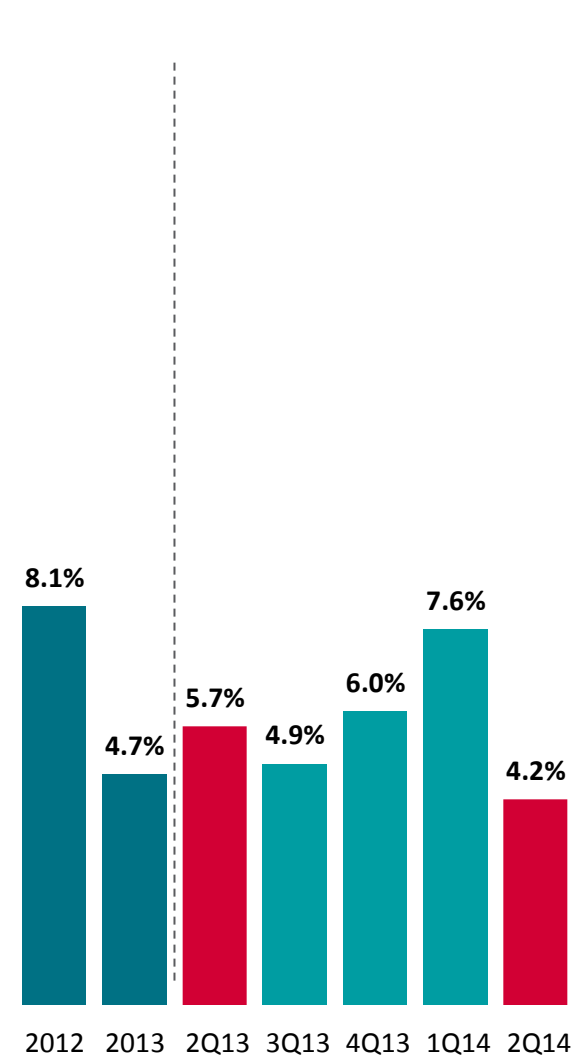
Growth – Total Sales



Growth – Same Store Sales



Growth – Mature Stores

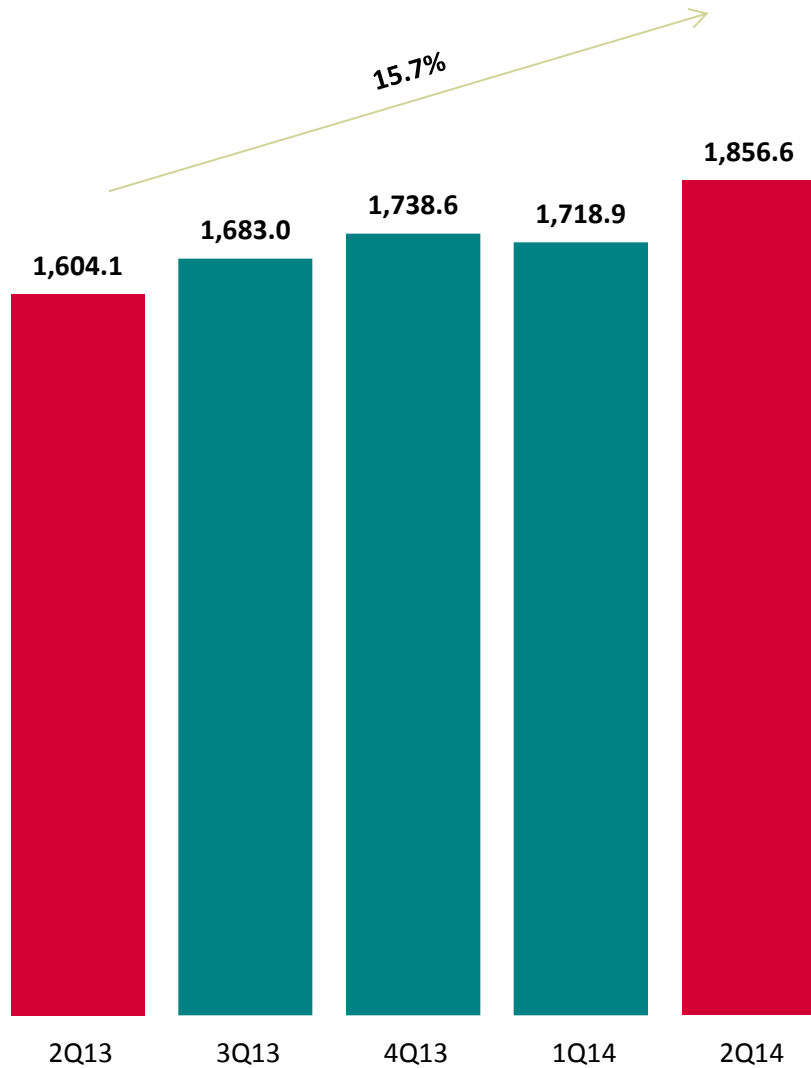




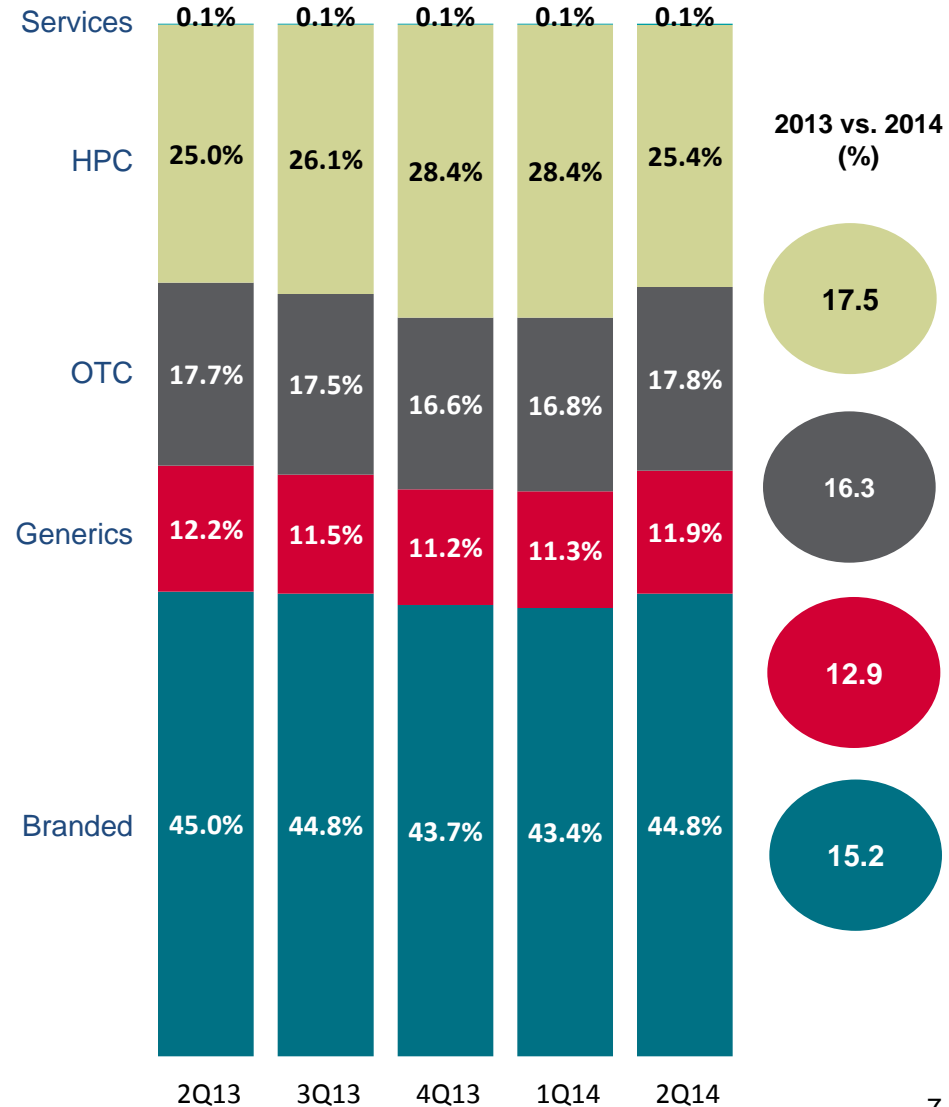
HPC and OTC were the highlights of the quarter by growing 17.5% and 16.3%, respectively. Generics lost 0.3 p.p. versus the 2Q13 due to a lack of new launches.

Gross Revenues

(R\$ million)



Sales Mix

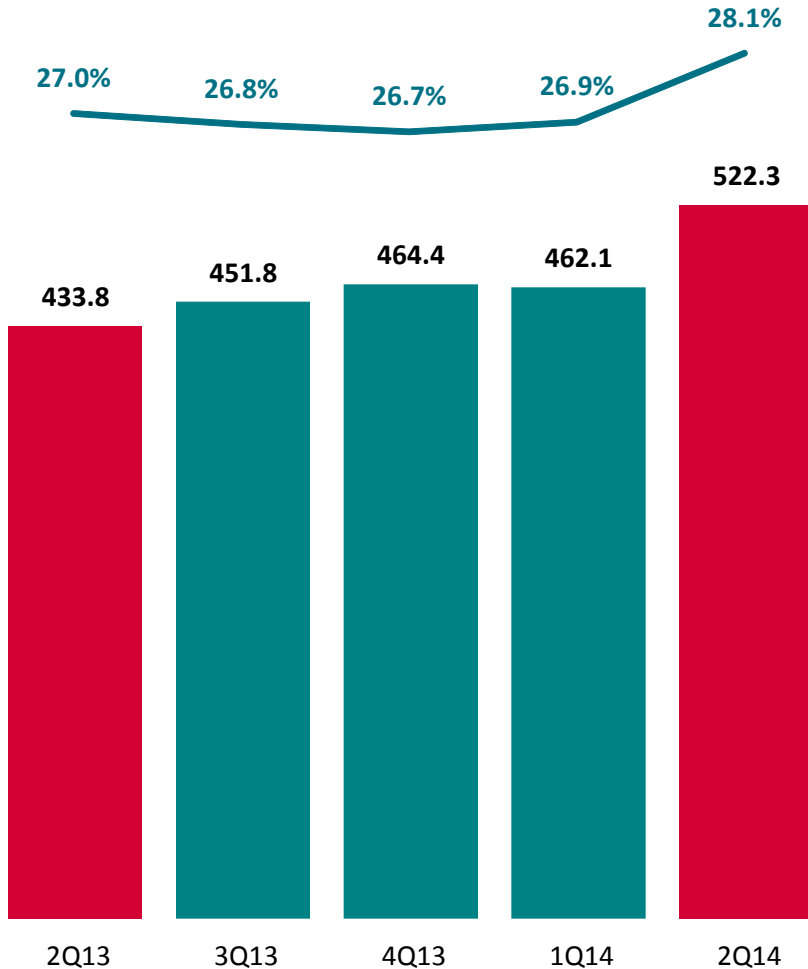




Gross margins increased by 1.1% driven by taxes (0.4 p.p.), by weaker comp base (0.4 p.p.) and by other improvements (0.3 p.p.). Cash cycle decreased by 2.9 days*.

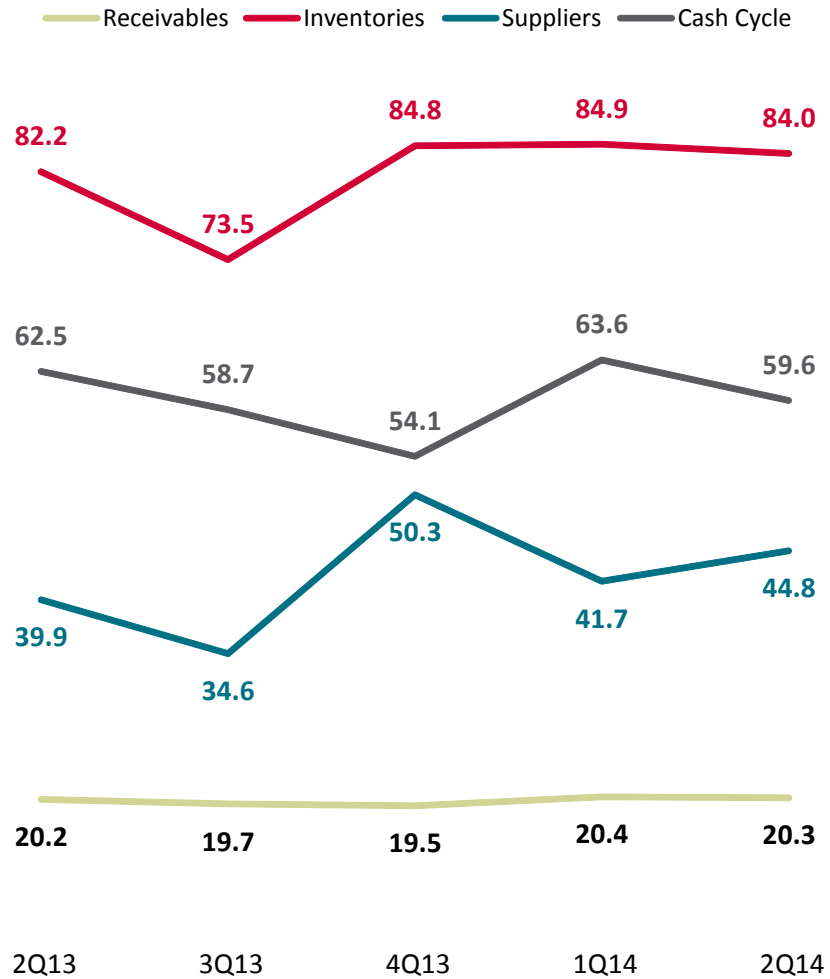
Gross Margin

(R\$ million, % of Gross Revenues)



Cash Cycle

(COGS Days, Gross Revenues Days)



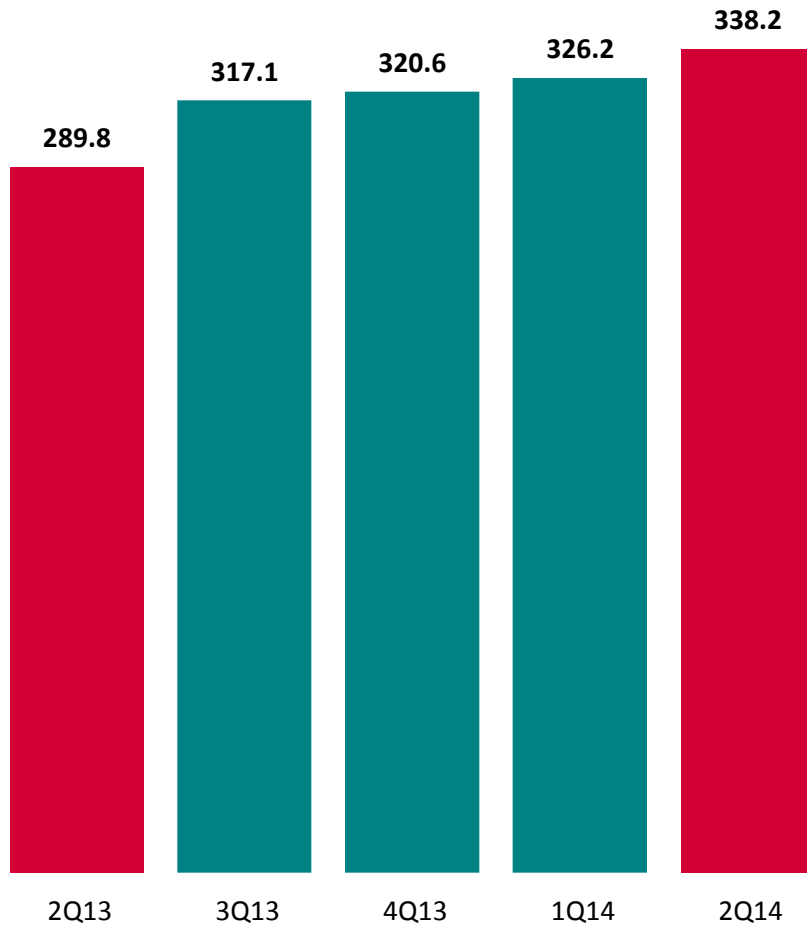
* Reduction of 8 days when adjusted for discounted receivables in the 2Q13 (0.6 day) and taxes on inventories in the 2Q14 (4.5 days)

Sales expenses increased by 0.1 p.p. Rental pressure (0.2) was mitigated by labor dilution (0.1). Lower social charges in 2Q13 offset by less pressure from new stores (0.2 p.p.).



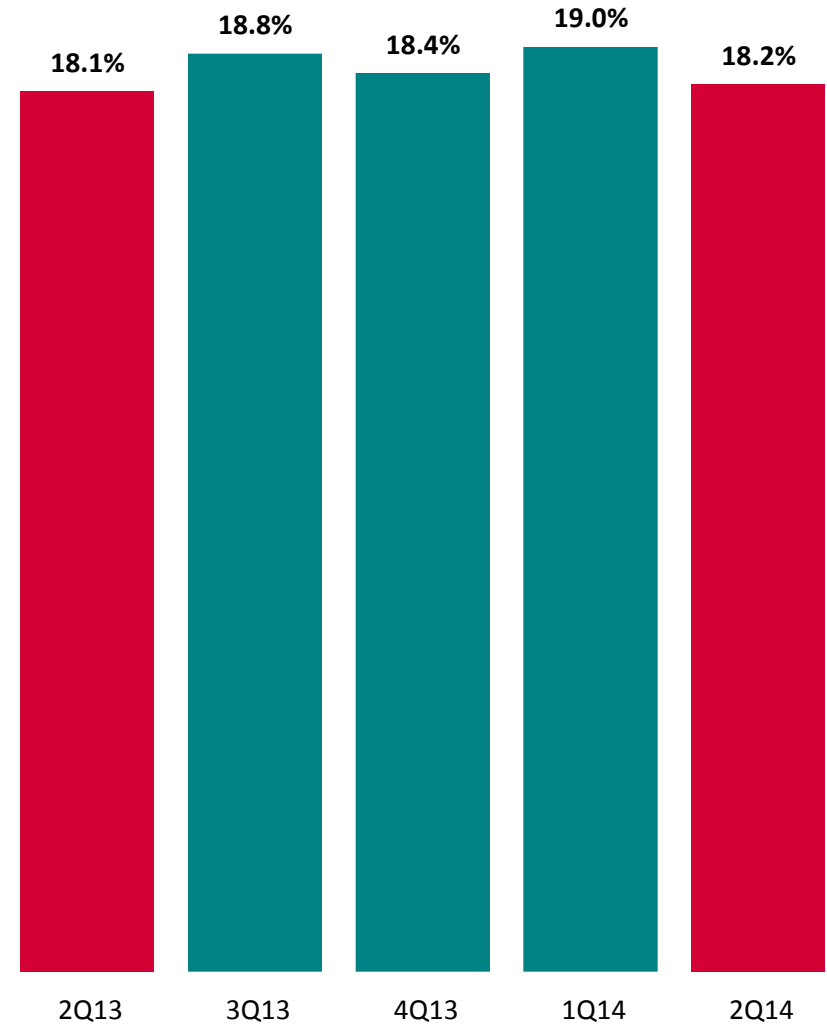
Sales Expenses

(R\$ million)



Sales Expenses

(% of Gross Revenues)

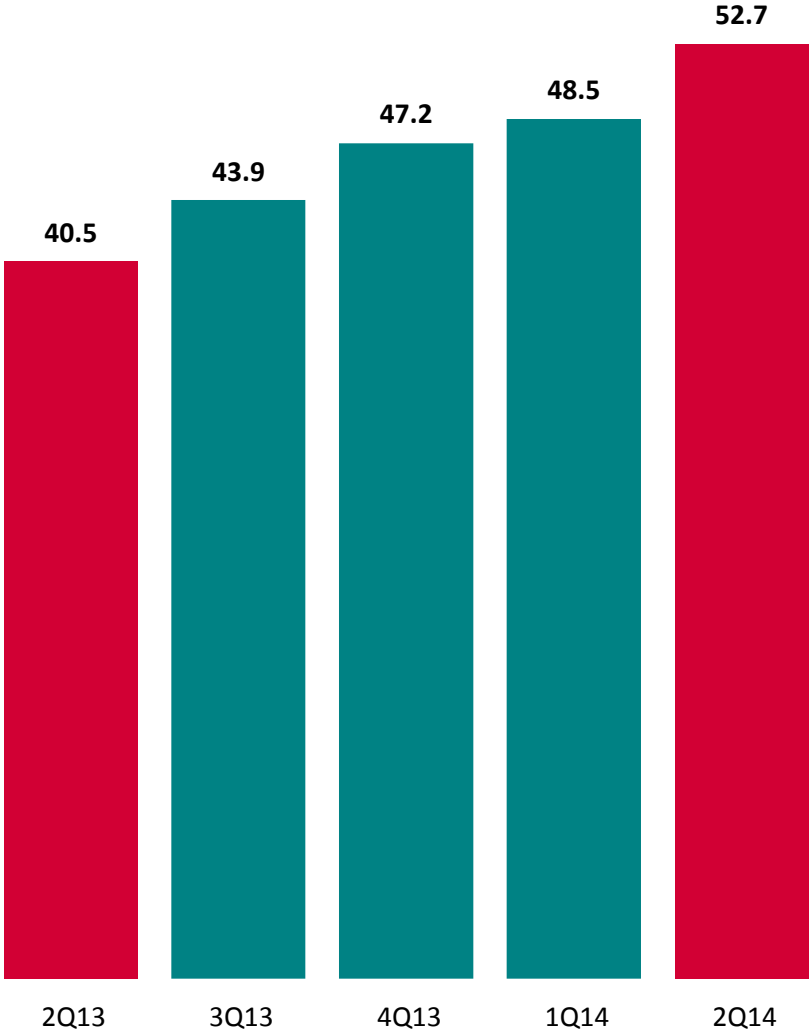




Administrative expenses increased by 0.3 p.p. due to a higher variable compensation allowance (0.5%), which was partially offset by a dilution in personnel expenses (0.2%).

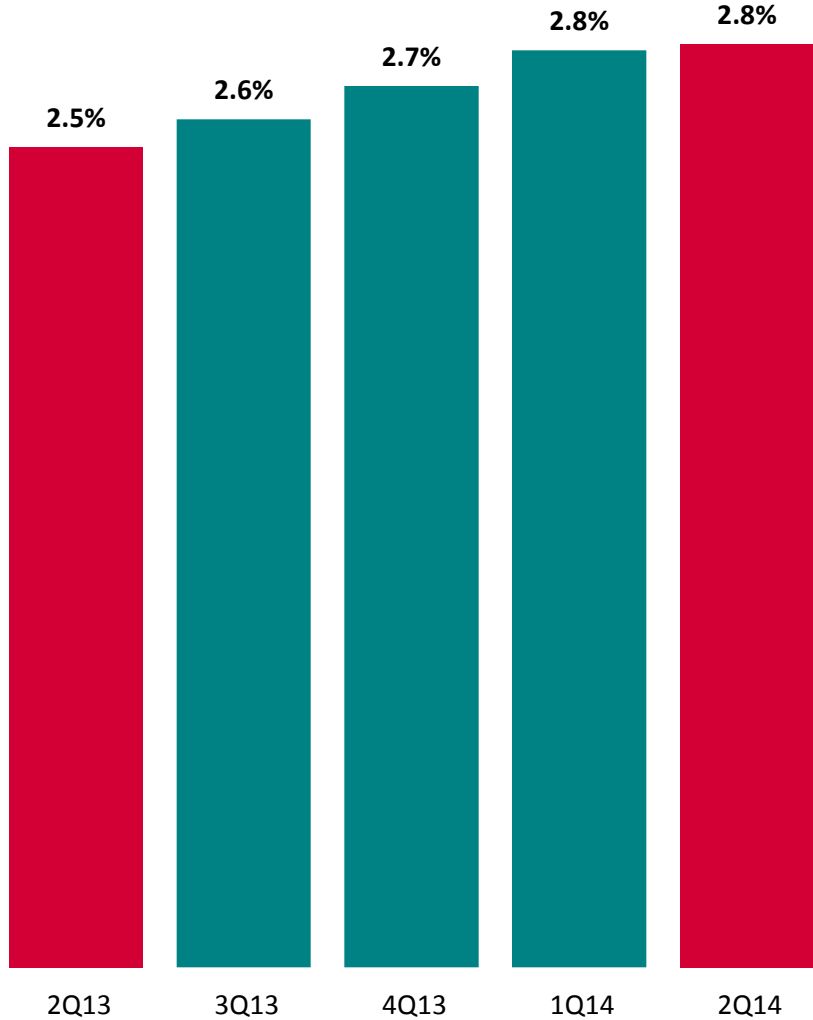
General and Administrative Expenses

(R\$ million)



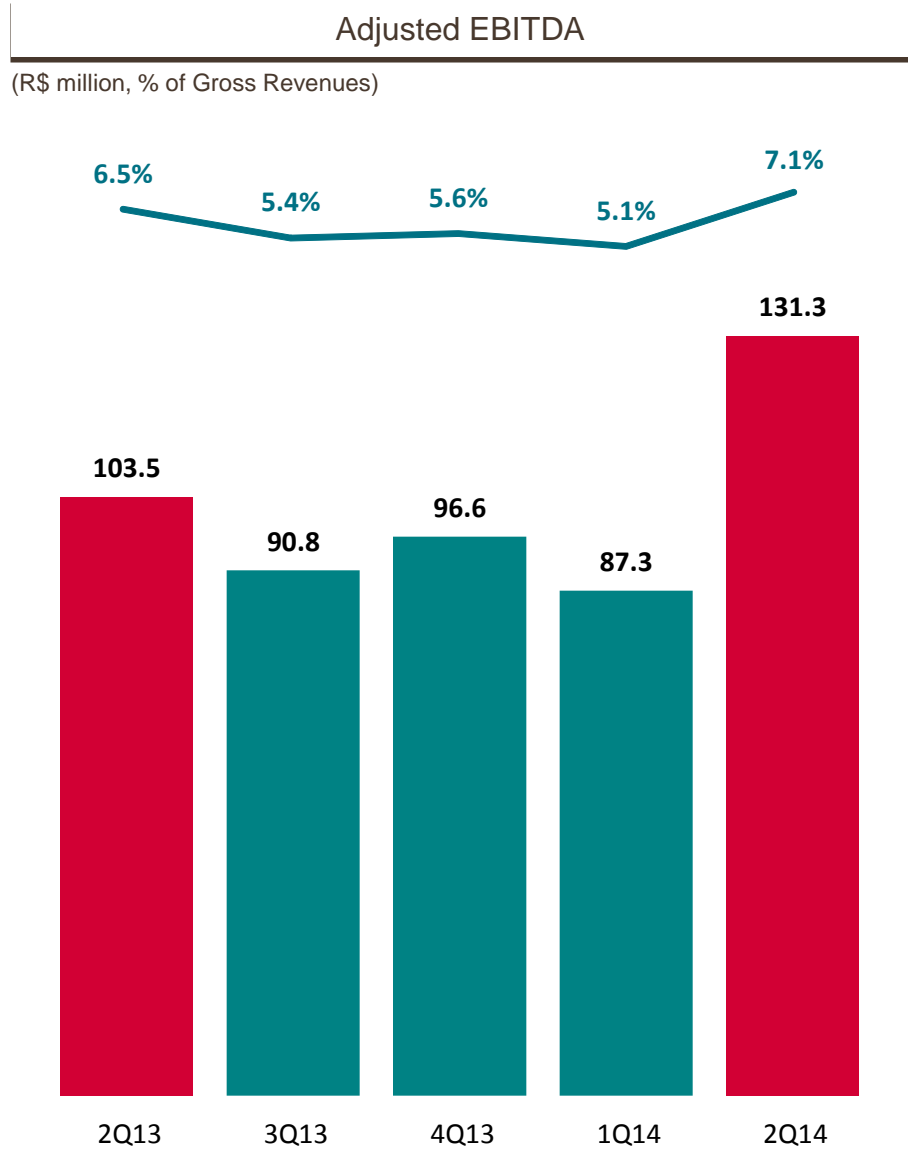
General and Administrative Expenses

(% of Gross Revenues)





EBITDA increased by 26.9% with a margin expansion of 0.6 percentage point. Gross margin increase (1.1 p.p.) was partially offset by higher operating expenses (0.5 p.p.).



968* stores operating since 4Q13:
(performance in the 2Q14)

- R\$ 1.8 billion of Gross Revenues
- R\$ 138.8 million of EBITDA
- EBITDA margin of 7.6%

* 967 stores at year-end, less three stores closed and plus four net reopenings

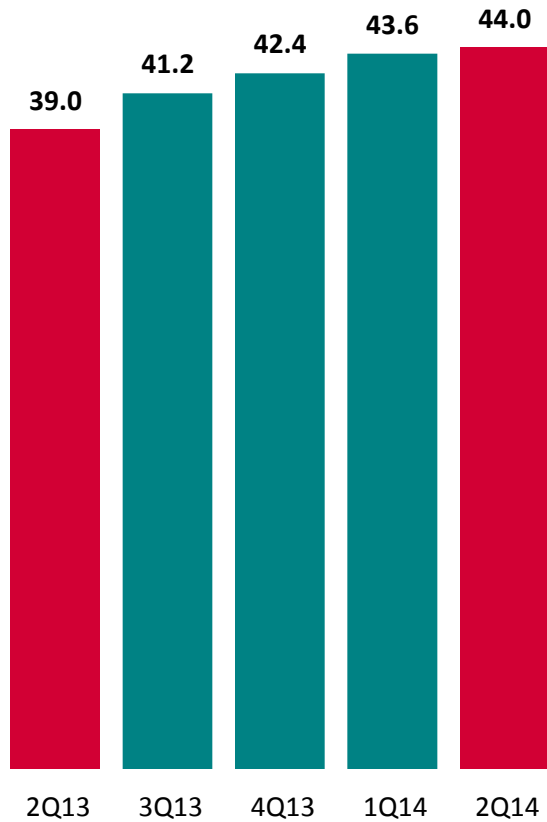


The higher EBITDA (0.6%) and a reduction in net financial expenses (0.1%) more than absorbed the tax increase from the better operating performance (0.4%).

Depreciation

(R\$ million, % of Gross Revenues)

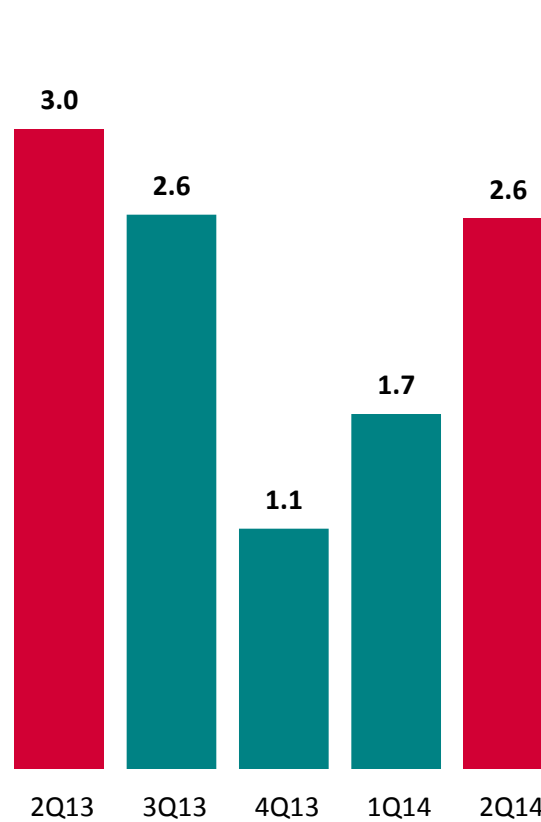
2.4% 2.4% 2.4% 2.5% 2.4%



Net Financial Expenses

(R\$ million, % of Gross Revenues)

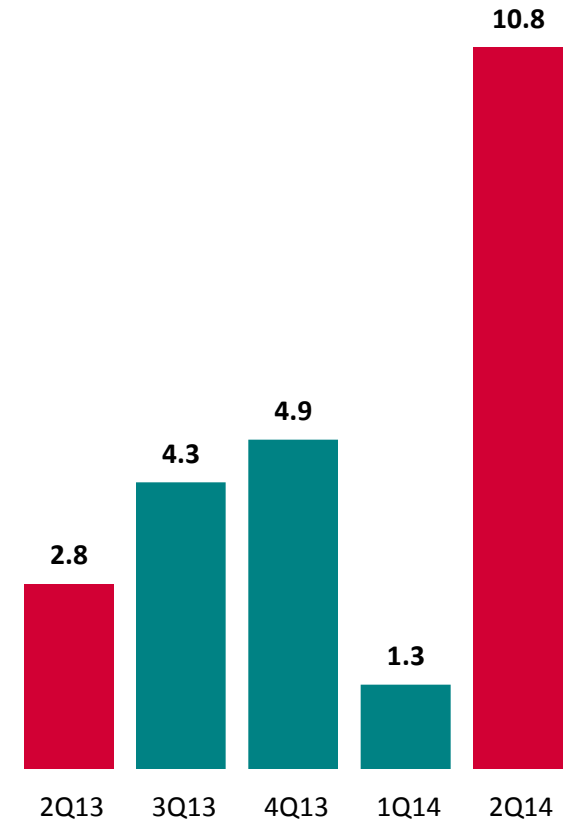
0.2% 0.2% 0.1% 0.1% 0.1%



Taxes Accrued

(R\$ million, % of Gross Revenues)

0.2% 0.3% 0.3% 0.1% 0.6%

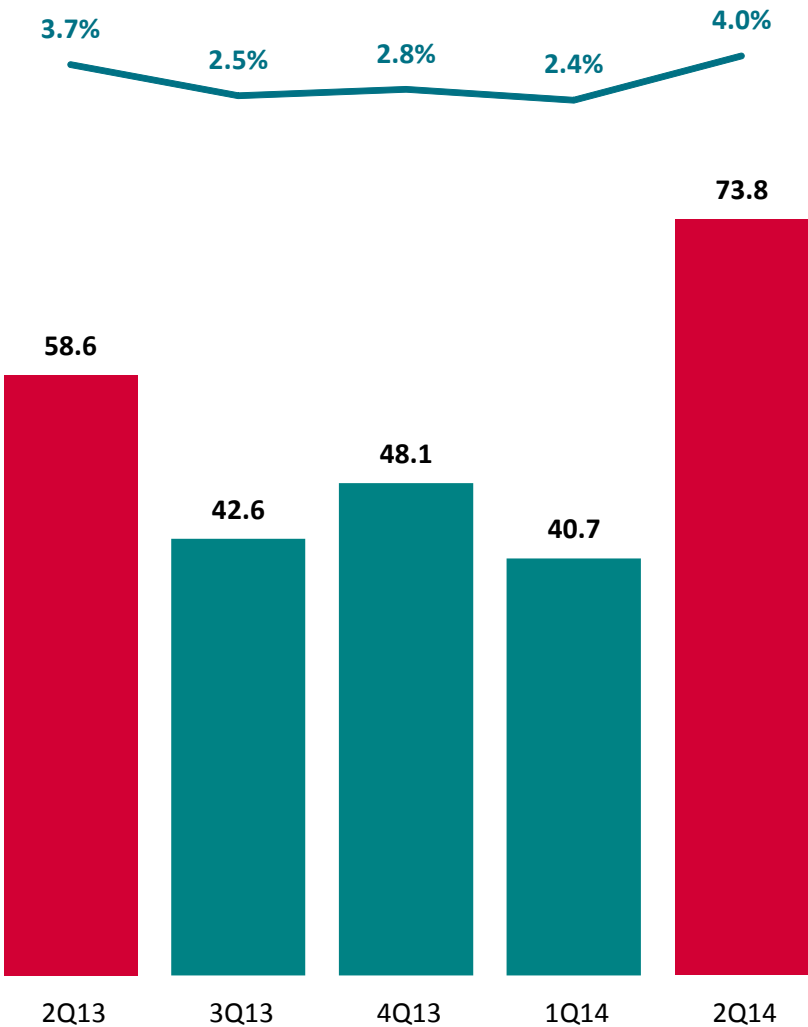




Adjusted net income increased by 26.0%, with a margin expansion of 0.3 p.p. Non-recurring expenses amounted to R\$ 1.5 MM in the quarter.

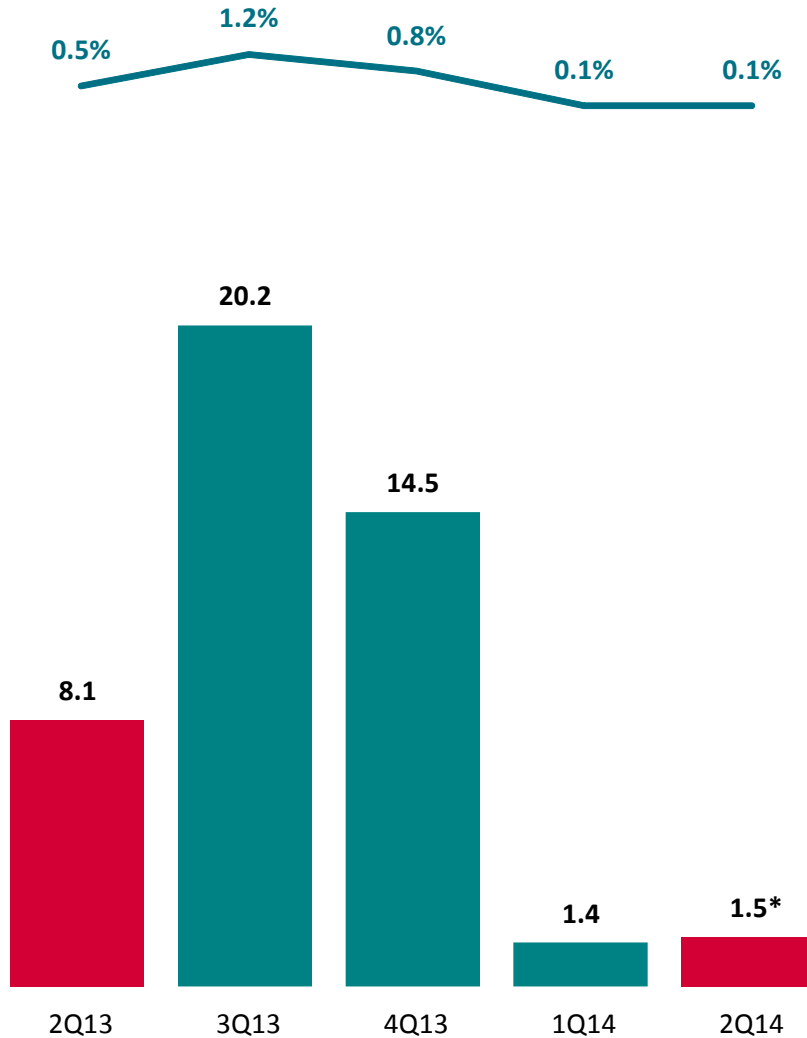
Adjusted Net Income

(R\$ million, % of Gross Revenues)



Non-Recurring Expenses

(R\$ million, % of Gross Revenues)



* Includes R\$ 1.1MM of Consulting expenses and R\$ 0.4MM of other non-recurring expenses



Positive free cash flow of R\$ 51.5 MM and total cash flow of R\$ 19.5 MM in the quarter, reflecting strong operating results. Share buybacks totaled R\$ 20.9 MM.

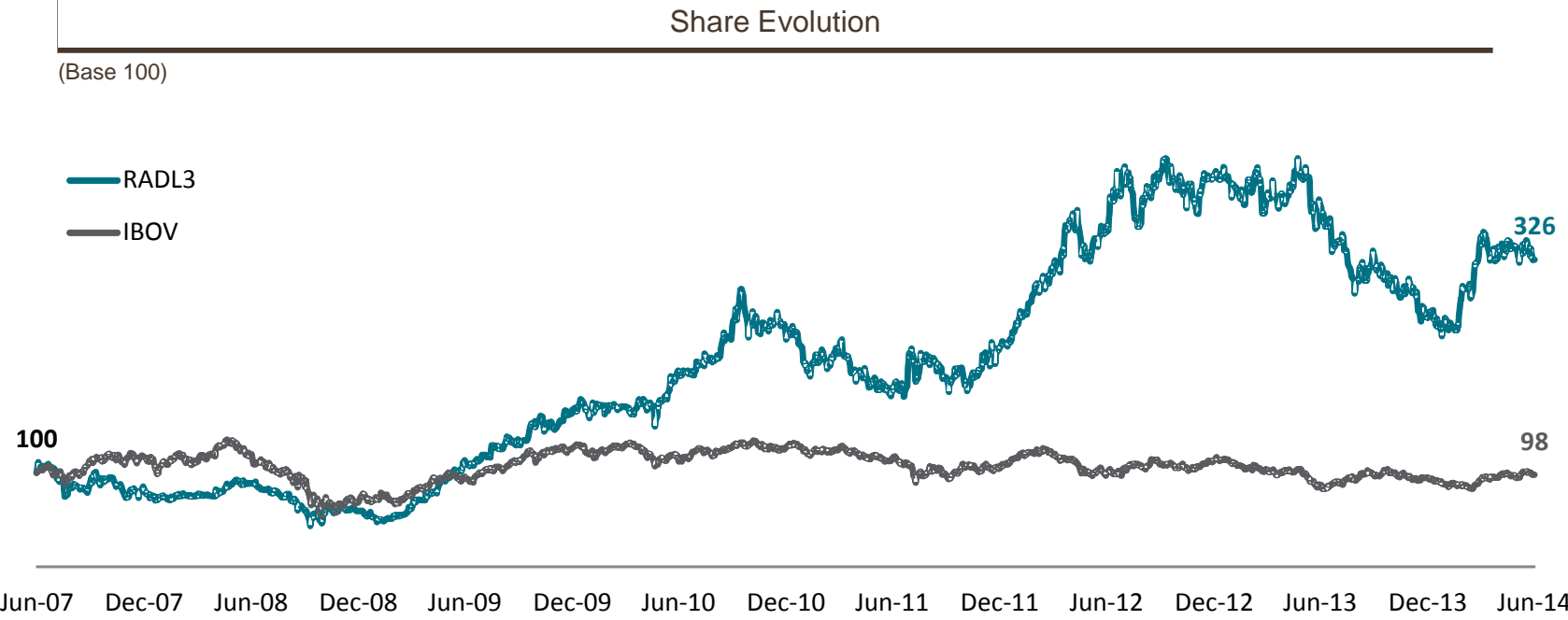
Cash Flow <i>(R\$ million)</i>	2Q14	2Q13	6M14	6M13
Adjusted EBIT	87.3	64.5	131.0	94.6
Non-Recurring Expenses	(1.5)	(8.1)	(2.9)	(13.8)
Income Tax (34%)	(29.2)	(19.2)	(43.5)	(27.4)
Taxshield from Goodwill Amortization	10.7	4.0	21.4	7.6
Depreciation	44.0	39.0	87.7	75.1
Others	8.8	16.0	2.3	15.4
Resources from Operations	120.1	96.2	195.9	151.3
Cash Cycle*	(13.8)	(96.5)	(142.9)	(151.9)
Discounted Receivables	-	23.6	-	(10.9)
Other Assets (Liabilities)	15.4	25.4	2.2	29.2
Operating Cash Flow	121.8	48.7	55.3	17.7
Investments	(70.3)	(59.9)	(122.8)	(111.9)
Free Cash Flow	51.5	(11.2)	(67.5)	(94.2)
Interest on Equity	(16.6)	(13.0)	(17.0)	(13.0)
Net Financial Expenses	(2.6)	(3.0)	(4.3)	(6.7)
Share Buyback	(20.9)	-	(20.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	8.1	6.5	11.3	8.9
Total Cash Flow	19.5	(20.8)	(98.3)	(105.0)

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

** Does not include financing cash flow



We ended the quarter with a share price of R\$ 18.24, a YTD increase of 23.4% versus an IBOVESPA increase of 3.2% in the same period.



Number of Shares (thousand)	330,386
Stock Quote - June 30 th (R\$)	18.24
Market Cap (R\$ billion)	6.0
Average Trading Volume 2Q14 (R\$ million)	18.6