

**Leading the Consolidation of the
Drugstore Industry in Brazil**

June, 2015

Disclaimer

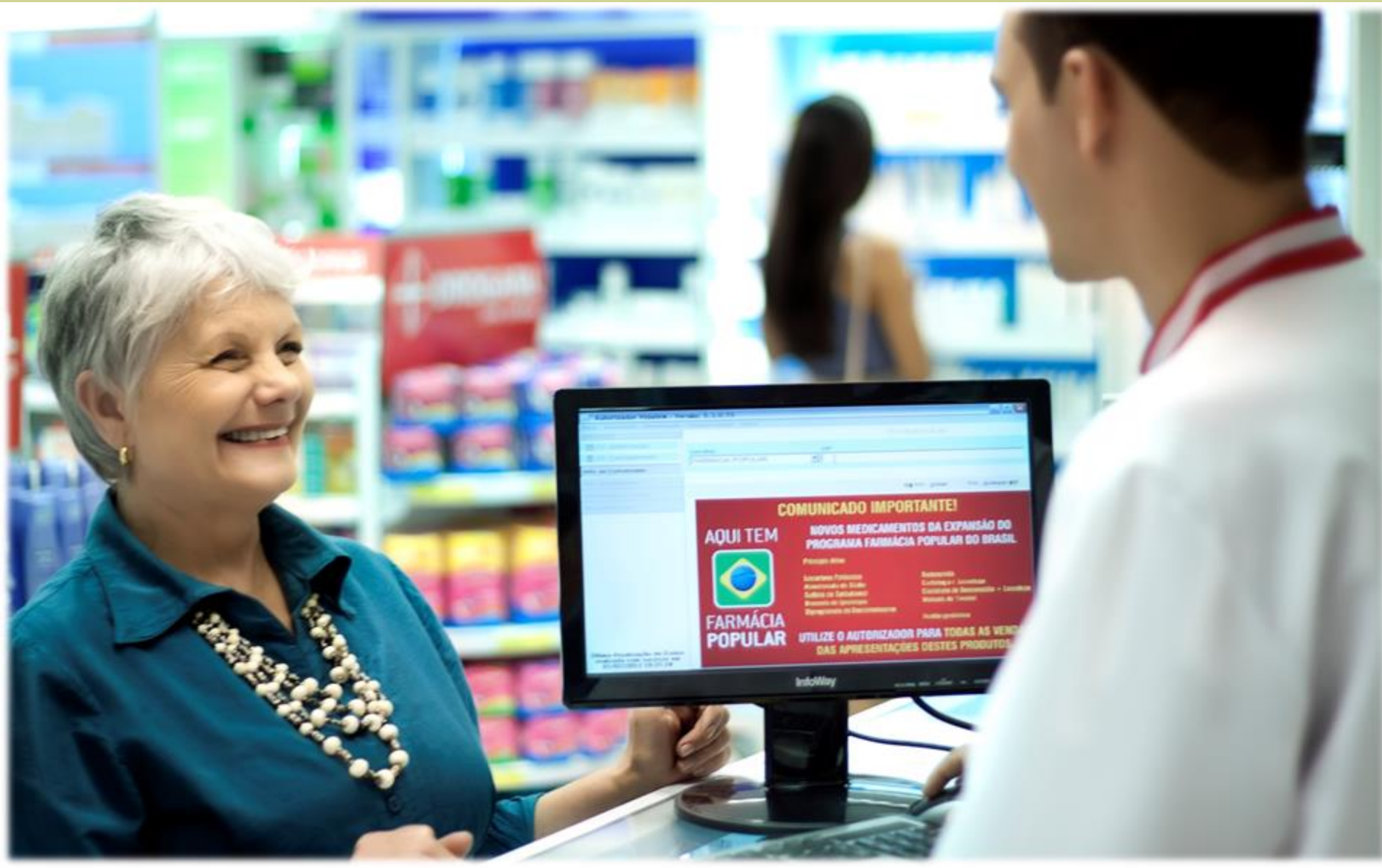


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RaiaDrogasil – Company Highlights





- Brazil's largest drugstore chain and 8th largest retailer: R\$ 8.0 billion in revenues, R\$ 598.0 MM of EBITDA and R\$ 310.7 MM of adjusted net income (LTM March 2015);
- Merger between Raia S.A. and Drogasil S.A., two leading Brazilian drugstore chains with 190 years of combined history, with shared control by shareholders who are members of the founding families;
- Over 1,100 stores in 17 states of Brazil, which represent 89% of the Brazilian pharmaceutical market, and a national market share of 10%. Entered 5 new Northeastern states in 2014 (PE, AL, SE, PB and RN);
- Differentiated business model based on two iconic retail brands, with strong brand awareness and complementary brand identities;
- Unique growth track record in the Brazilian drugstore industry: more than doubling our store base since the end of 2008 while relying on organic growth.



Our Belief: PHARMACY IS HEALTH AND BEAUTY FOR A LIFETIME



**Our Vision: LEADING THE CONSOLIDATION OF THE
DRUGSTORE INDUSTRY IN BRAZIL**

Largest Drugstore Chain and the 8th Largest Retailer in Brazil



	Brazil Ranking		Gross Rev. (billion)	Stores	EBITDA (million)
1 st	RaiaDrogasil		R\$ 7.7 +18%	1,091 +13%	R\$ 539.7 +49%
2 nd	DPSPsa		R\$ 6.4 +13%	953 +19%	R\$ 416.0 +20%
3 rd	FARMÁCIAS Pague Menos DRUGSTORE		R\$ 4.4 +18%	738 +14%	R\$ 332.3 +27%
4 th	pharma⁺		R\$ 3.8 +8%	727 -1%	(R\$ 252.0) -267%

	Retail Ranking		Gross Rev. (billion)	Stores
1 st	GPA		R\$ 72.8 +13%	2,143 +7%
2 nd	Carrefour		R\$ 38.0 +12%	250 +4%
3 rd	Walmart		R\$ 29.7 +4%	544 0%
4 th	LOJAS AMERICANAS		R\$ 18.5 +20%	952 +14%
5 th	magazineluiza		R\$ 11.5 +20%	756 +2%
6 th *	Máquina de Vendas Brasil		R\$ 10.1 +11%	1,100 +4%
7 th	cencosud		R\$ 9.1 -7%	220 0%
8 th	RaiaDrogasil		R\$ 7.7 +18%	1,091 +13%
9 th	makro		R\$ 7.6 +3%	78 0%

Source: Ranking Supermercado Moderno, Companies, 2014.
Only considers retailers which operate with own stores.

* Estimates

Unique Track Record of Accelerated Organic Growth with Margin Expansion

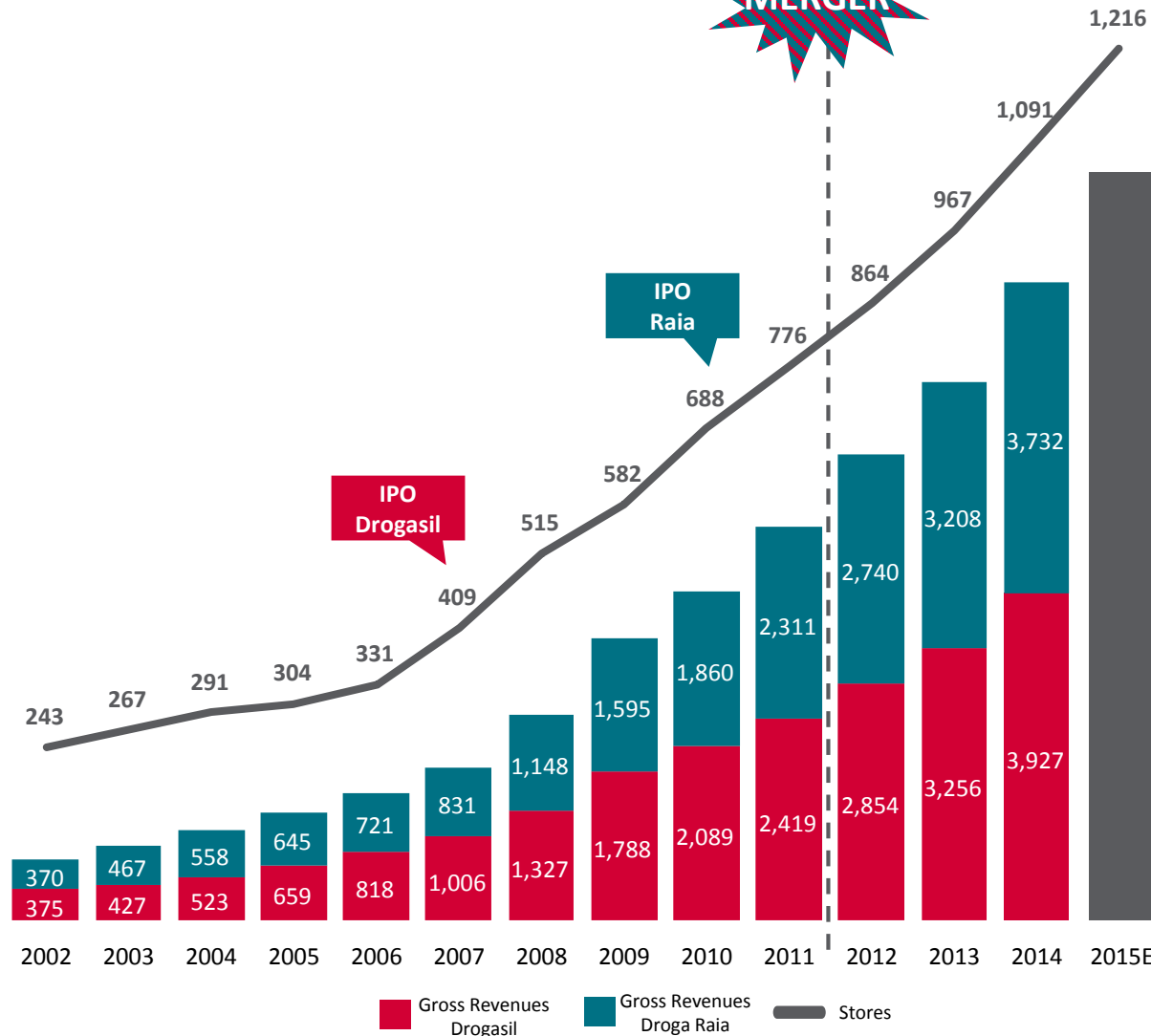
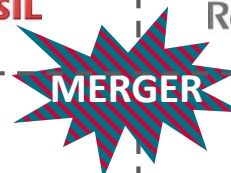


Gross Revenues & Store Count

(R\$ million, Units)

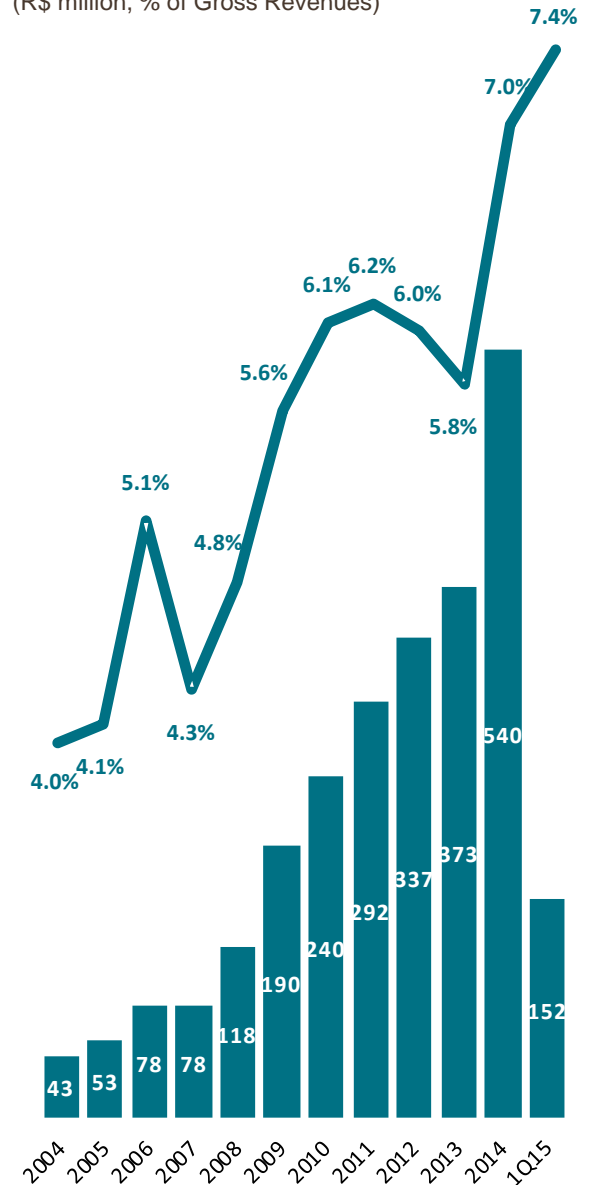


RaiaDrogasil



Adjusted EBITDA

(R\$ million, % of Gross Revenues)

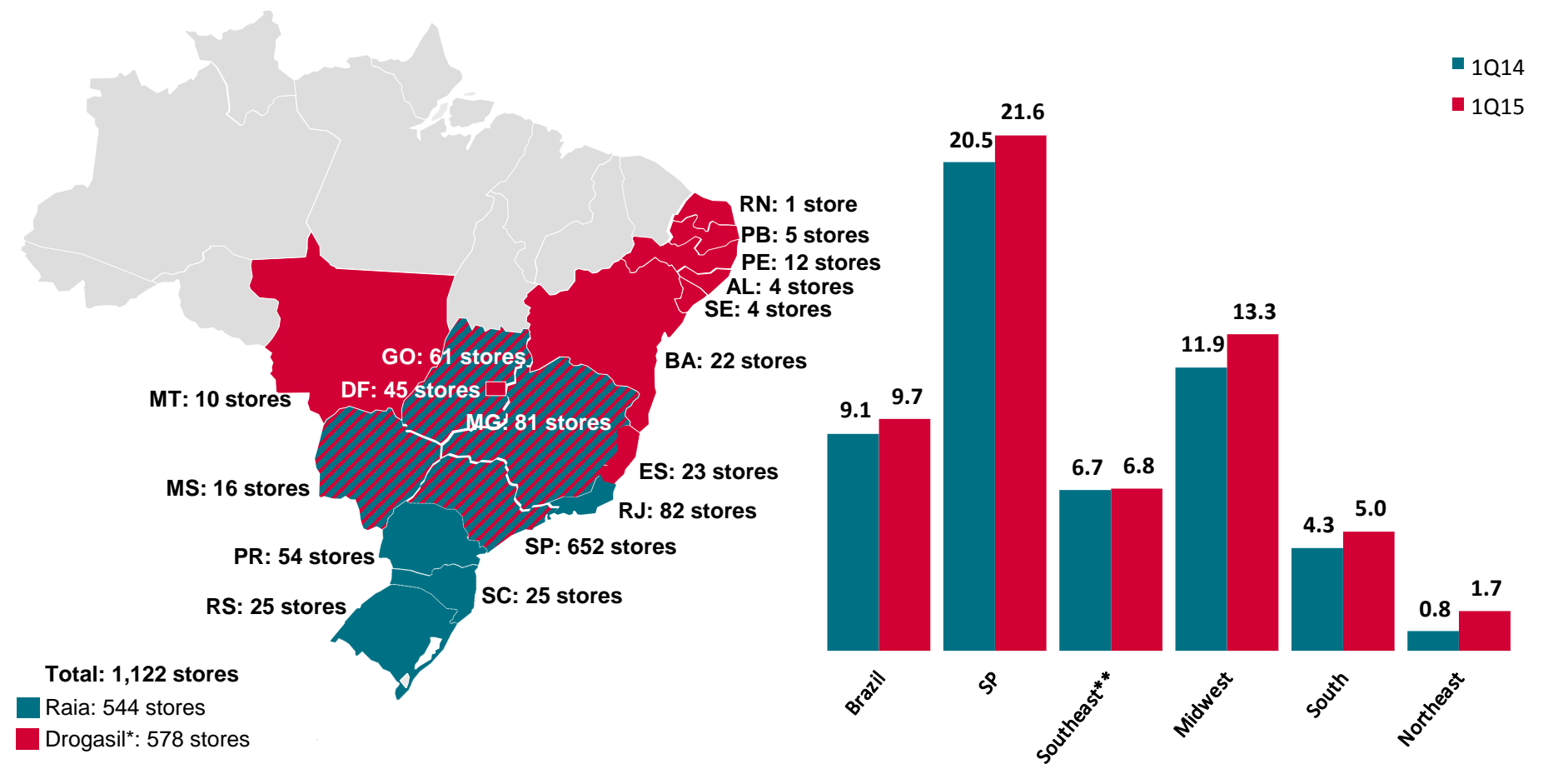


Strong Geographic Presence and Further Growth Potential



Geographic Presence (June 9th, 2015)

Market Share***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION

	Brazil	SP	Southeast**	Midwest	South	Northeast
Source: IMS Health	100.0%	26.7%	24.0%	8.7%	16.3%	19.0%
* 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 9.4%

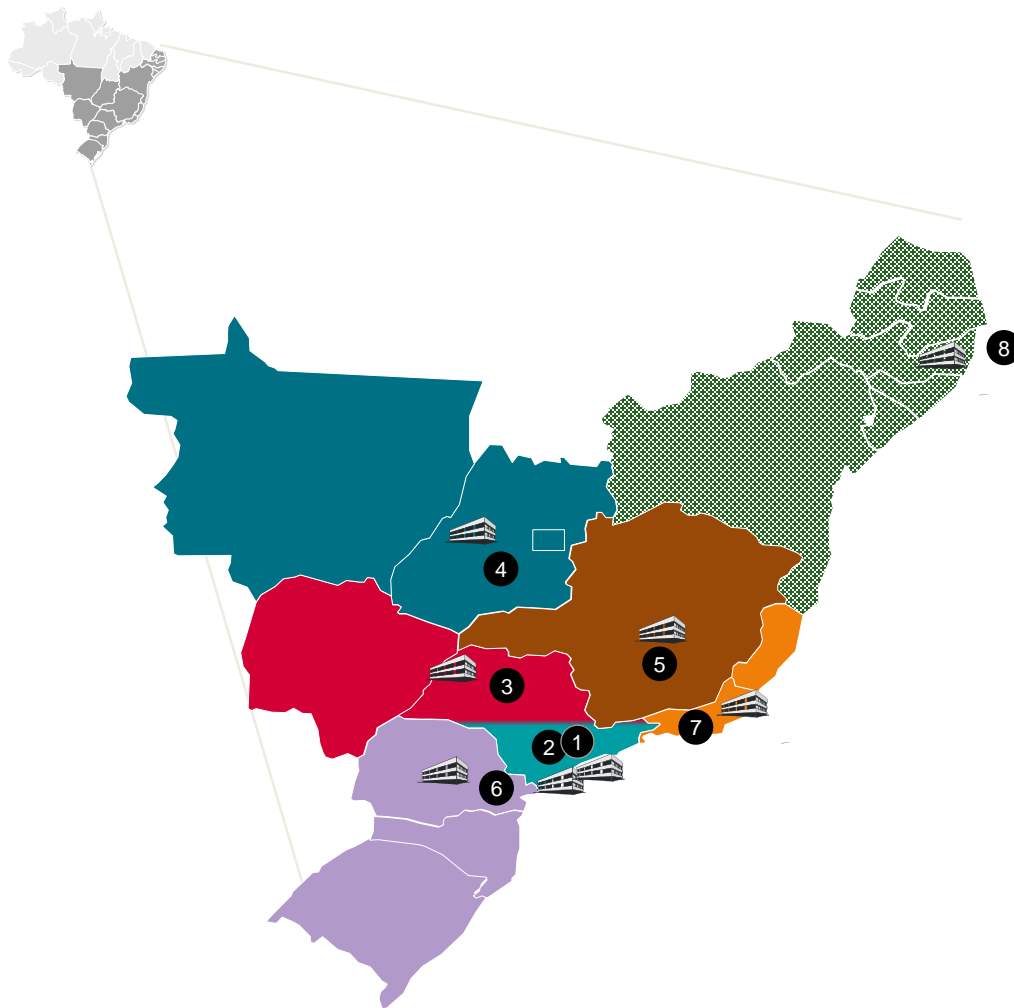
Unified, Decentralized and Scalable Distribution Infrastructure, with Just-in-Time Supply Chain Management



Distribution Centers



Distribution Centers



Embu Distribution Center

1

- ▶ São Paulo (SP)
- ▶ Area: 17,000 sqm

2

- ▶ Embu (SP)
- ▶ Area: 19,000 sqm

3

- ▶ Ribeirão Preto (SP)
- ▶ Area: 20,000 sqm

4

- ▶ Aparecida (GO)
- ▶ Area: 12,600 sqm

5

- ▶ Contagem (MG)
- ▶ Area: 6,200 sqm

6

- ▶ S. J. dos Pinhais (PR)
- ▶ Area: 6,000 sqm

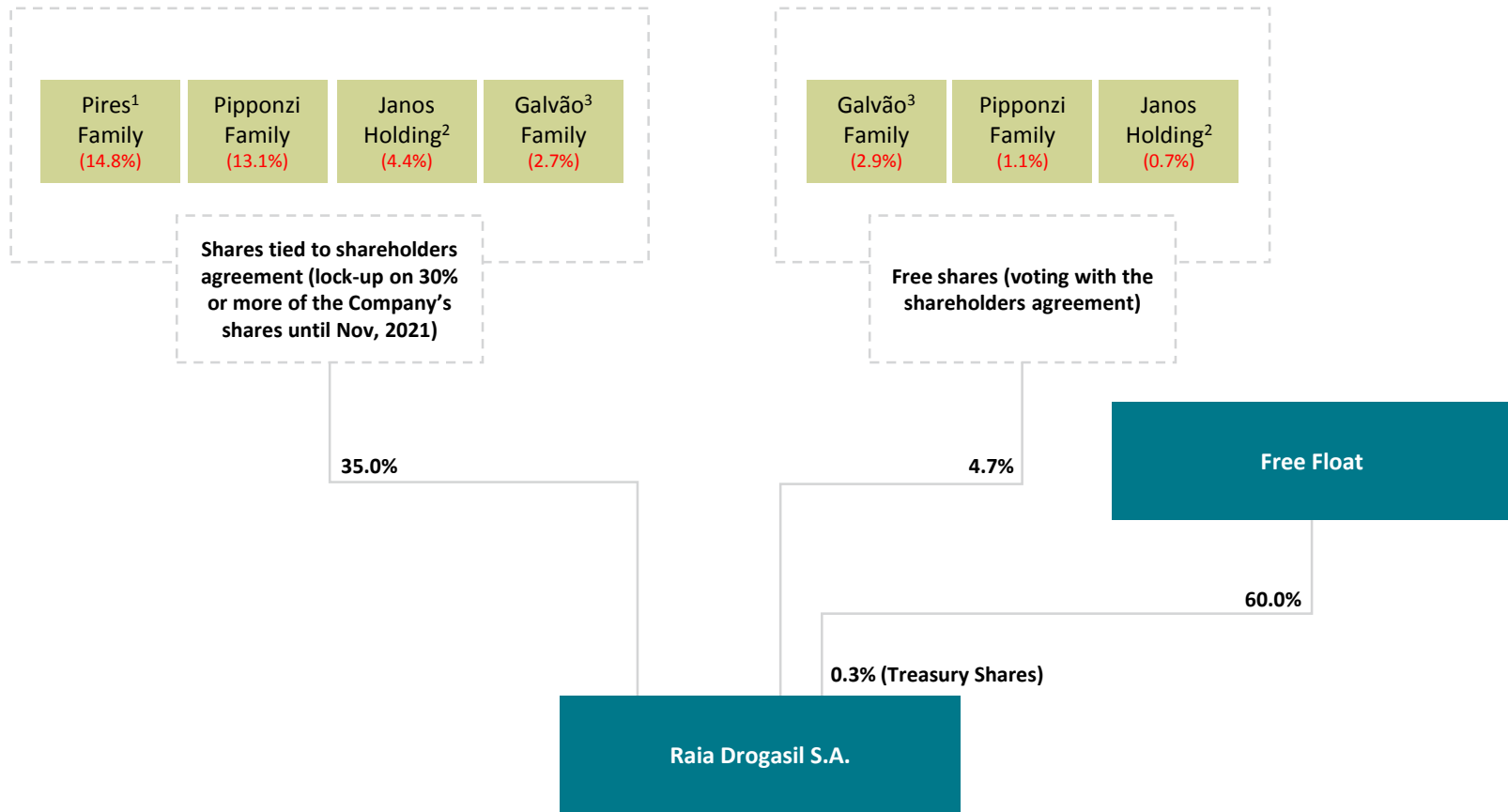
7

- ▶ Barra Mansa (RJ)
- ▶ Area: 8,400 sqm

8

- ▶ Jaboatão (PE) – To be opened in 1H16
- ▶ Area: 8,000 sqm

High Standards of Corporate Governance, with Members of the Founding Families of both Raia and Drogasil as Long-Term Majority Shareholders



- The number of locked-up shares will decrease from 37% to 30% of the stock capital by Nov, 2016, and will remain constant until Nov, 2021. Therefore, over 88% of the current controlling shareholders' shares will remain locked-up until November, 2021.

¹ Carlos Pires Oliveira Dias and Regimar Comercial S.A.

² Pragma's carve-out, Janos Holding is the long-term strategic investment group of Guilherme Leal, Luis Seabra and Pedro Passos, founders of Natura.

³ GL Participações Ltda

Significant Synergies Achieved Since the Merger



Operational Highlights	2011	LTM 1Q15	Var. %
Store Count	776	1,109	42.9%
Sales Area (sqm)	109,095	157,624	44.5%
Geographic Presence	9 states 78% of the Brazilian Market	17 states 89% of the Brazilian Market	+8 states +11% of the Brazilian Market
Employees	17,244	23,743	37.7%
Financial Highlights (R\$ million)			
Gross Revenues	4,730	7,992	69.0%
Gross Profit (% of Gross Revenues)	1,232 26.0%	2,239 28.0%	+81.7% +2.0%
EBITDA (% of Gross Revenues)	292 6.2%	598 7.5%	104.8% +1.3%
Net Income (% of Gross Revenues)	151 3.2%	311 3.9%	106.0% +0.7%
Market Cap (billion)	4.3	9.5	120.8%

High Growth Industry, in the Process of Consolidation

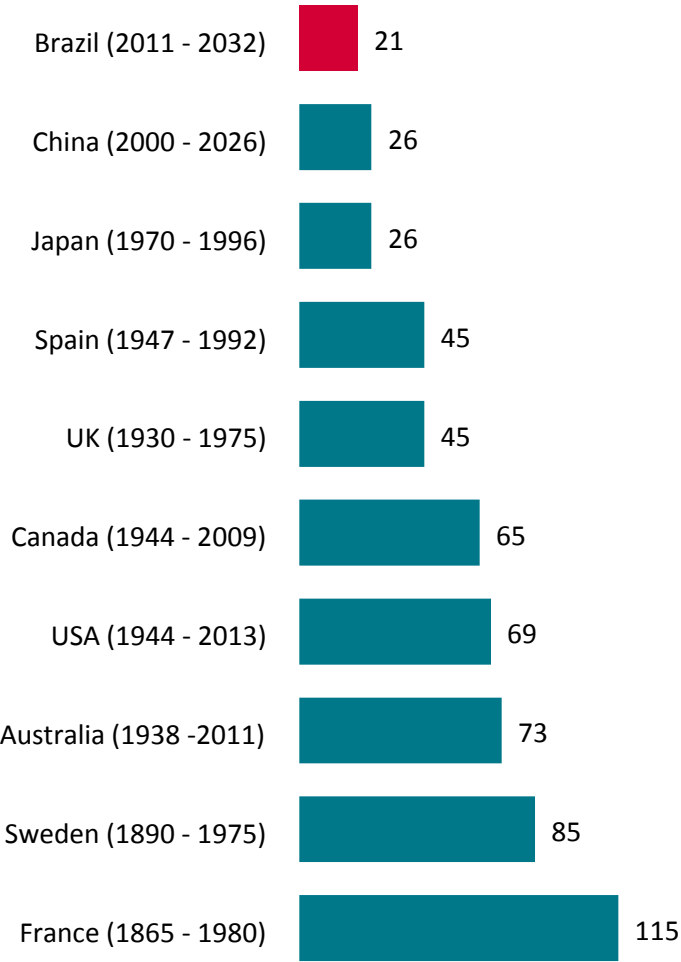


Brazil is Undergoing an Unprecedented Demographic Transformation. The Senior Population will Escalate from 16 million to 30 million over the next 15 Years.



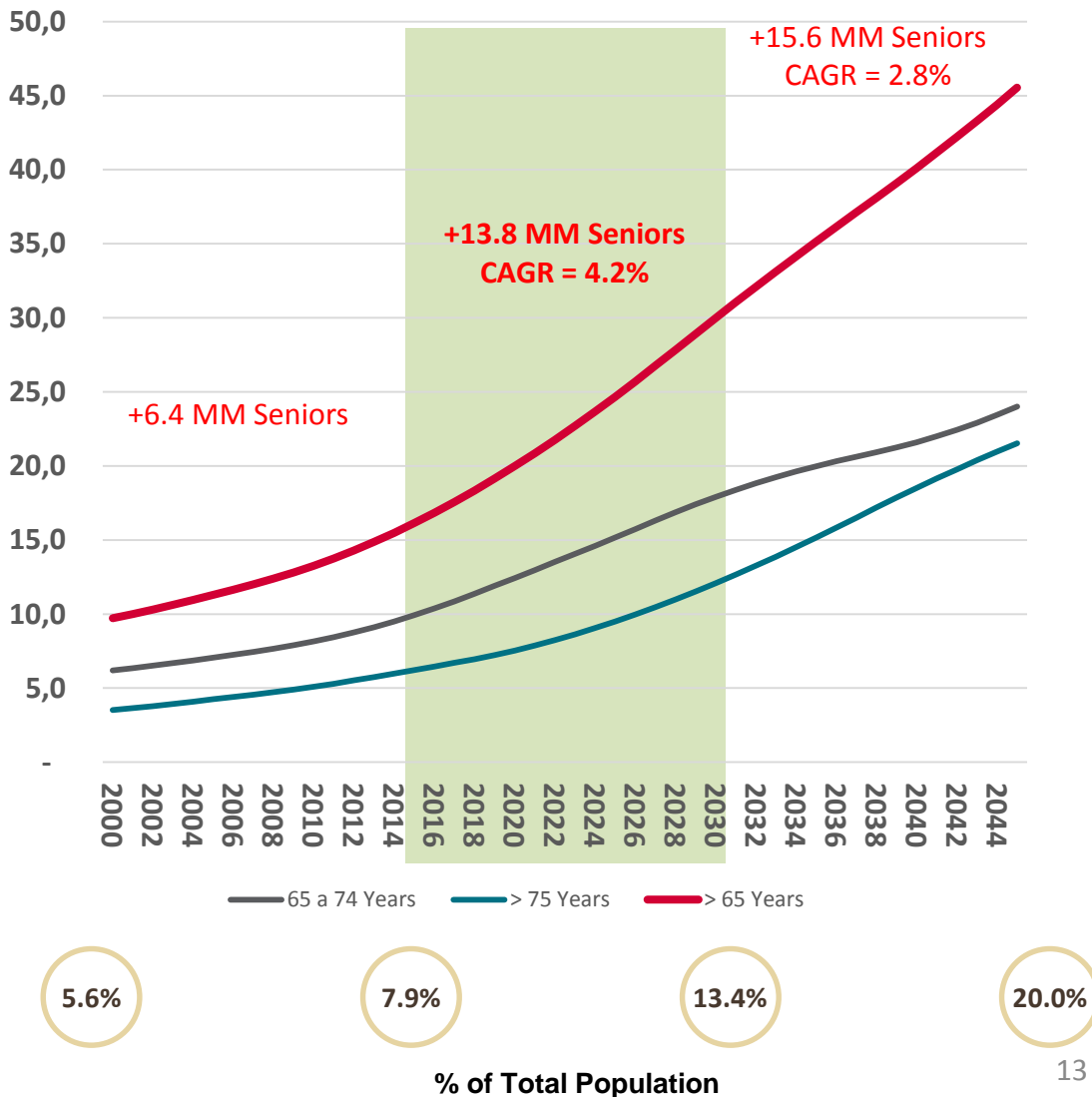
Speed of Population Aging

(Number of years to the 65+ population increase from 7% to 14%)

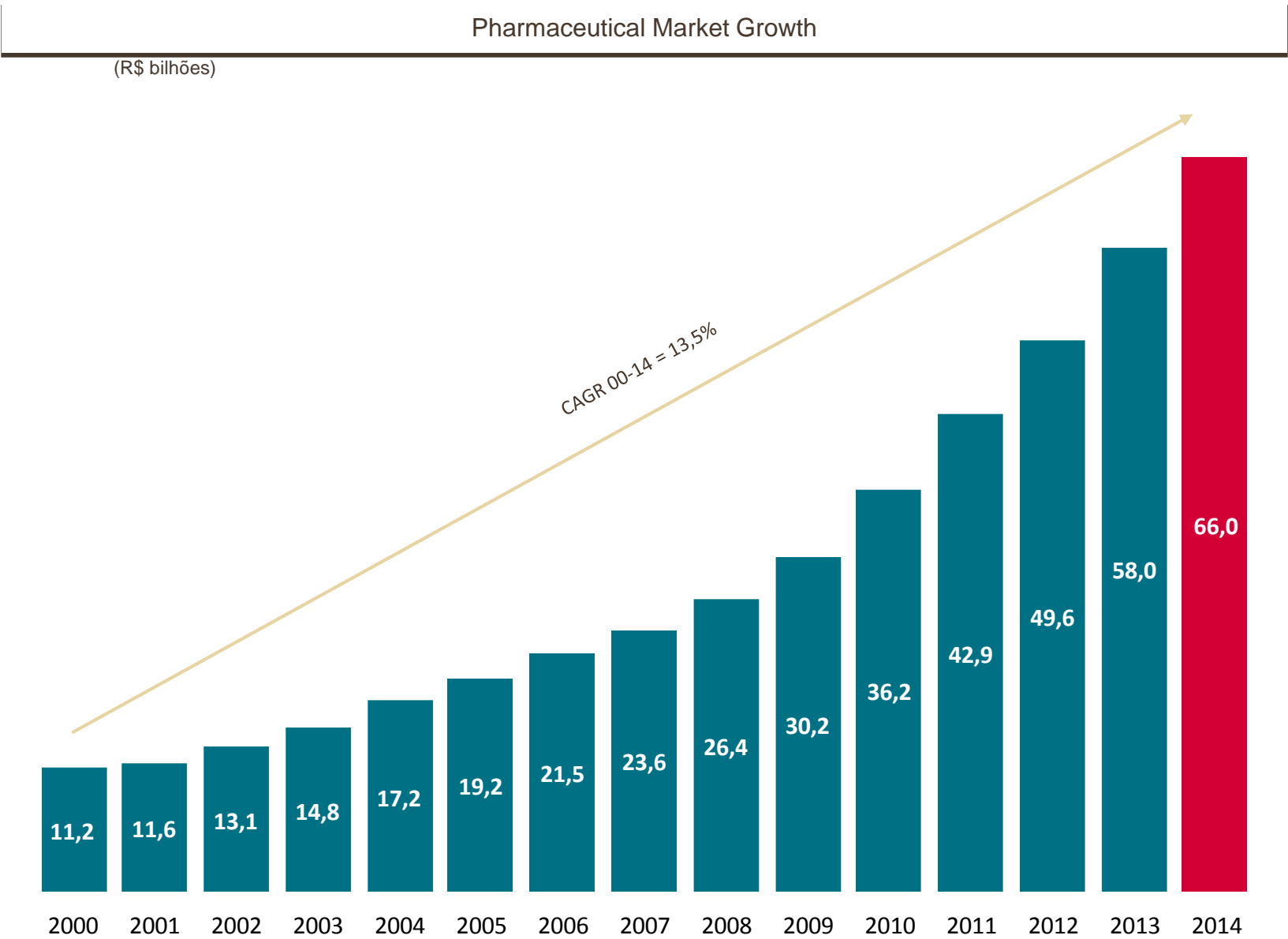


Brazilian Population above 65 years old

(Million People)



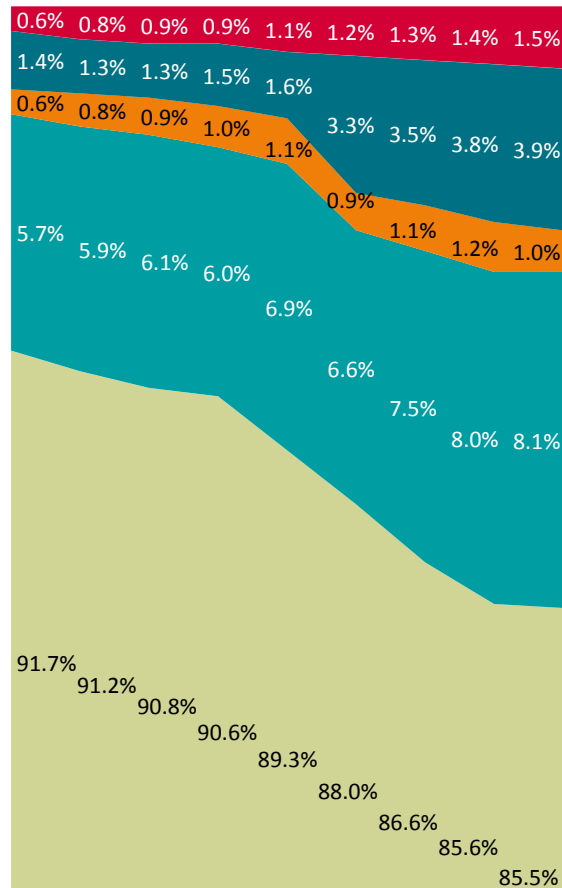
As a Result, the Pharmaceutical Market, which Grew Significantly over the Last 15 Years, Shall Sustain Double Digit Growth for Another 15 years.



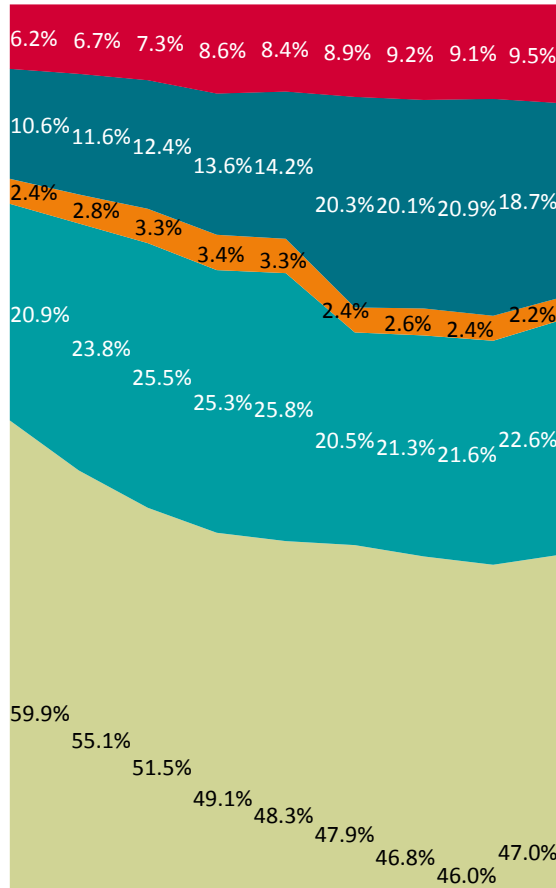
Additionally, the Drugstore Market Remains Very Fragmented, Allowing Raia Drogasil to Lead the Industry's Consolidation & Gain Further Productivity.



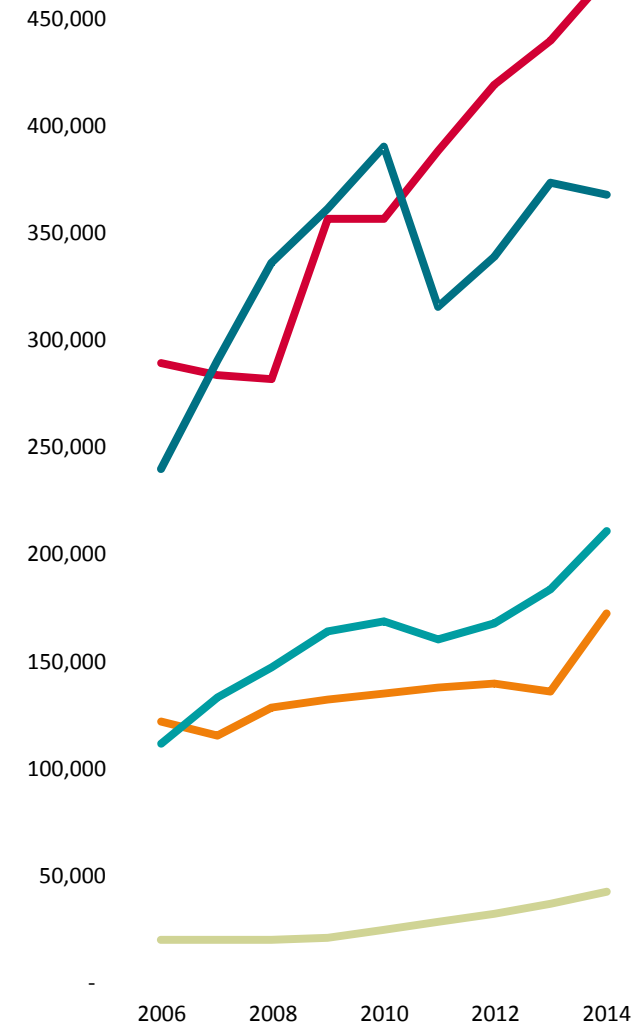
% of Stores



% of Pharma Revenues



Pharma Revenues per Store (R\$/Month)



RAIA DROGASIL ABRAFARMA #2 TO #5 OTHER CHAINS SUPERMARKETS INDEPENDENTS

The HPC market is also growing at double digit rates, with Shifting Share Towards Drugstore Chains.



HPC Market

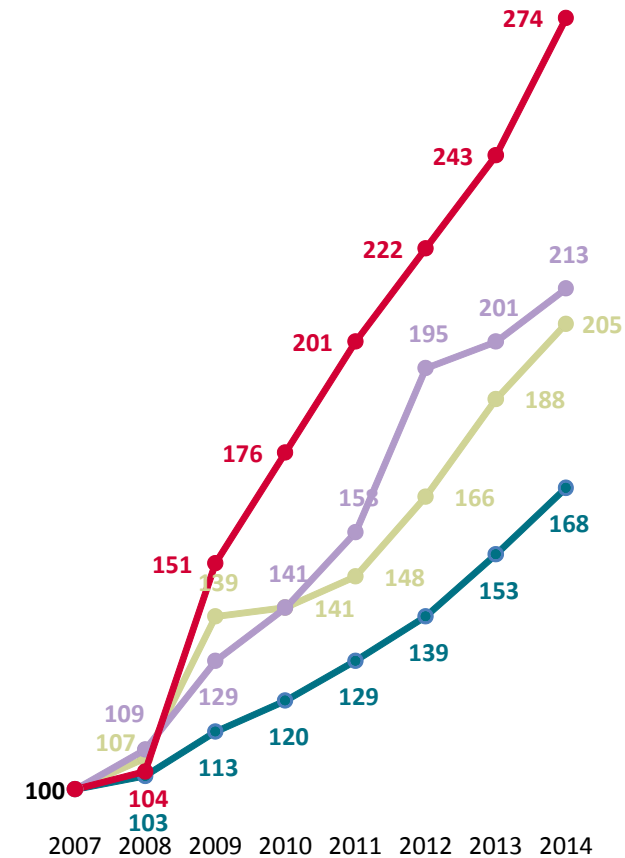
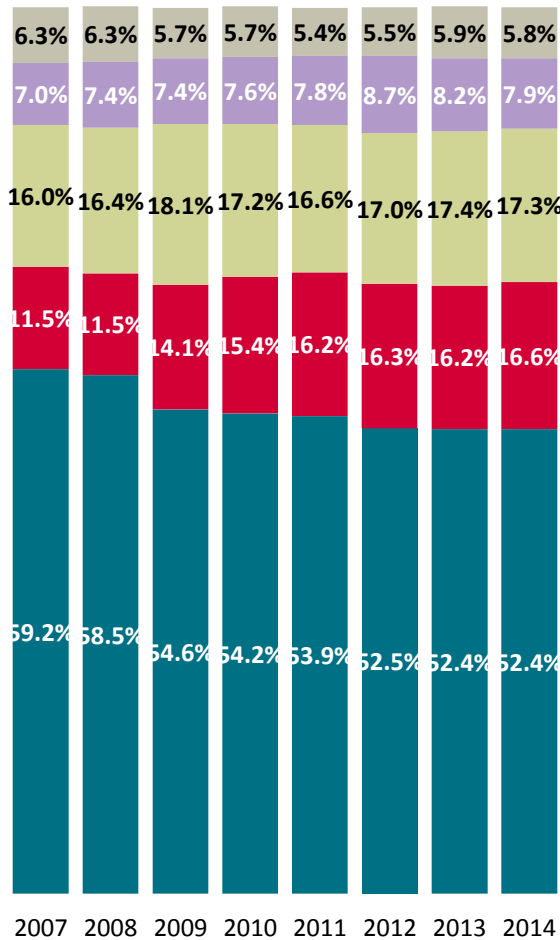
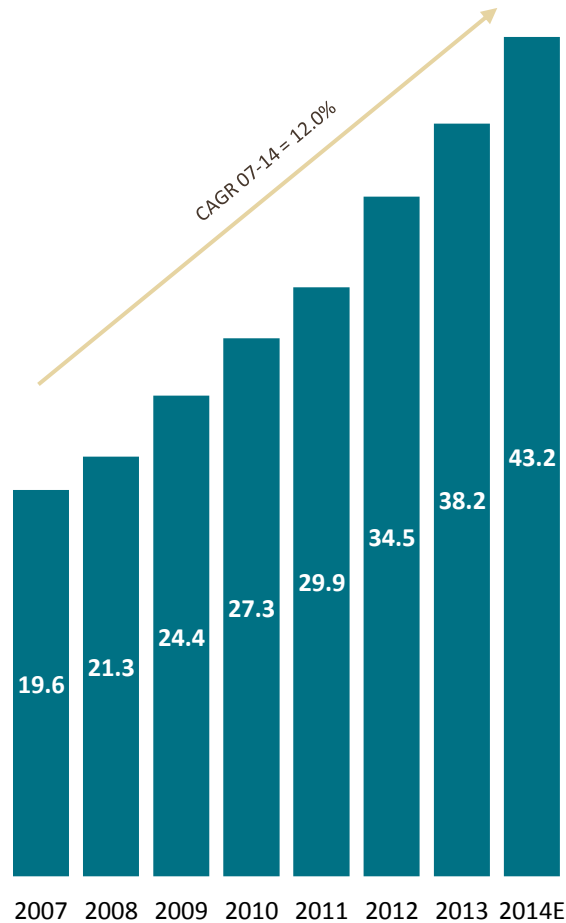
Market Share by Channel

Cumulative HPC Growth by Channel – R\$

(R\$ billion)

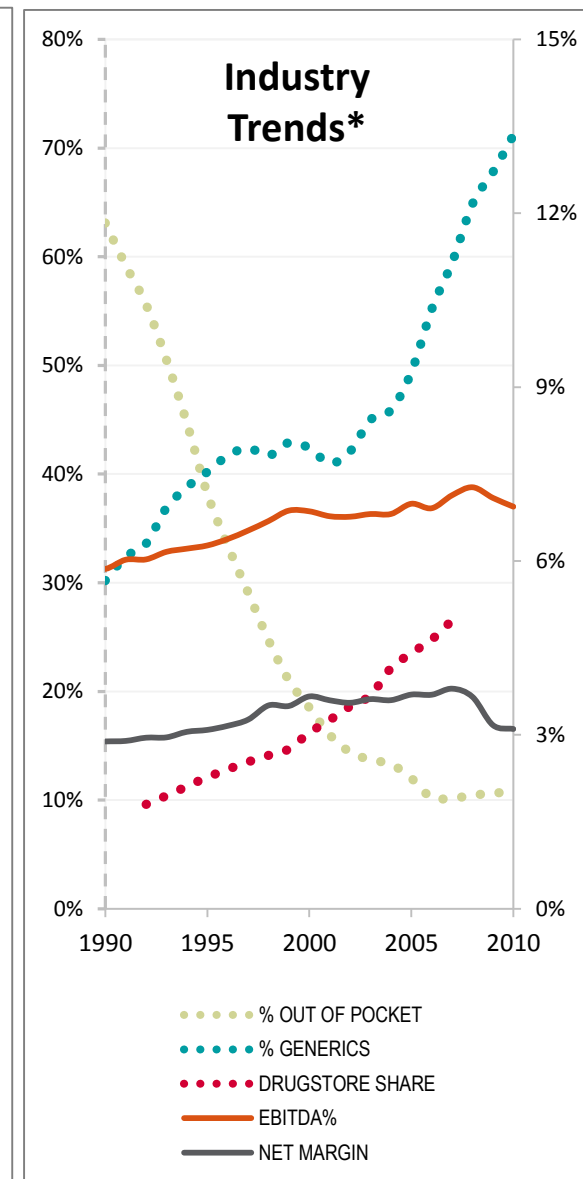
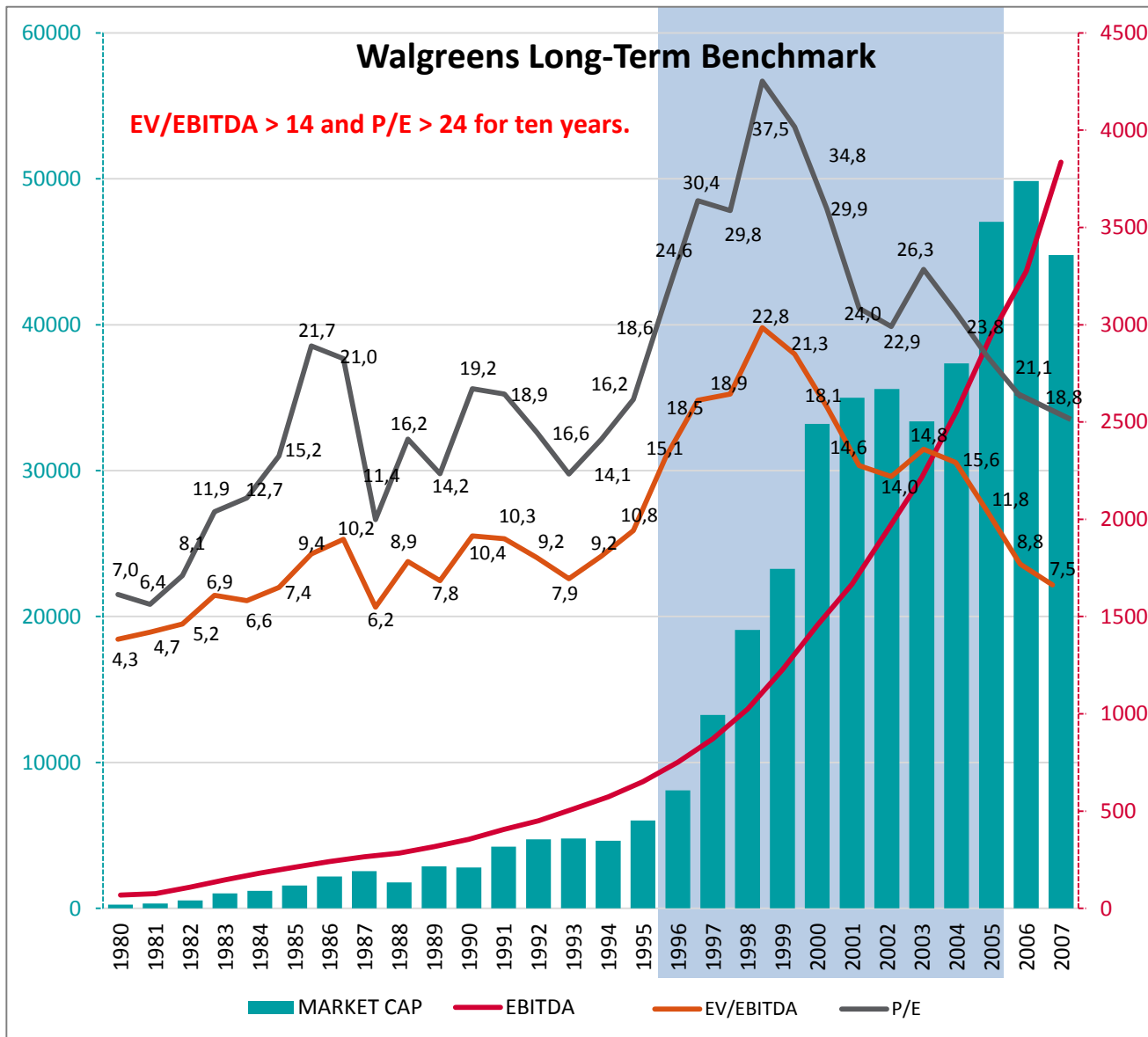
(R\$ %)

(Index: 2007 = 100)



■ Supermarkets ■ Drugstore Chains ■ Independent Pharmacies ■ Beauty Stores ■ Traditional

The Brazilian Drugstore Industry Resembles the US Market in the Early 90s, with Similar Real Growth Opportunity but Larger Margin Expansion Potential



Differentiated Assets & Competencies Drive Unique Execution



Differentiated Assets and Competencies



ASSETS



1 - Iconic Brands

Two of the Leading Brands in Brazilian Retailing, with Differentiated Positioning and Centennial Tradition



2 - Prime Locations

Hundreds of the Best Corners in Brazil, Capacity to Replicate it through Accelerated Organic Growth



3 - Proprietary, Cutting-Edge Platforms

CRM-driven Store Platform, Efficient Supply Chain Management, Decentralized and Scalable Logistics Infrastructure



4 - Differentiated and Capital-Efficient Formats

Strong Shopping Experience, Data-Driven Category Management, High Marginal ROIC



5 - Qualified and Motivated People

Experienced Management Team and Strong People Development Culture, with Entry only at the Base of the Pyramid



COMPETENCIES

Iconic Brands ...



DROGASIL: Traditional Drugstore Brand, with Higher Focus on Seniors and Pharma



... with Differentiated & Complementary Positioning



DROGA RAIA: Upscale Wellness Format, focused on Women and on Families



Prime Locations in Brazil's Top Corners, Streets and Commercial Centers



Location Profile

■ Stores with Parking



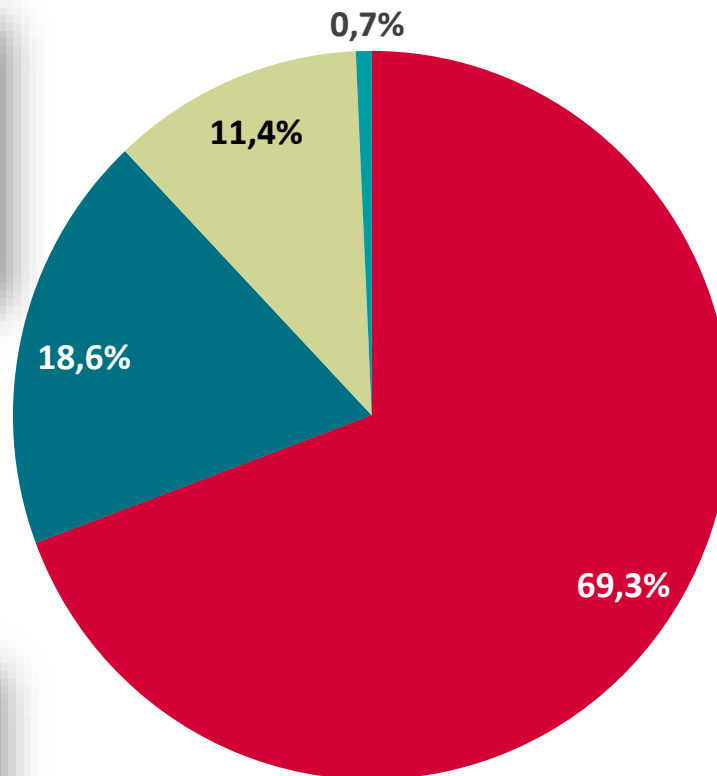
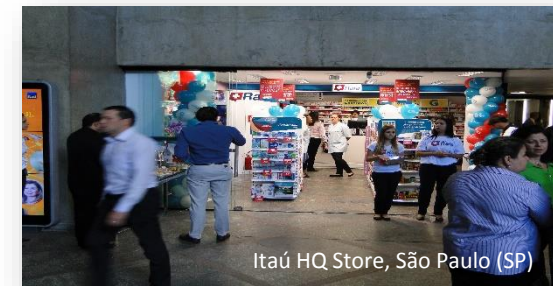
■ Shopping & Commercial Centers



■ Pedestrian Stores



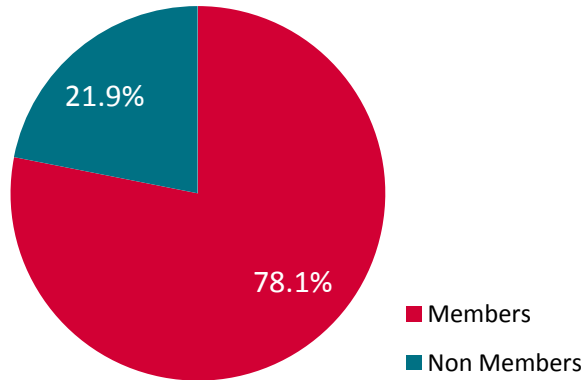
■ Corporate Stores





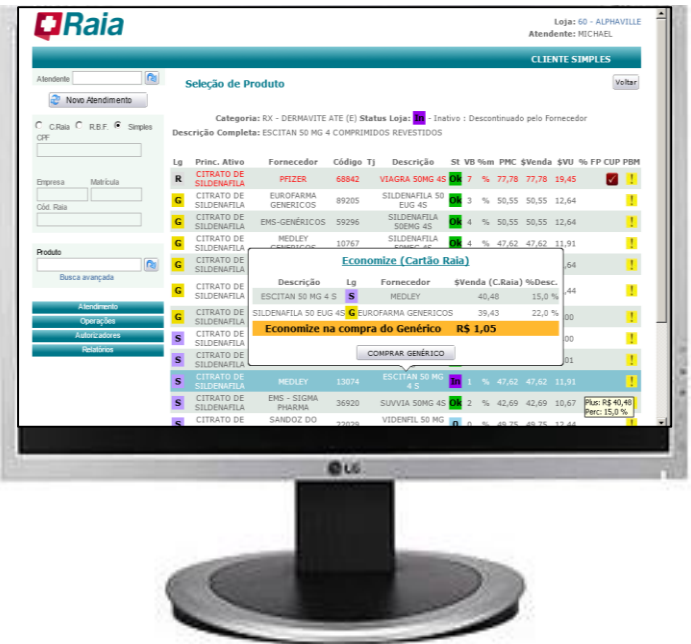
1) Enroll

Loyalty Program -% of Total Revenues



✓ 3 MM Raia Smart Coupons / Month

2) Shop

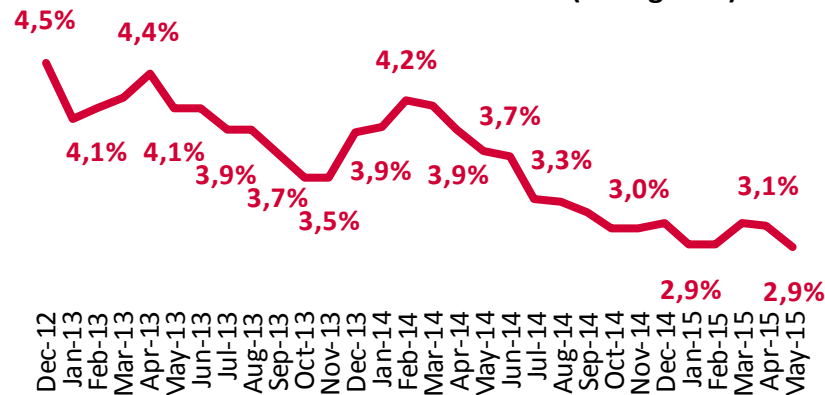


4) Earn & Redeem Points



3) Pay & Evaluate

Raia Customer Service Evaluations (% Negative)



... Including a Proprietary PBM, Serving 10 Million Beneficiaries from over 1,000 Companies and Institutions



Processing & Eligibility Check

PBM System



Preferred Retail Network



More than 700 accredited third-party pharmacies

Attractive Formats ...



... with High Marginal Returns on Invested Capital



Average Mature Store Contribution Margin ⁽¹⁾

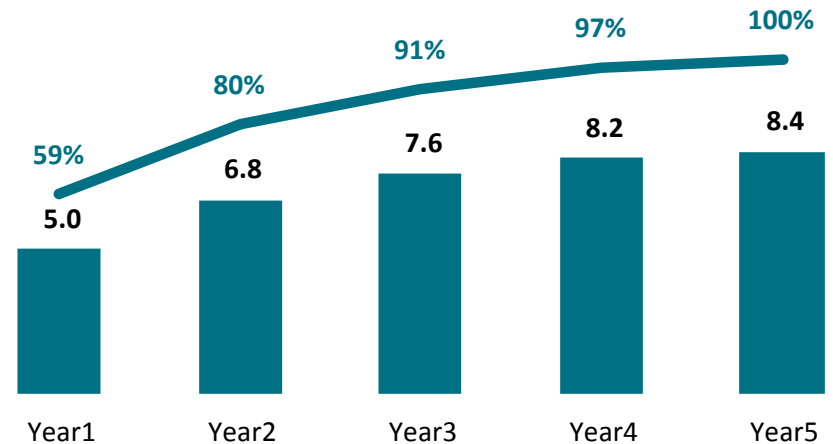
Income Statement (Mature Store)		2014
<i>(In R\$ 000)</i>		
Gross Revenues		8,416
Gross Profit		2,402
% of Gross Revenue		28.5%
Store Expenses		(1,317)
% of Gross Revenue		15.6%
Store Contribution Margin		1,085
% of Gross Revenue		12.9%
NPV Effect		(37)
Depreciation		(267)
Income Tax (34%)		(265)
Depreciation		267
NOPAT (a)		782
% of Gross Revenue		9.3%
Capex		1,335
Pre-Operational Expenses		171
Operating Working Capital		542
Total Investment (b)		2,048
ROIC (a/b) ⁽²⁾		38.2%

(1) Does not consider G&A and DCs expenses.

(2) ROIC calculation includes the full CAPEX (gross PP&A instead of Net PP&A), and therefore, no depreciation in the NOPAT.

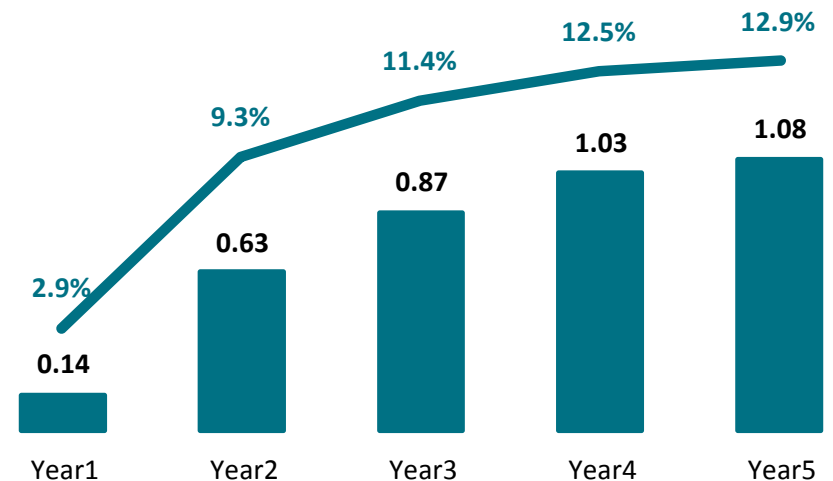
Gross revenues Ramp-Up

(as a % of the sales: in million of Reais per stores/year)



Contribution Margin Ramp-Up

(% of gross revenues: in million of Reais per stores/year)



Qualified and Motivated People, who are Developed and Promoted Internally



e-learning
portals^{do}o^{atom}ber

Store Career Program


trilhar
Seu futuro passa por aqui.

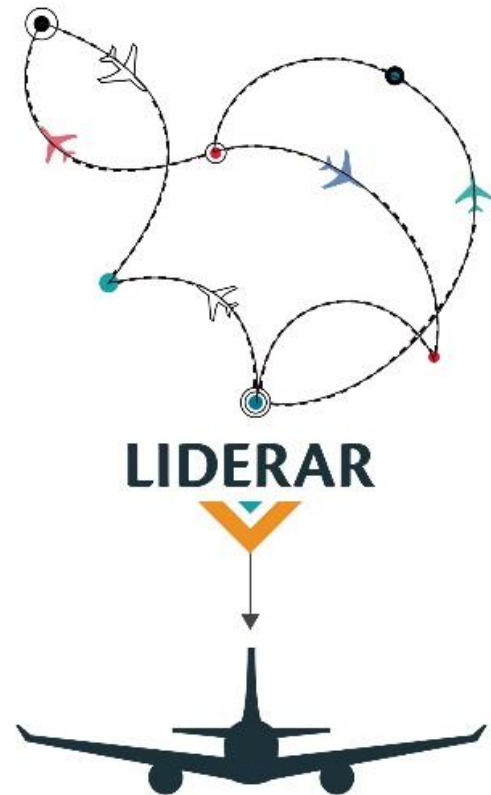


Performance Assessment

CRESCER

Porque evoluir é tudo de bom.

Leadership Development



Uma viagem para quem é protagonista da própria história.

Reinventing the Execution for the Next 15 Years



Strategic Pillars



1 - Accelerate Organic Expansion

2 - Introduce New Formats

3 - Enhance Category Mgmt. & Shopping Experience

4 - Involve, Understand & Potentialize Customers



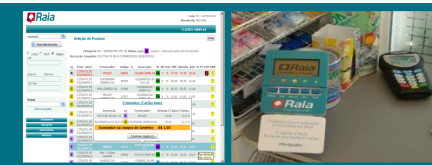
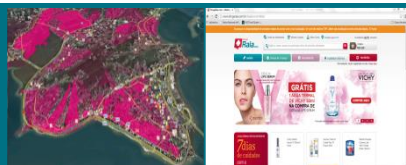
5 – Attract, Develop, Engage & Retain People



6 – Integrate, Streamline & Reinforce Processes



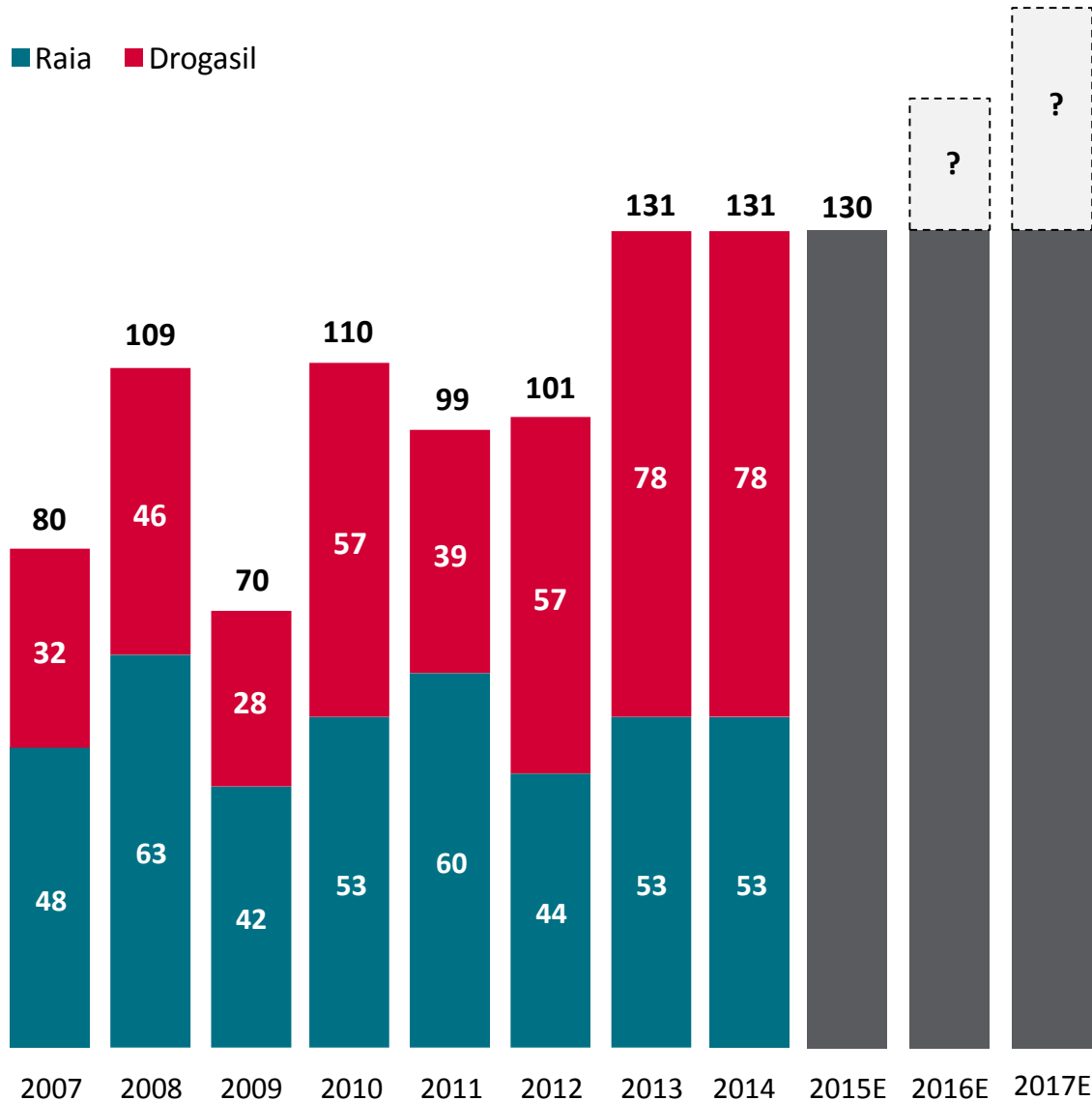
7 – Leverage & Improve Plataforms



1 – Accelerate Organic Expansion



New Store Openings



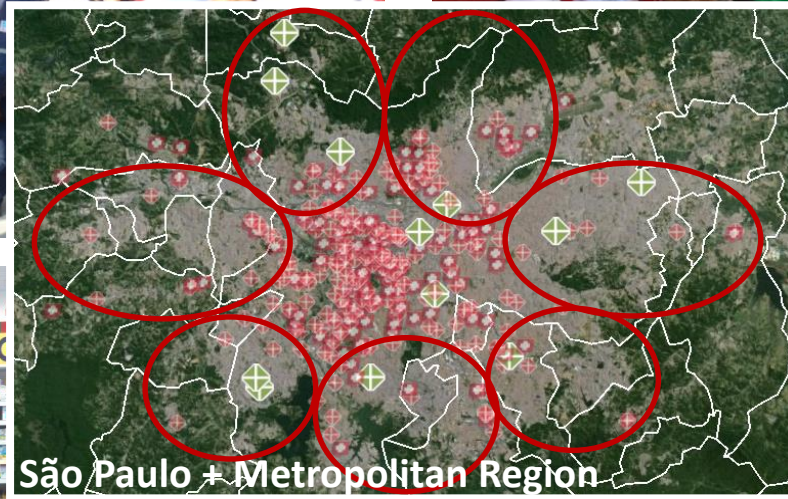
Main Challenges

- Accelerating Prospections
- Tougher Licensing Requirements
- Managing Multi-Functional Process
- Developing New Managers

Main Solutions

- Expanded the Real Estate Team
- Increasing Contract Buffer
- Implementing PMO (Project Management Office)
- Enhancing Training Programs & Reducing Turnover

2 – Introduce New Formats



3 – Enhance Category Management and Shopping Experience



Customer-Centric Category Management



Become a Beauty Destination



Increase Private Label Range & Penetration



4 – Involve, Understand & Potentialize Customers

dunnhumby



■ Partnership with Dunnhumby

- Global leader in *Customer Science and Personalization*
- Long-term partnerships with global retail leaders such as Tesco, Kroger, Casino & Macy's
- £ 500 million invested in IT and Innovation over the last 3 years
- Since 2010 in Brazil with GPA, Unilever, P&G and Colgate

■ Partnership goals: **Data + Science = Delight + Loyalty**

- CRM and Loyalty Programs
- Category Management
- Pricing

■ Partnership Terms

- Long-term partnership, with 3-year initial contract
- Dunnhumby will provide Raia Drogasil with fully dedicated team and cutting-edge platforms
- Raia Drogasil will have exclusivity in the Brazilian drugstore market



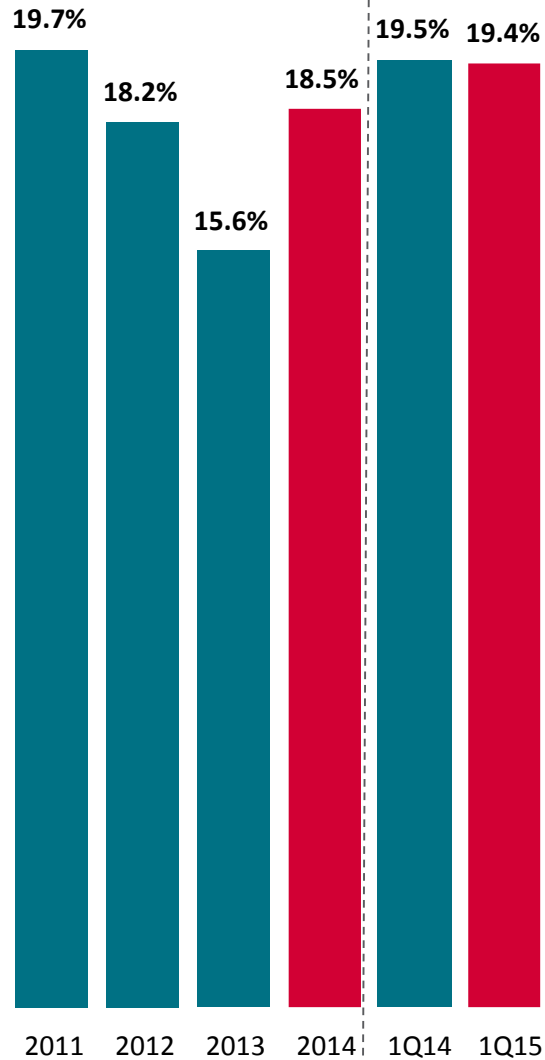
Proven Track Record in Delivering High Growth with Margin Expansion



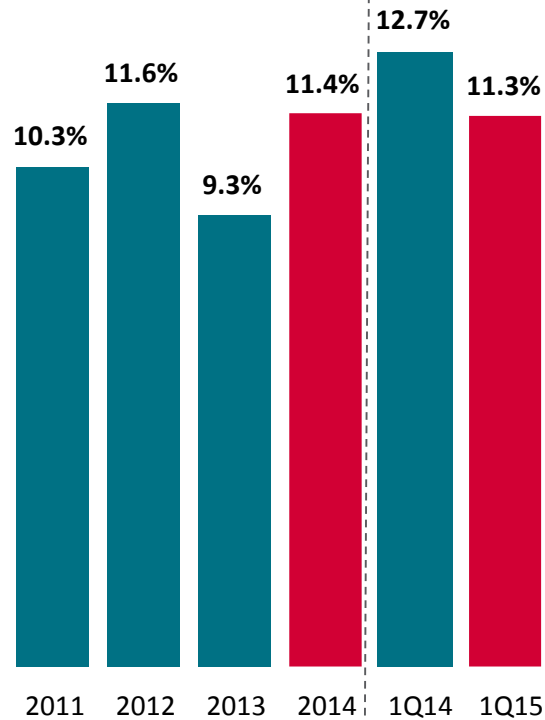
Maintaining Strong Growth Pace after a Strong 2014



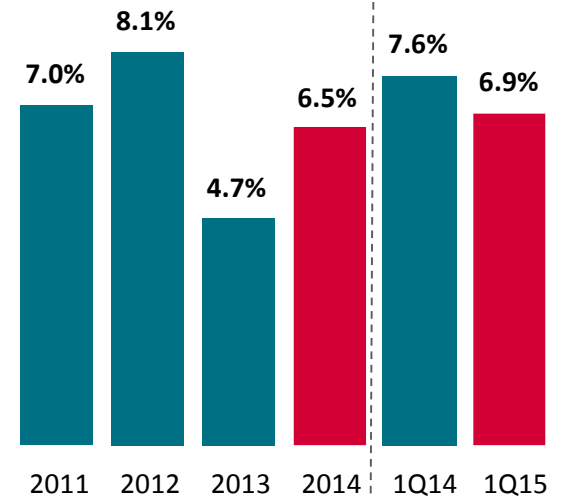
Growth – Total Sales



Growth – Same Store Sales

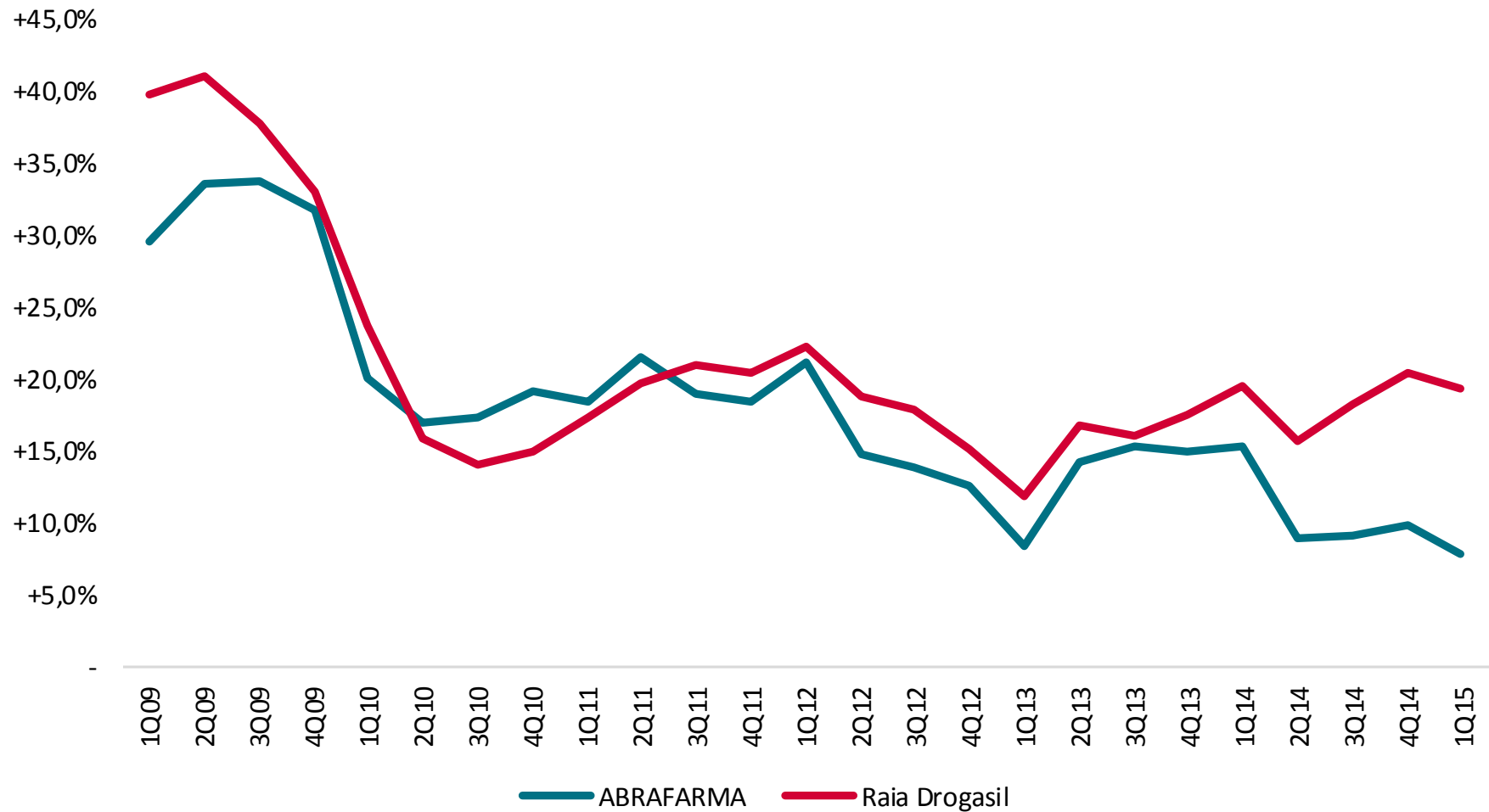


Growth – Mature Stores





Raia Drogasil Growth vs. Rest of ABRAFARMA

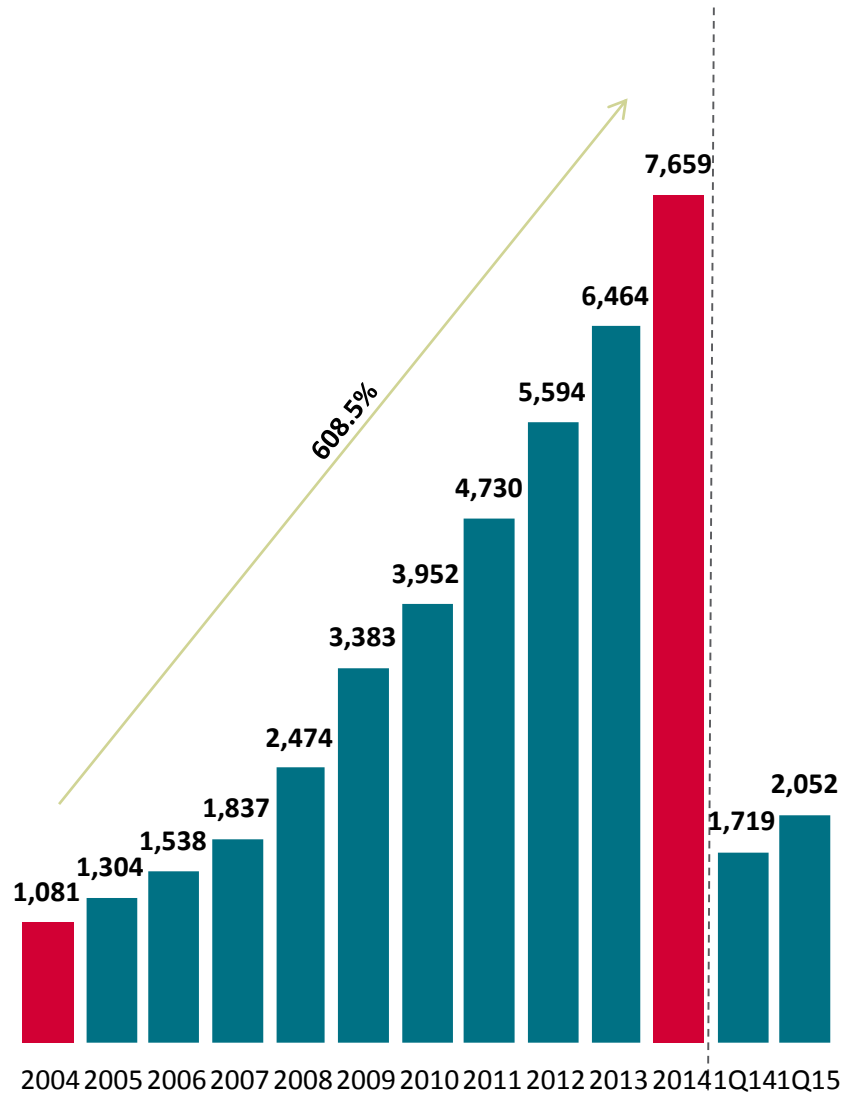


All Categories Performing Well, with OTC Slightly Outgrowing the Mix

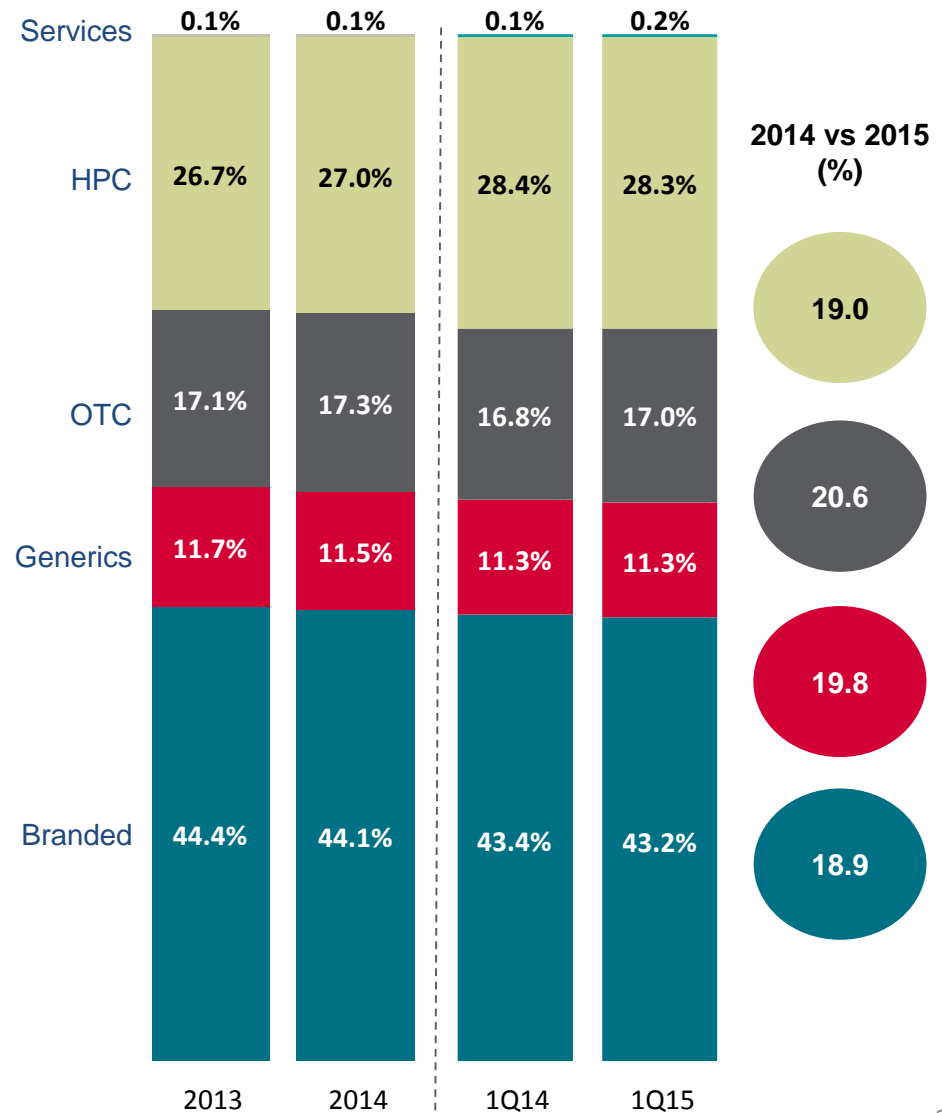


Gross Revenues

(R\$ million)



Sales Mix

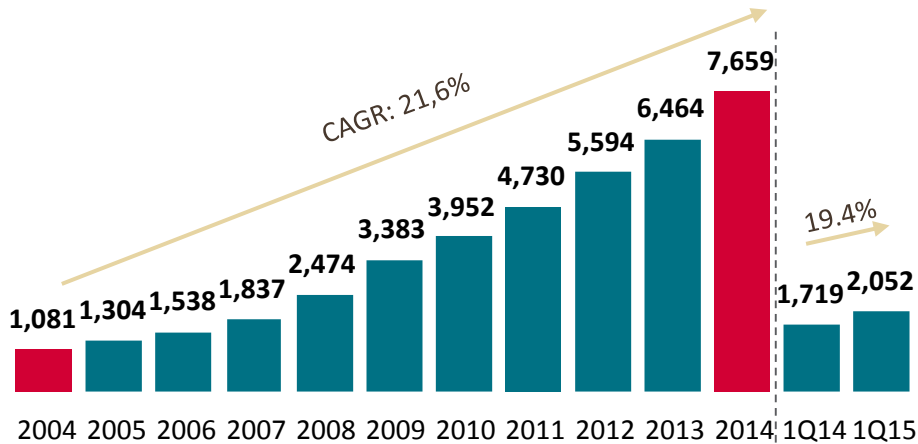


Delivering High Growth with Margin Expansion



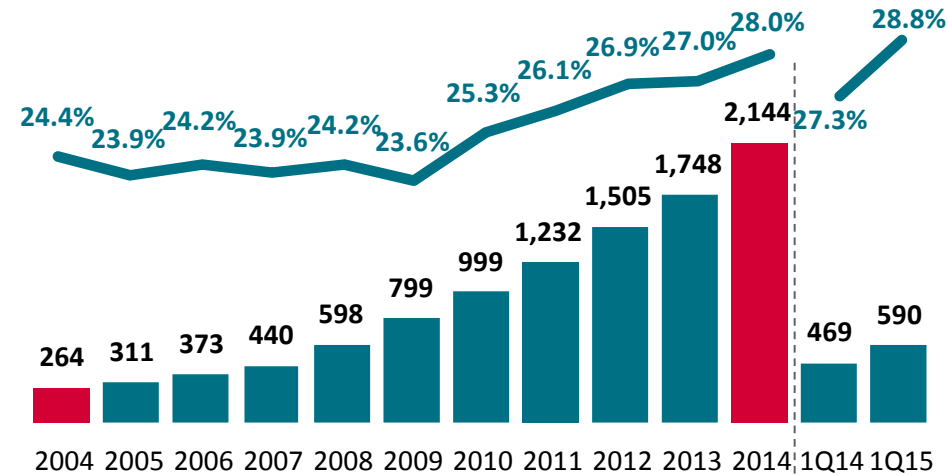
Gross Revenues

(R\$ million)



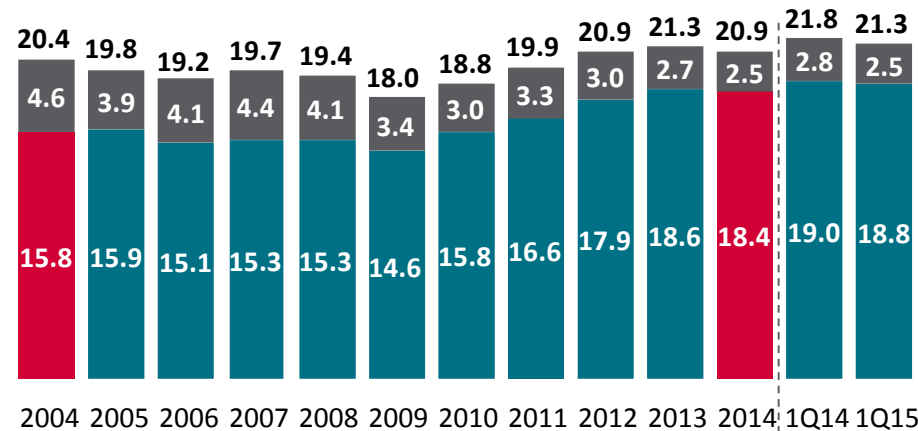
Gross Profit

(R\$ million, % of Gross Revenues)



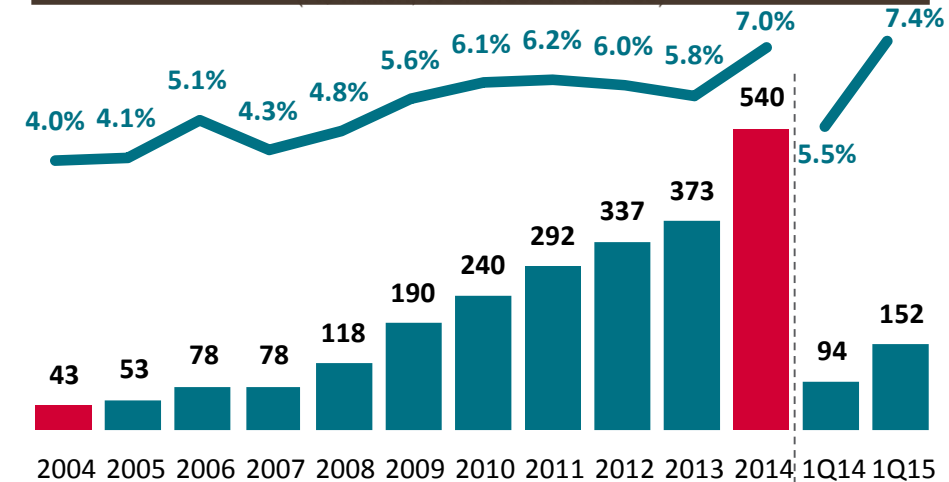
Adjusted Operating Expenses

(% of Gross Revenues)



EBITDA

(R\$ million, % of Gross Revenues)



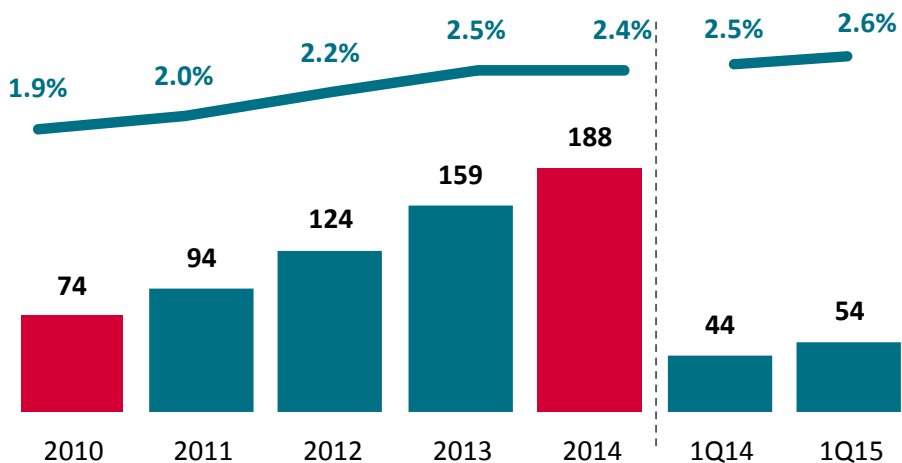
■ Sales Expenses ■ G&A

Expanding Net Margin



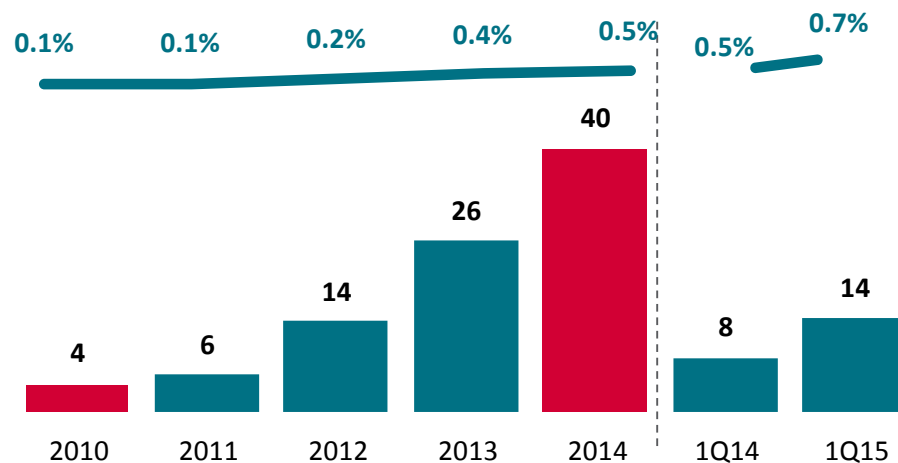
Depreciation

(R\$ million, % of Gross Revenues)



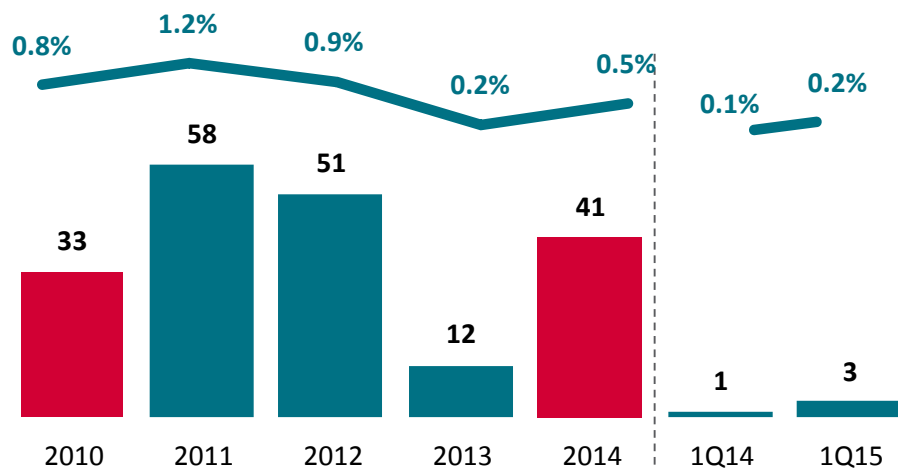
Net Financial Expenses

(R\$ million, % of Gross Revenues)



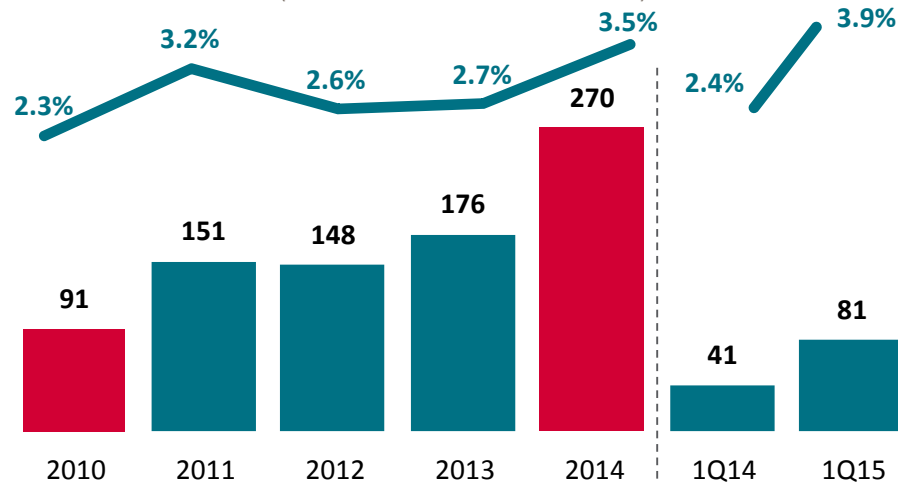
Income Tax

(R\$ million, % of Gross Revenues)



Adjusted Net Profit

(R\$ million, % of Gross Revenues)



Positive Free Cash Flow Generation for the Second Consecutive Year

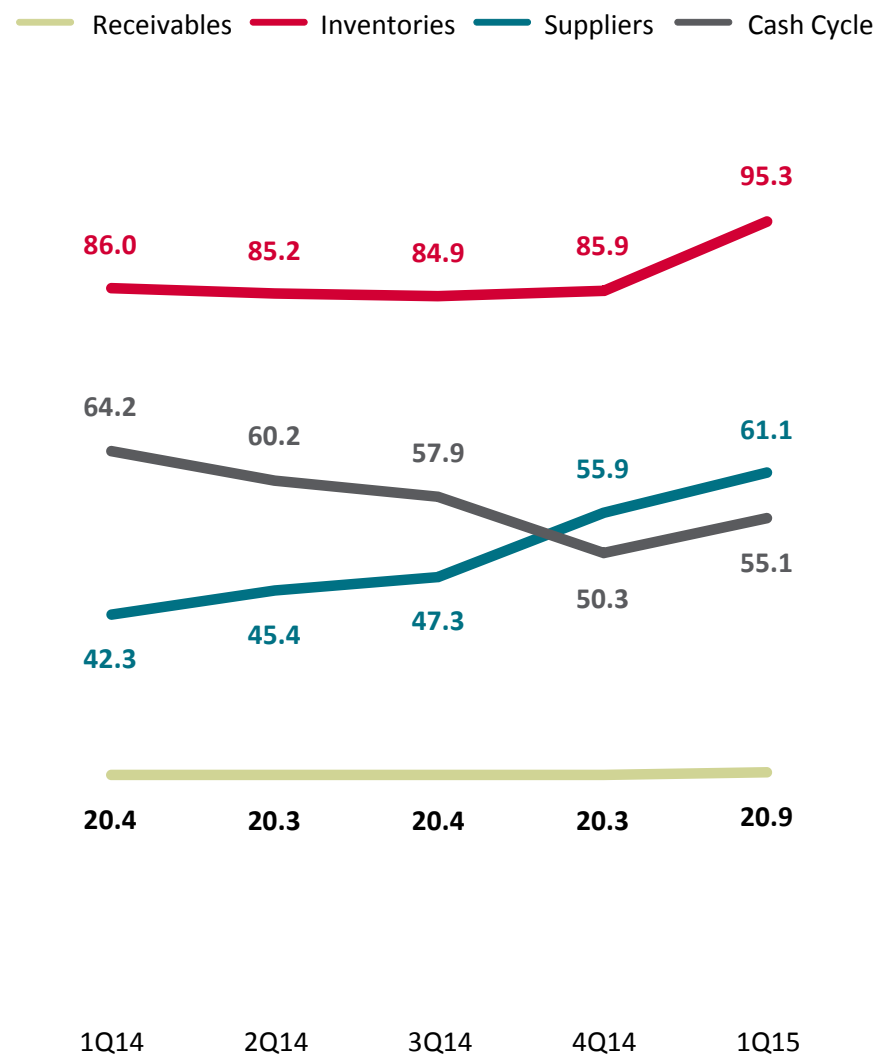


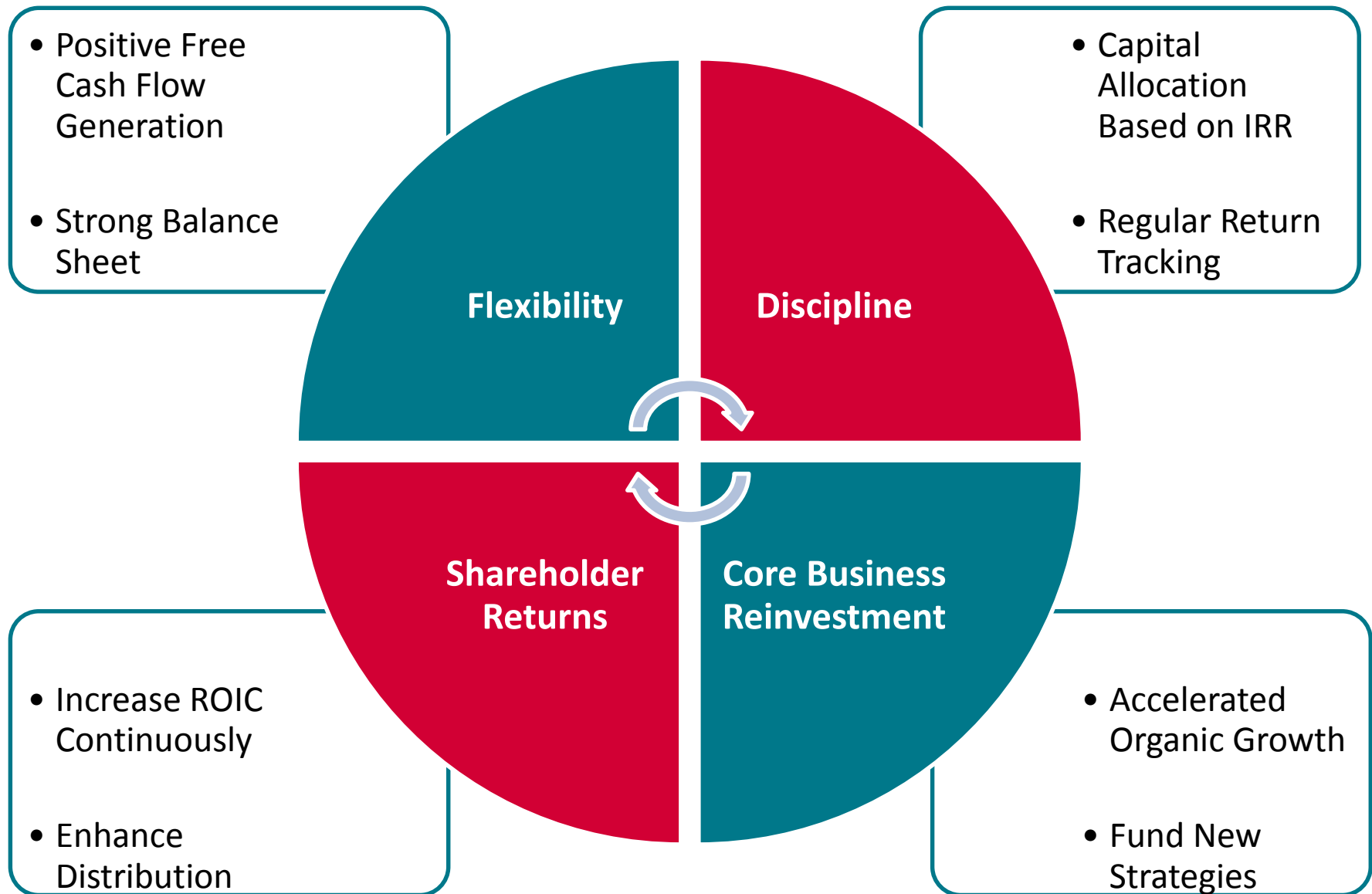
Cash Flow

Cash Flow (R\$ million)	1Q15	1Q14	2014	2013
Adjusted EBIT	98.8	50.4	352.1	203.3
Non-Recurring Expenses	-	(1.4)	(9.5)	(53.4)
Income Tax (34%)	(33.6)	(16.7)	(116.5)	(50.9)
Tax Shield from Goodwill	10.7	10.7	42.8	22.3
Depreciation	53.5	43.6	187.6	158.7
Others	(12.9)	(6.5)	9.0	24.7
Resources from Operations	116.5	80.3	465.6	304.6
Cash Cycle*	(65.2)	(129.1)	(112.1)	(107.2)
Other Assets (Liabilities)	(22.9)	(13.2)	(5.2)	84.7
Operating Cash Flow	28.4	(62.0)	348.2	282.1
Investments	(59.4)	(52.5)	(271.0)	(236.8)
Free Cash Flow	(31.0)	(114.5)	77.2	45.3
Interest on Equity	(0.4)	(0.4)	(41.5)	(29.3)
Income Tax Paid over Interest on Equity	(4.2)	-	(10.6)	(5.3)
Net Financial Expenses	(14.4)	(8.4)	(40.4)	(10.4)
Income Tax (Tax benefit over financial expenses and interest on equity)	25.7	5.5	39.1	22.1
Total Cash Flow	(24.2)	(117.8)	2.9	22.3

Cash Cycle

(COGS Days, Gross Revenues Days)







- 1 Largest, Fastest Growing and Best Positioned Player in the Industry
- 2 Transformational Market Growth for 15 Years Driven by the Aging of the Population
- 3 Massive Opportunity to Lead the Drugstore Industry's Consolidation
- 4 Unique Assets and Competencies: Brands, Locations, Platforms, Formats & People
- 5 Reinventing the Execution for the Next 15 Years
- 6 Proven Track Record of Accelerated Organic Growth with Margin & ROIC Expansion