

Institutional Presentation: 2Q17

***Taking Close Care of People's Health and Well-being
During All Times of Their Lives***

September, 2017

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RD – Company Highlights



RD has a differentiated business model, superior scale, efficiency and geographic presence, which has resulted in an unique organic growth track-record in Brazilian retail



- Merger between Raia S.A. and Drogasil S.A., with 194 years of combined history, with shared control by shareholders who are members of the founding families. Rated AAA-Br by Fitch;
- Brazil's largest drugstore chain and 5th largest retailer: Revenues of R\$ 12.9 billion, EBITDA of R\$ 1,035 MM and adjusted net income of R\$ 453.4 MM in the LTM. Launched ADR Level 1 in the NYSE.
- More than 1,500 stores in 19 states of Brazil, which represent 93% of the Brazilian pharmaceutical market, and a national market share of 11.7%;
- Unparalleled business model, based on an unique portfolio of Healthcare and Wellness assets: RD Pharmacies (Raia, Drogasil, Farmasil), RD Services (4Bio and Univers) and RD Brands (Needs, B-Well, Triss and Pluii)
- Unique growth track record in the Brazilian retail market: more than doubling our store base between 2010 and 2016 while relying on organic growth.



Belief

*People Taking
Care of People*

Purpose

*Taking Close Care of
People's Health and
Well-being during all
Times of their Lives*

Values



Efficiency

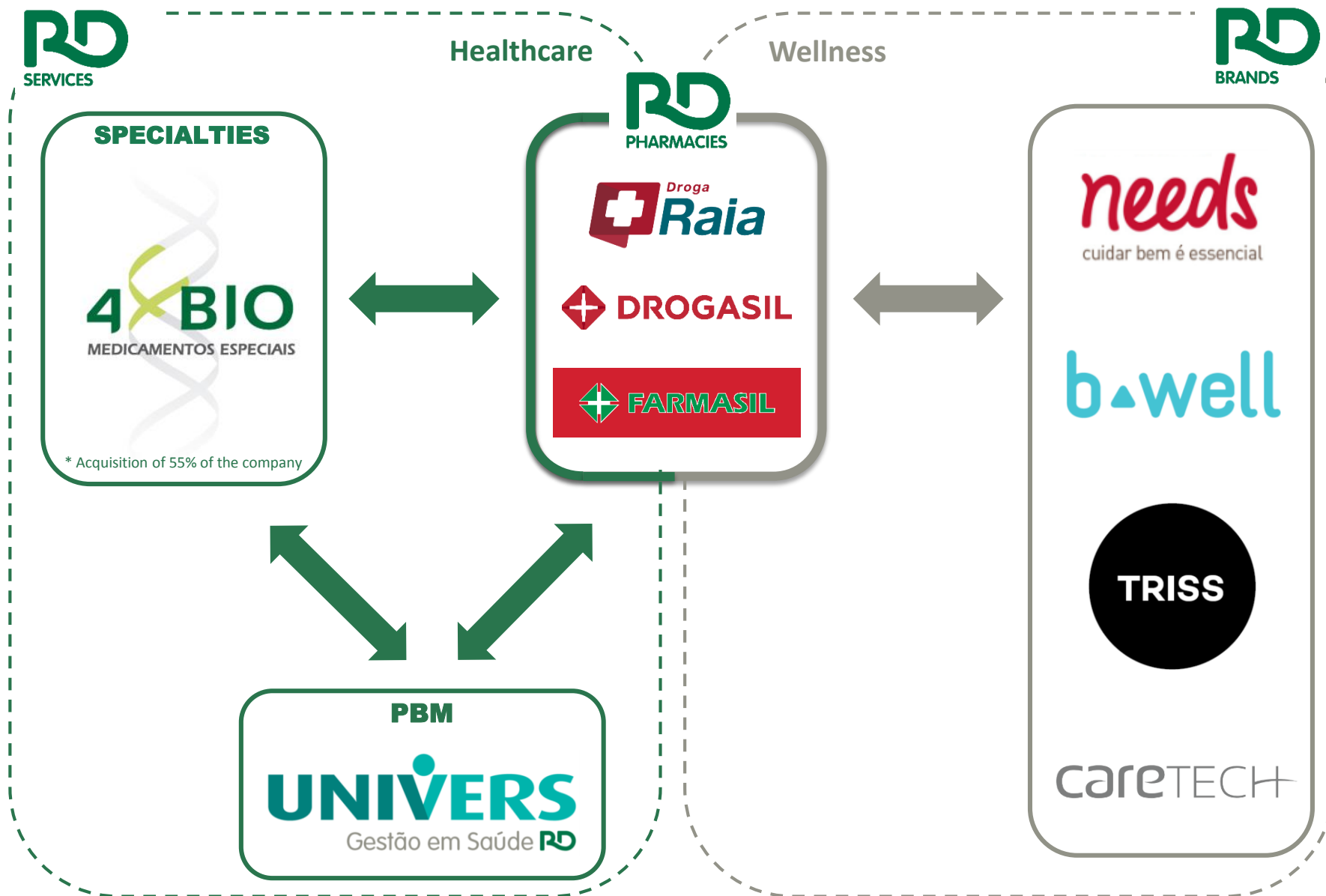
Ethics

Innovation

Relationships of Trust

Long-Term View

Our business model is based on a unique portfolio of integrated healthcare & wellness assets

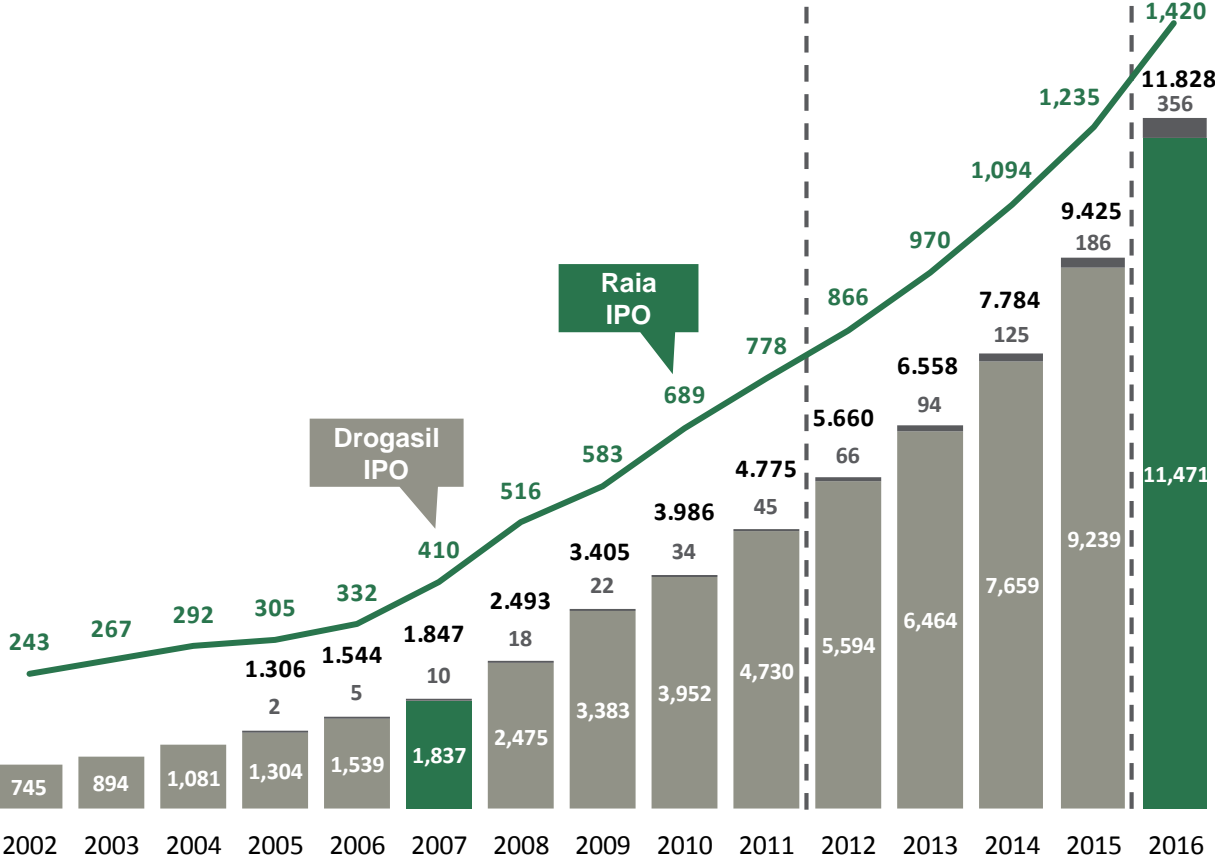


Unique track-record of accelerated organic growth with margin expansion: multiplied Stores by 3X, Sales by 6X and EBITDA by 13X from 2007 to 2016



Combined Gross Revenues & Store Count

(R\$ million, Units)

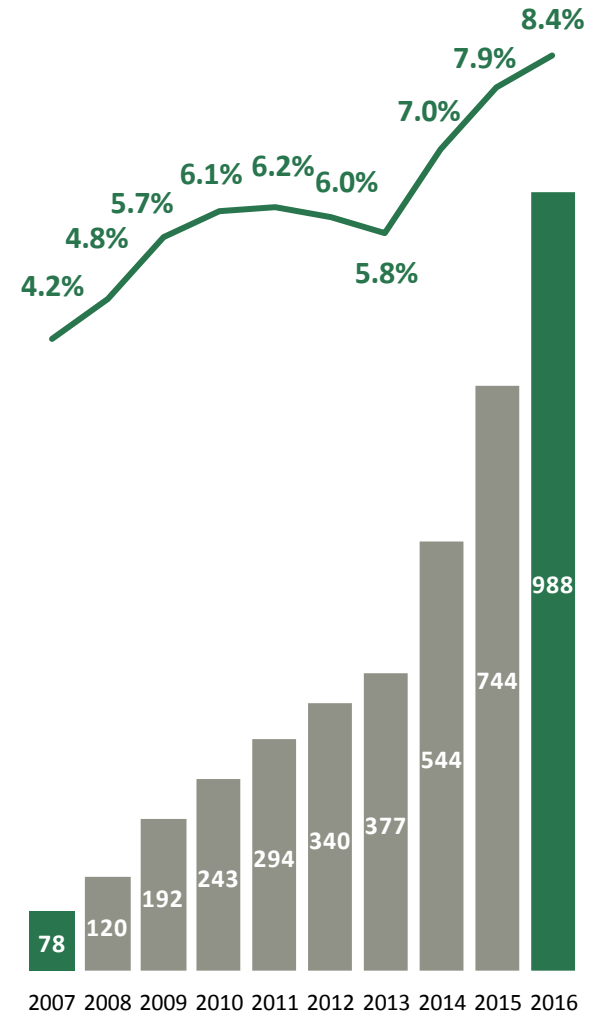


* Pro-Forma

Gross Revenues RD Pharmacies
 Gross Revenues 4Bio
 Stores










Combined EBITDA

(R\$ million, % of Gross Revenues)



Largest, fastest-growing and most efficient drugstore chain in Brazil. Ranks as the 5th largest retail group in Brazil



Drugstore Ranking		Gross Rev. (billion)	Stores	EBITDA (million)	EBITDA (%)	Retail Group Ranking		Gross Rev. (billion)	Stores
1 st	 People, Health and Well-being <small>RaiaDrogasil S.A.</small>	R\$ 11.8 +25%	1,420 +15%	R\$ 988 +33%	8.4% + 1.5 p.p.	1 st		R\$ 67.3 +8%	2,110 -3%
2 nd		R\$ 8.4 +15%	1,171 +9%	R\$ 445 +15%	5.3% 0.0 p.p.	2 nd		R\$ 49.1 +15%	370 +15%
3 rd		R\$ 5.8 +21%	952 +15%	R\$ 292 -13%	5.0% - 2.0 p.p.	3 rd		R\$ 29.4 +1%	499 +3%
4 th		R\$ 1.8 +17%	369 +6%	R\$ 125 +15%	5.5% - 0.3 p.p.	4 th		R\$ 21.4 +3%	1,127 +8%
						5 th	 People, Health and Well-being <small>RaiaDrogasil S.A.</small>	R\$ 11.8 +25%	1,420 +15%

Source: Companies, Brazilian Supermarket Ranking: Supermercado Moderno, 2016 and Valor Economico Newspaper
Only considers retailers which operate with own stores.

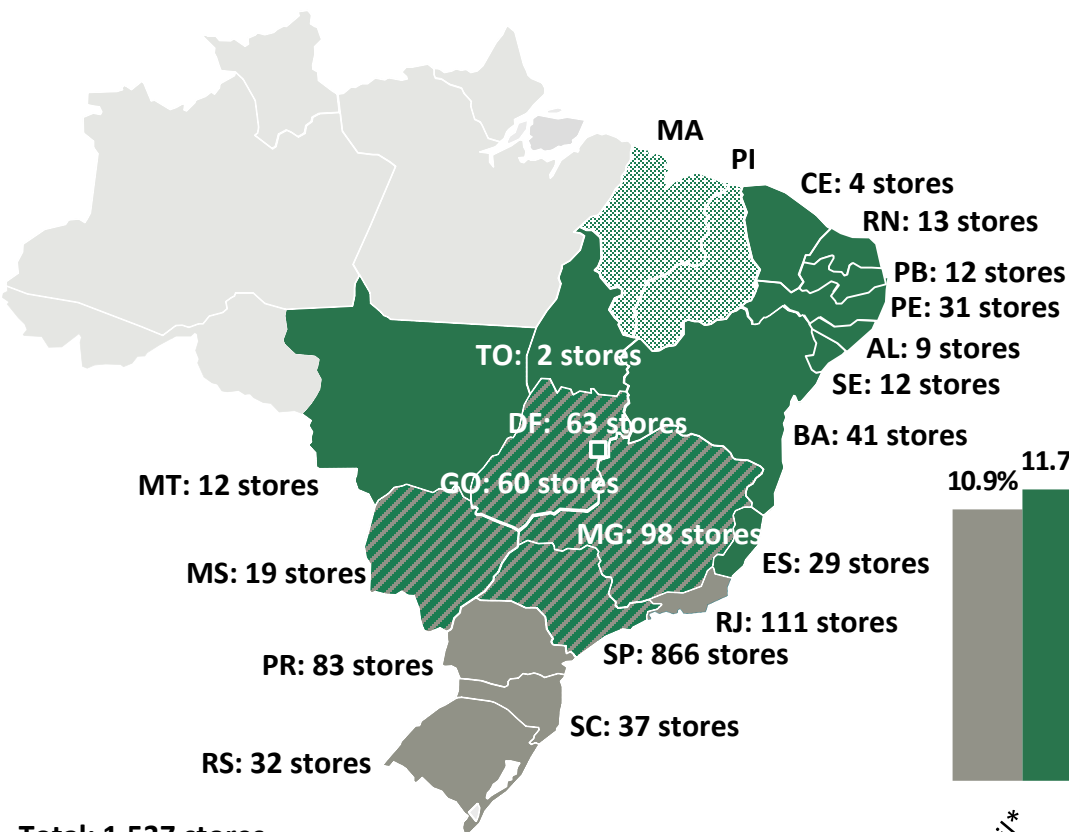
* Panvel Gross Revenues do not consider wholesale operations

RD is positioned in 19 states that account for 93% of the Brazilian pharmaceutical market, with a strong market share growth history and potential. Entering 3 new states



Geographic Presence – August, 31, 2017

Market Share



Total: 1,537 stores

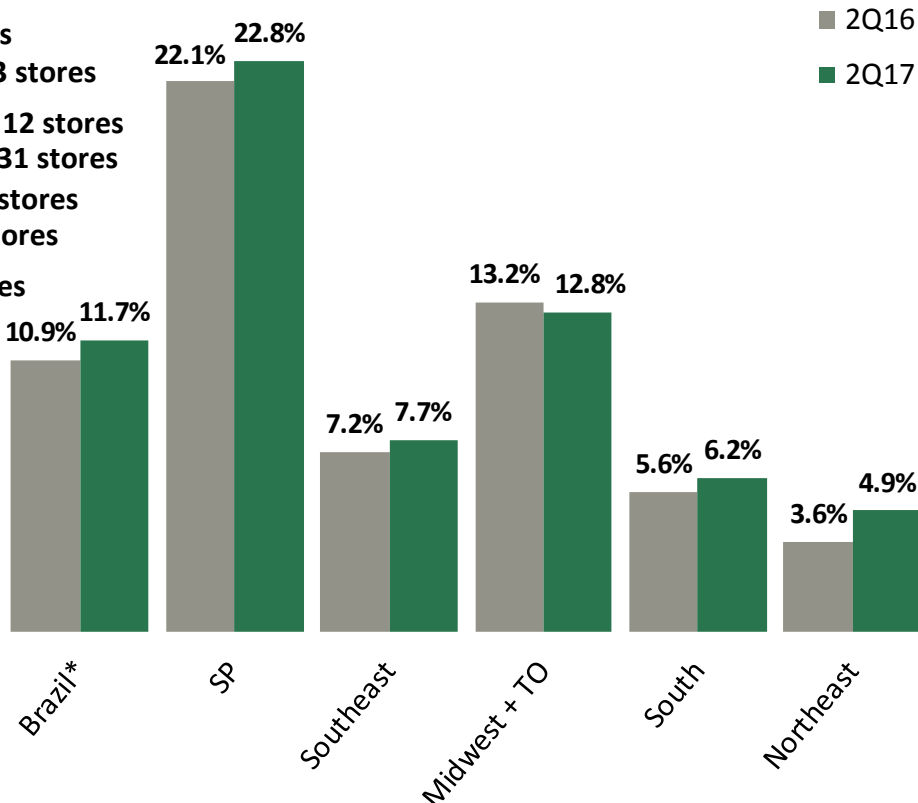
■ Raia: 725 stores

■ Drogasil: 788 stores

■ Future markets

* Farmasil: 21 stores

* 4Bio: 3 stores



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Brazil*	SP	Southeast	Midwest + TO	South	Northeast
100.0%	26.8%	24.2%	9.7%	16.2%	18.7%

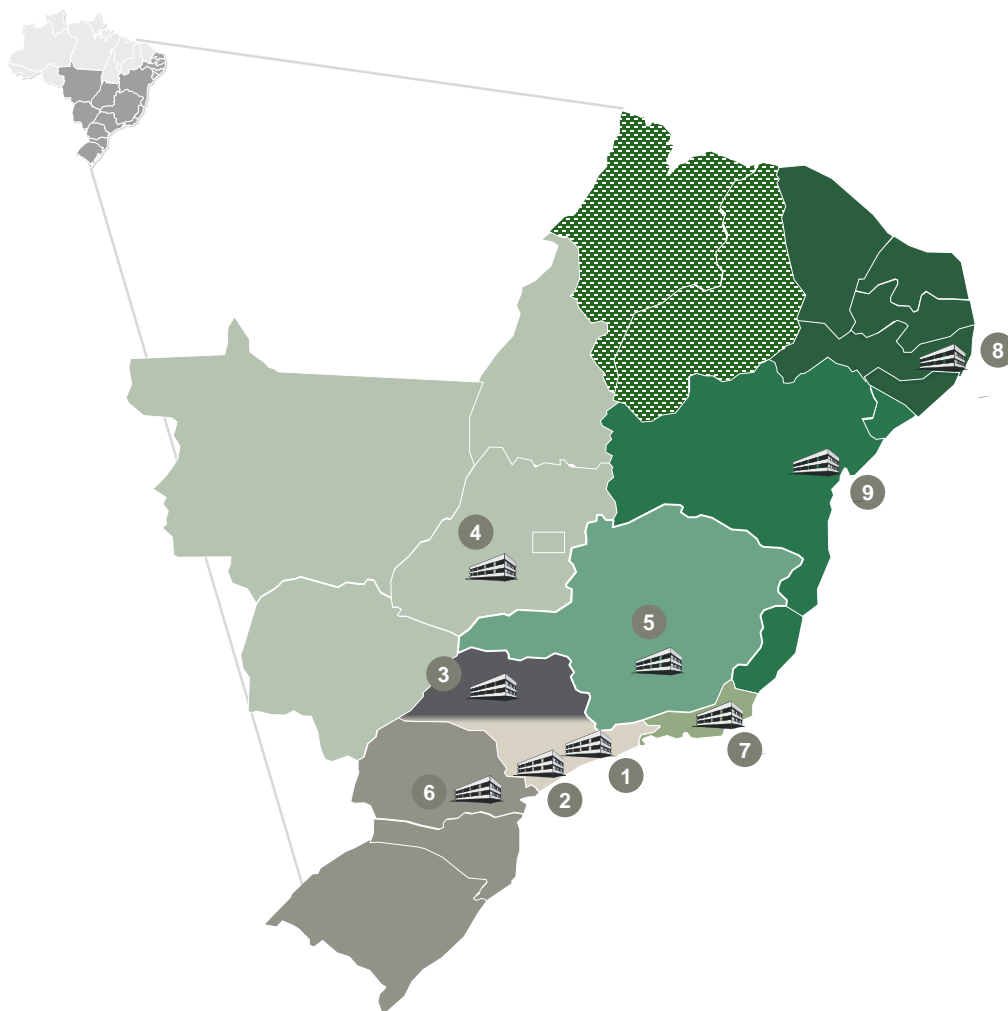
Unified, decentralized and scalable distribution infrastructure, with state of the art supply chain management driven by proprietary platforms



Distribution Centers



Distribution Centers



Embu Distribution Center

1

- ▶ São Paulo (SP)
- ▶ Area: 18,000 sqm

2

- ▶ Embu (SP)
- ▶ Area: 22,700 sqm

3

- ▶ Ribeirão Preto (SP)
- ▶ Area: 18,500 sqm

4

- ▶ Aparecida (GO)
- ▶ Area: 15,000 sqm

5

- ▶ Contagem (MG)
- ▶ Area: 8,500 sqm

6

- ▶ S. J. dos Pinhais (PR)
- ▶ Area: 12,900 sqm

7

- ▶ Barra Mansa (RJ)
- ▶ Area: 10,400 sqm

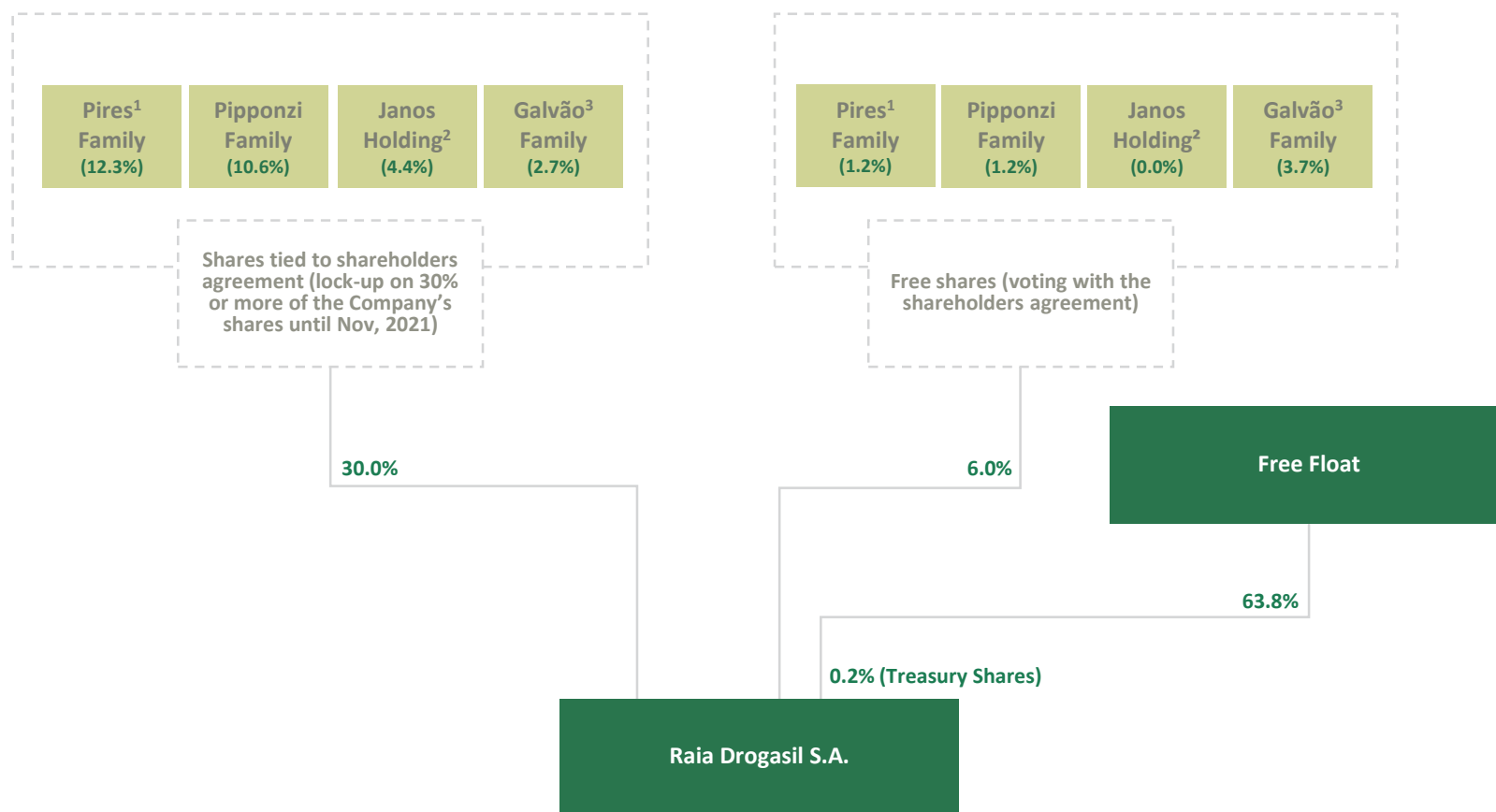
8

- ▶ Jaboatão (PE)
- ▶ Area: 10,300 sqm

9

- ▶ Salvador (BA)
- ▶ Area: 8,600 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 is presently 30% of the stock capital and will remain unchanged until Nov, 2021. Therefore, 81% of the current controlling shareholders' shares will remain under lock-up. Controllers own more than 7% in free shares that were not sold.



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 and Paulo Galvao Shares

Combined Operational Highlights	2011	2Q17 LTM	Var. %
Store Count	778	1,506	93.6%
Sales Area (sqm)	109,095	219,410	101.1%
Geographic Presence	9 states 78% of the Brazilian Market	18 states 90% of the Brazilian Market	+9 states +12% of the Brazilian Market
Employees	17,244	30,264	75.5%
Combined Financial Highlights (R\$ MM)			
Gross Revenues	4,775	12,866	169.5%
Gross Profit (% of Gross Revenues)	1,241 26.0%	3,744 29.1%	+201.7% +3.1 p.p.
EBITDA (% of Gross Revenues)	294 6.2%	1,035 8.0%	252.1% +1.9 p.p.
Net Income (% of Gross Revenues)	152 3.2%	453 3.5%	197.7% +0.3 p.p.
ROIC	12.7%	21.2%	+8.5 p.p.
Market Cap (billion)	4.3	23.2	440.6%

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.



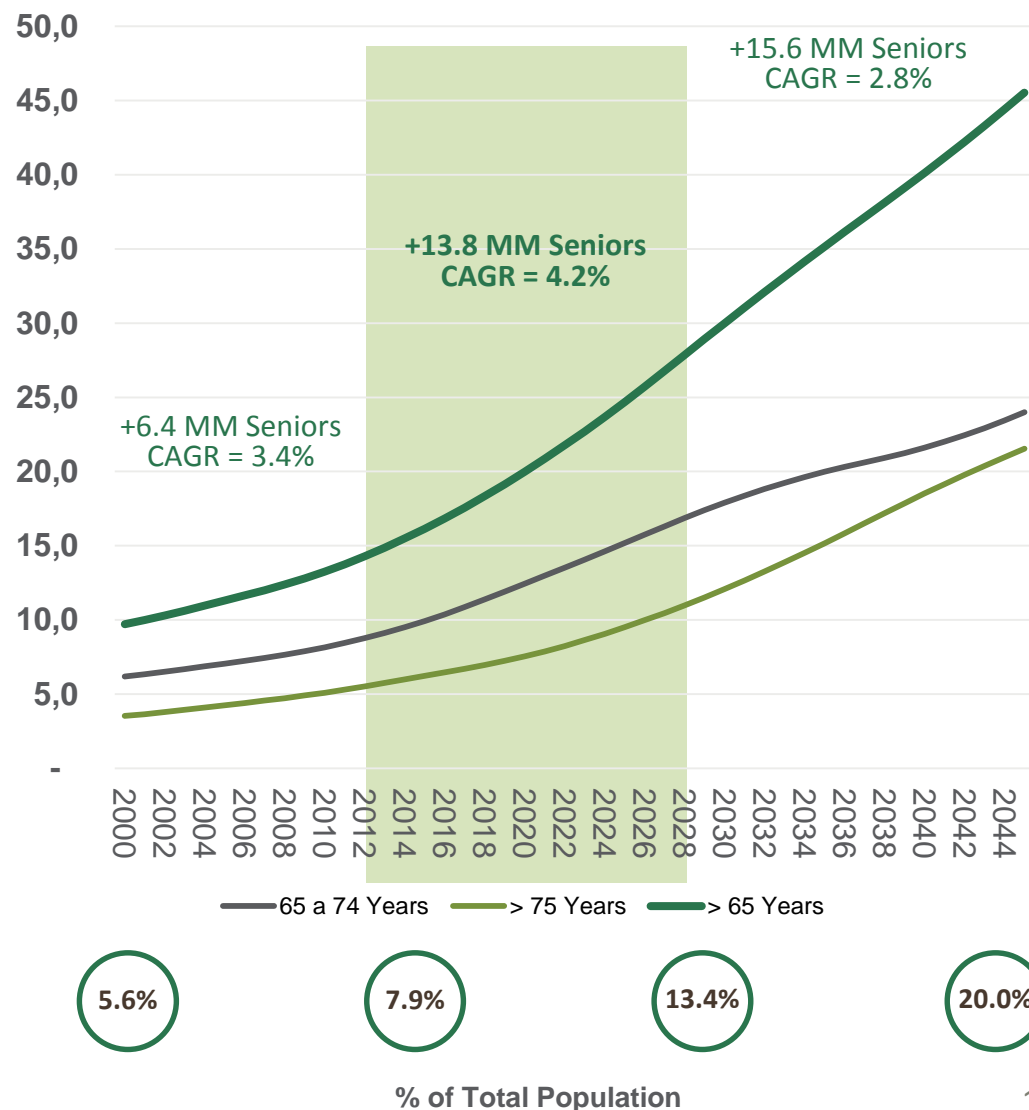
Speed of Population Aging

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

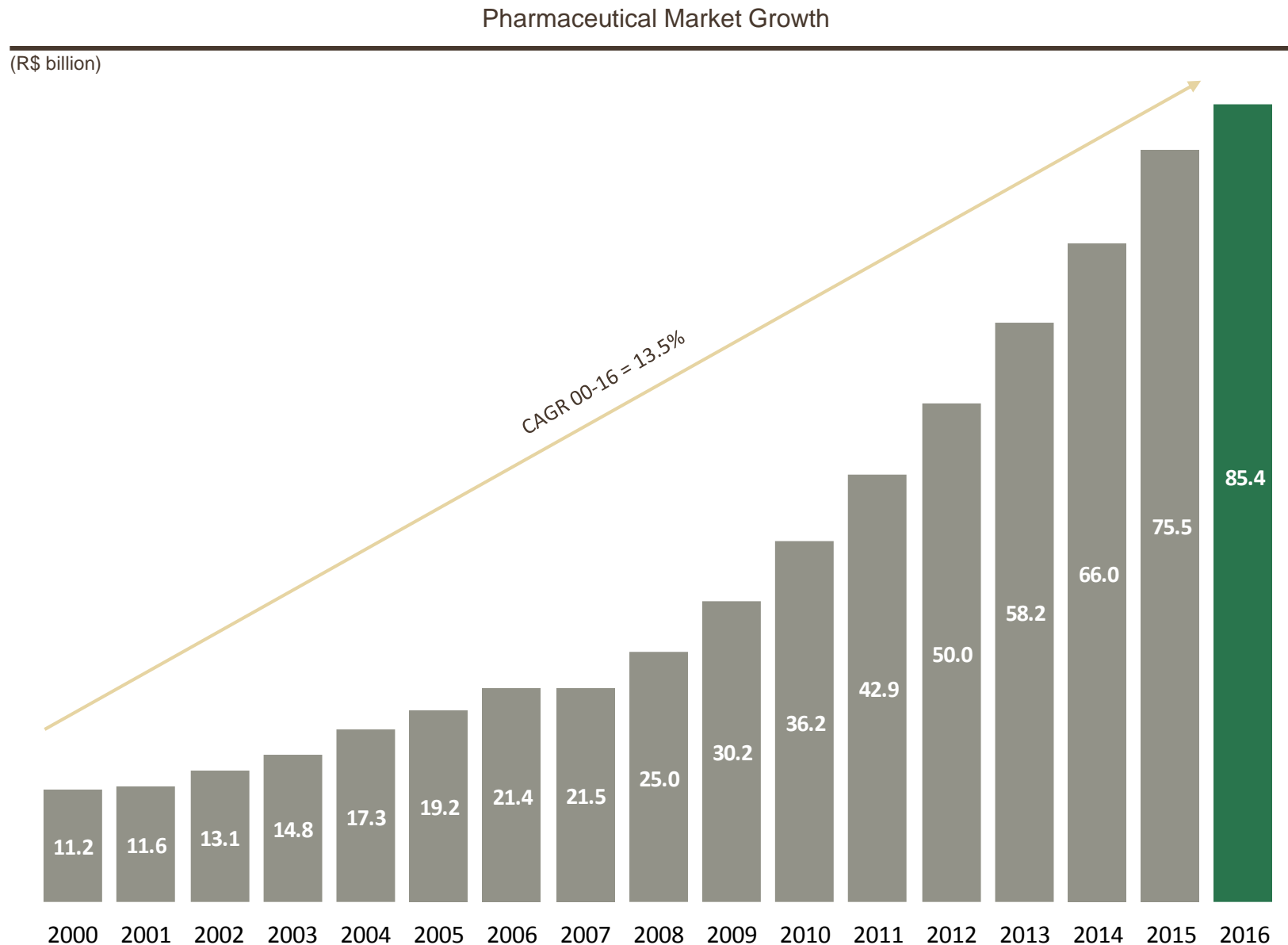


Brazilian Population Above 65 Years Old

(Million People)



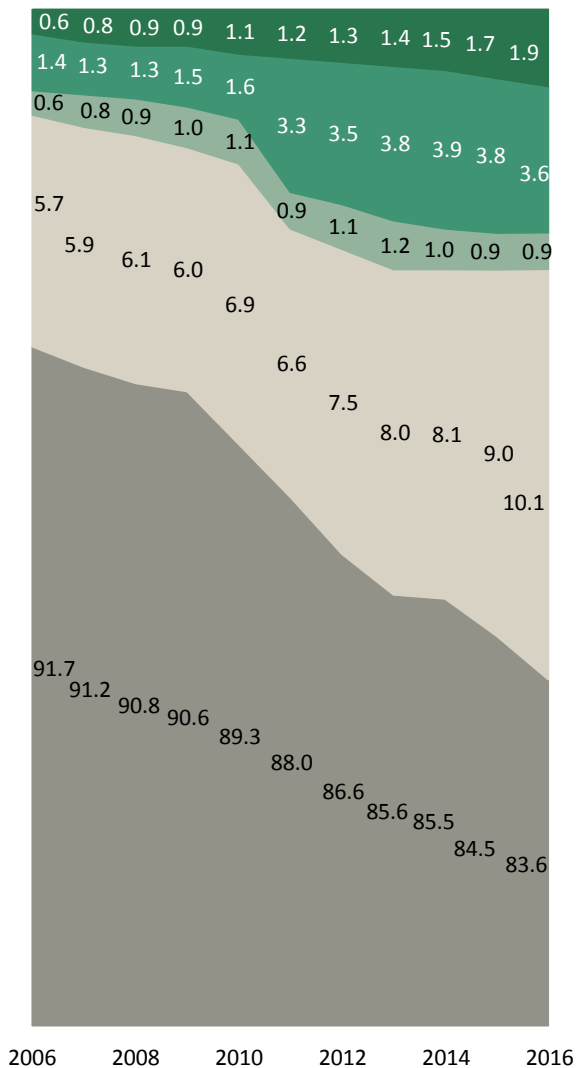
As a result, the pharmaceutical market, which grew significantly over the last 15 years, shall sustain double digit growth for another 15 years.



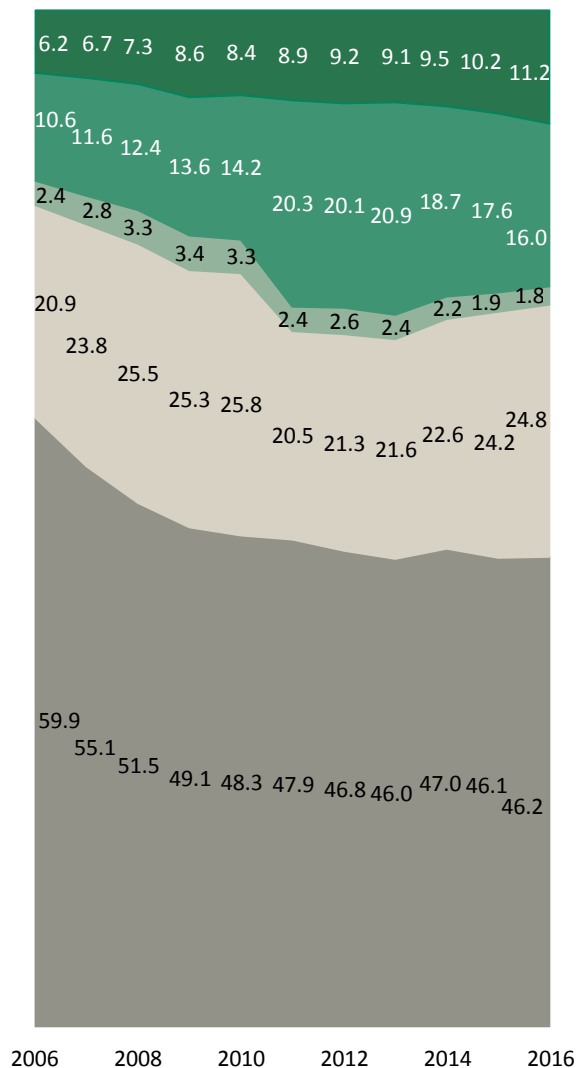
The drugstore market remains very fragmented, allowing RD to lead the industry's consolidation & enhance the productivity edge versus our Peers.



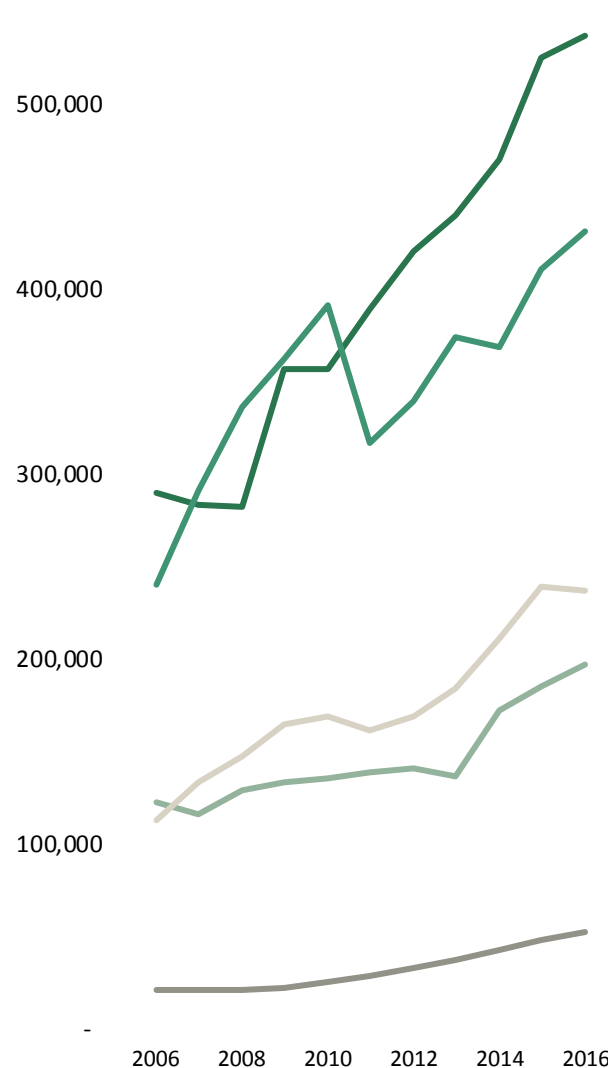
% of Stores



% of Pharma Revenues



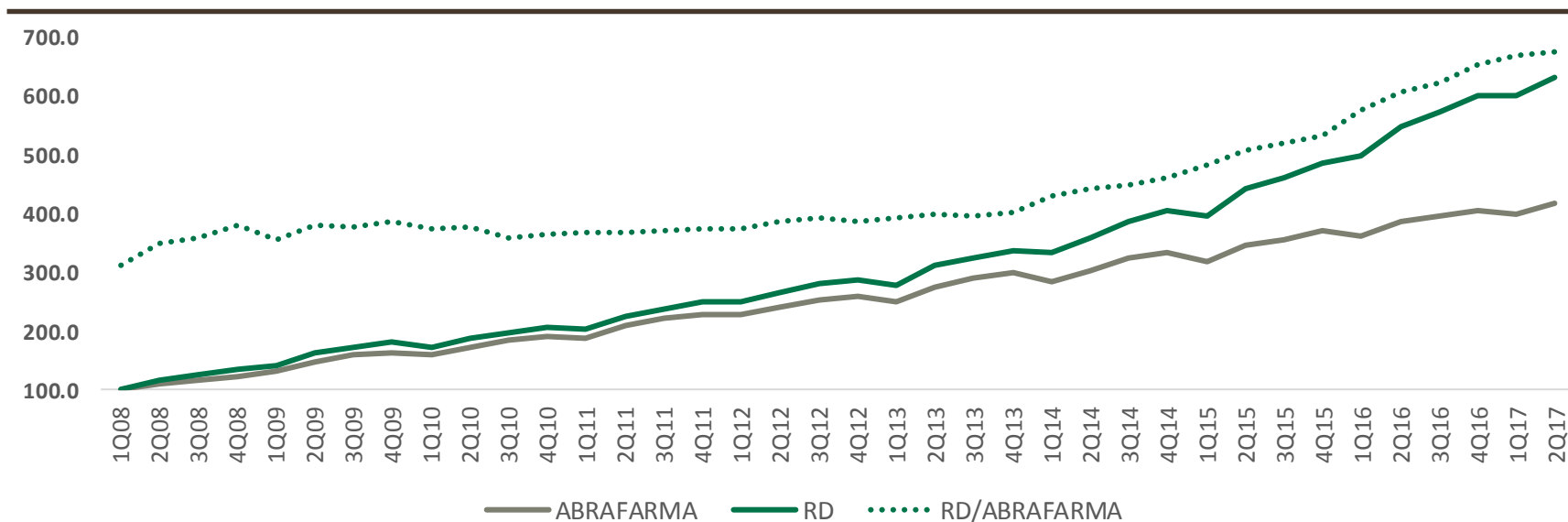
Pharma Revenues per Store (R\$/Month)



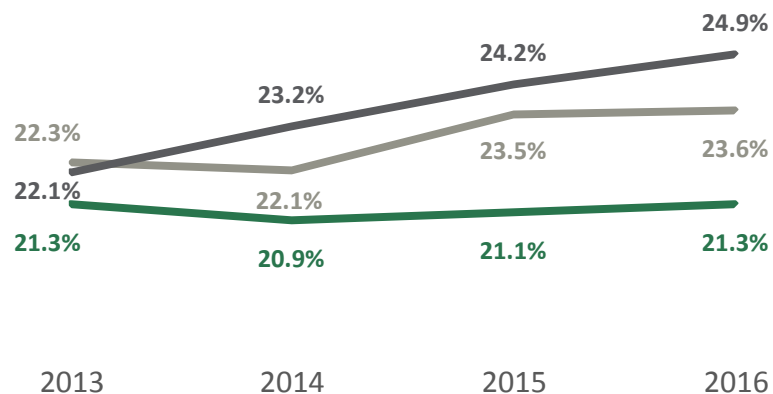
RD ABRAFARMA #2 TO #5 SUPERMARKETS OTHER CHAINS INDEPENDENTS

Source: IMS Health and Abrafarma. To preserve comparability, does not include new informants added to the panel over the last 12 months.

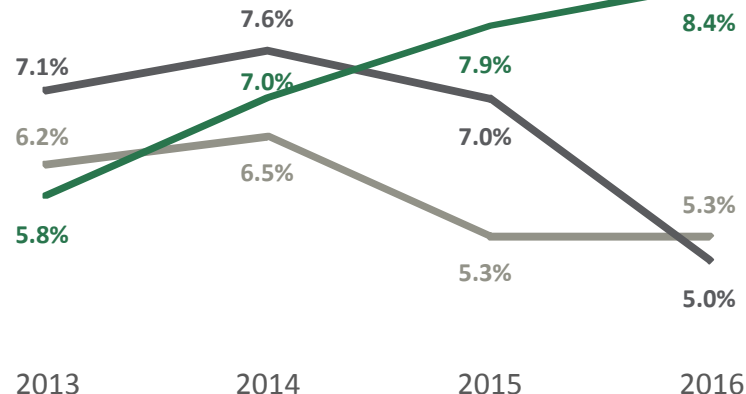
RD YOY Revenue Growth Index vs. Rest of ABRAFARMA



Operating Expenses (% of Gross Revenues)

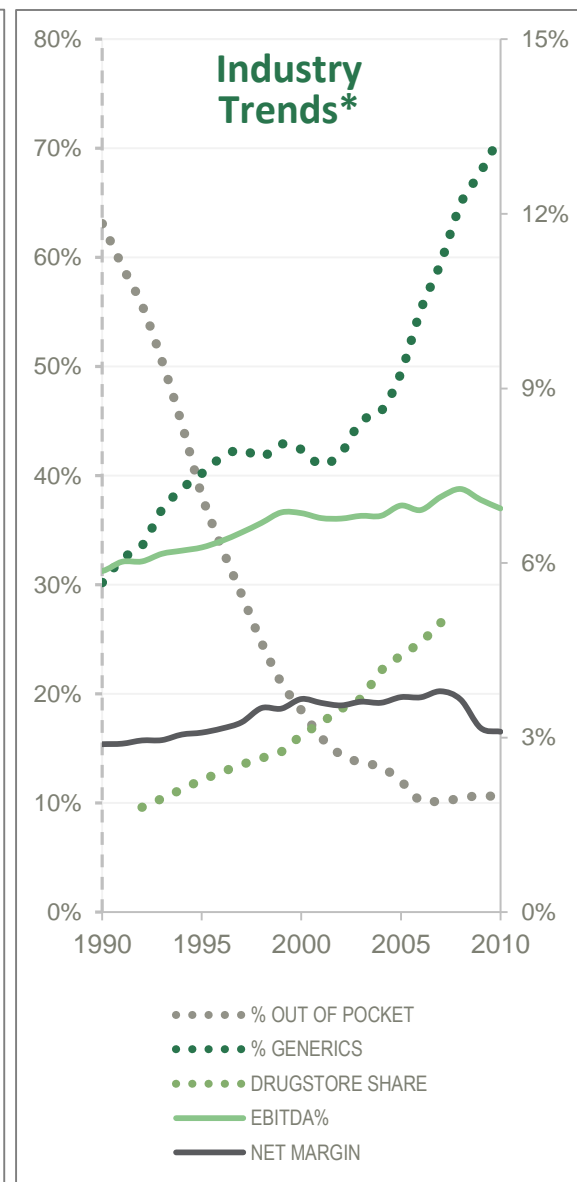
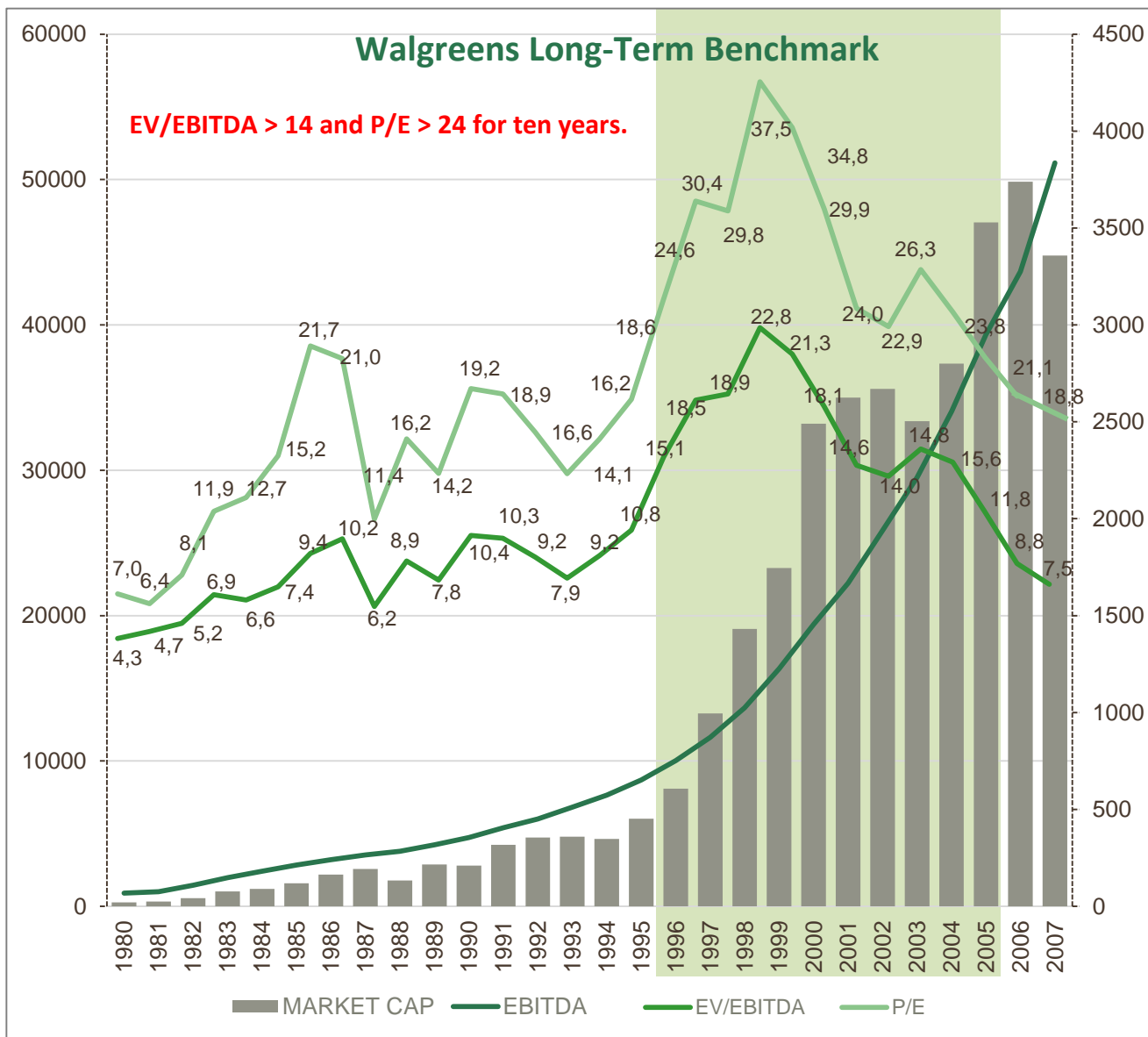


Adjusted Ebitda (% of Gross Revenues)



RD Pague Menos DPSP

The Brazilian drugstore industry resembles the US market in the early 90s, with similar real growth opportunity but larger margin expansion potential



* WAG's financial performance in lieu of its market share increase and of industry trends (generics increase and out of pocket payment substitution by third-party payors)

Differentiated Assets & Competencies Driving an Unique Execution



We have a unique set of assets and competencies that constitute a very significant entry barrier both against local and global new entrants



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



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

3 - Proprietary Platforms & Infrastructure

CRM-driven Platform, Efficient & Scalable Distribution Network, Specialty Pharmacy & PBM



4 - Differentiated and Capital-Efficient Formats
Strong Shopping Experience, Data-Driven Category Management, Growing Private Label Portfolio, High Marginal ROIC

COMPETENCIES

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



Location Profile*

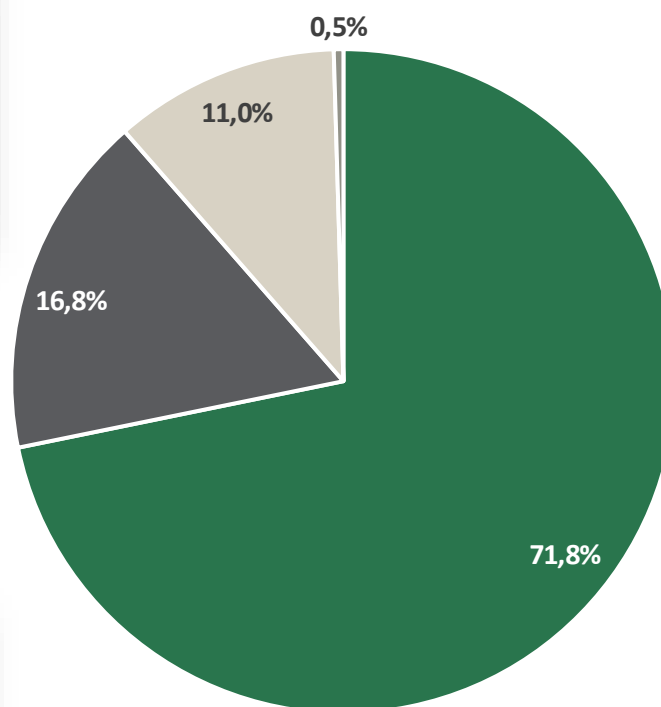
■ Stores with Parking



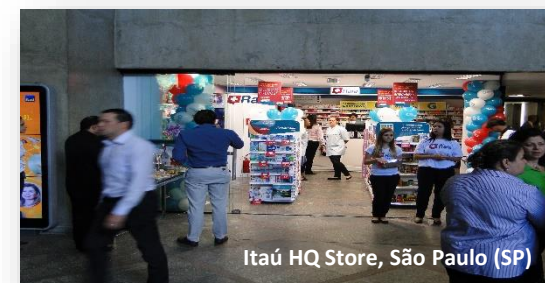
■ Shopping & Commercial Centers



■ Pedestrian Stores

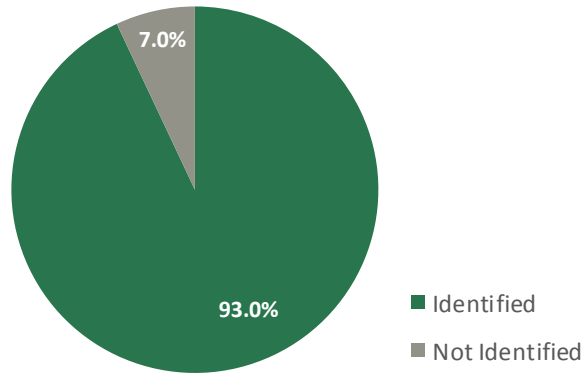


■ Corporate Stores



1) Enroll

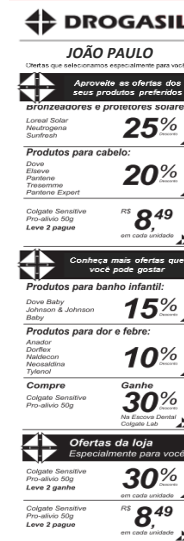
Identified Revenues as % of Total



✓ 3 MM Raia Smart Coupons / Month

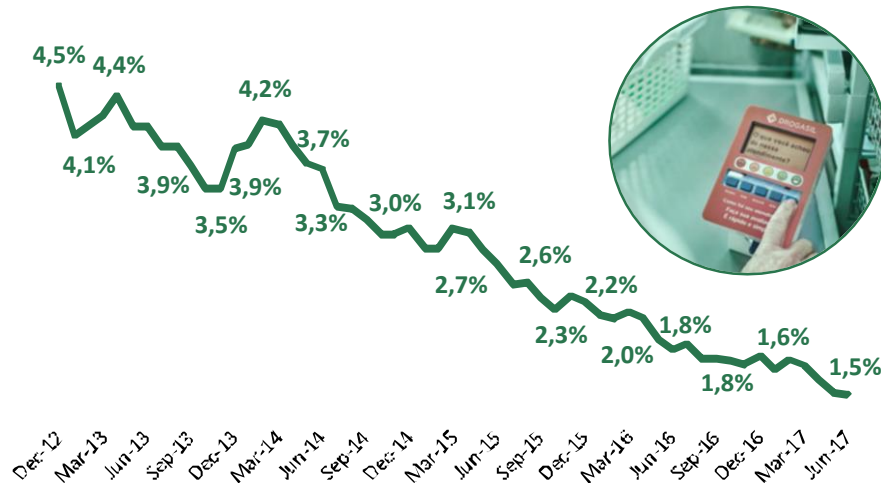


2) Shop



3) Pay & Evaluate

Raia Customer Service Evaluations (% Negative)



4) New Loyalty Program

- Focus on Surprise and Delight
- Higher focus in up-sell instead of cross-sell
- Higher accuracy and relevance for the Exclusive Offers
- Measurement of the loyalty level by store

UNIVERS
Gestão em Saúde **RS**

The collage features a wide variety of logos from different sectors of the Brazilian economy. Automotive brands like Volkswagen, GM, Fiat, and Ford are prominent. Food and beverage logos include Coca-Cola, FEMSA, BRF, and Kellogg's. Telecommunications and media are represented by companies like TIM, Nextel, and Rede Globo. Healthcare and pharmaceutical logos such as Unimed, PMS, and Golden Cross are also included. Other notable logos include Itaú, HSBC, and Avianca. The logos are arranged in a dense, overlapping grid, showcasing the diversity of Brazilian corporate branding.

Processing & Eligibility Check

Preferred Retail Network

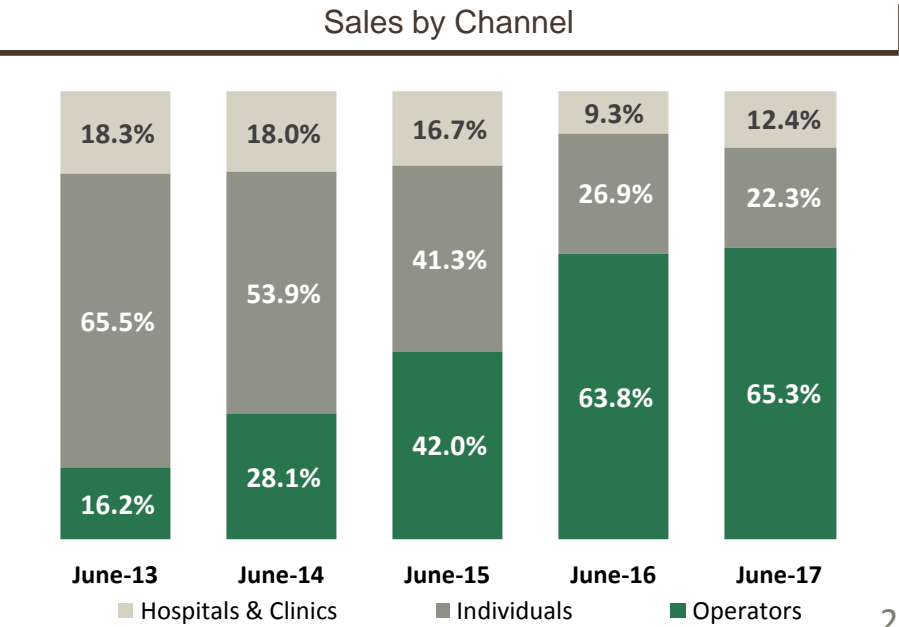
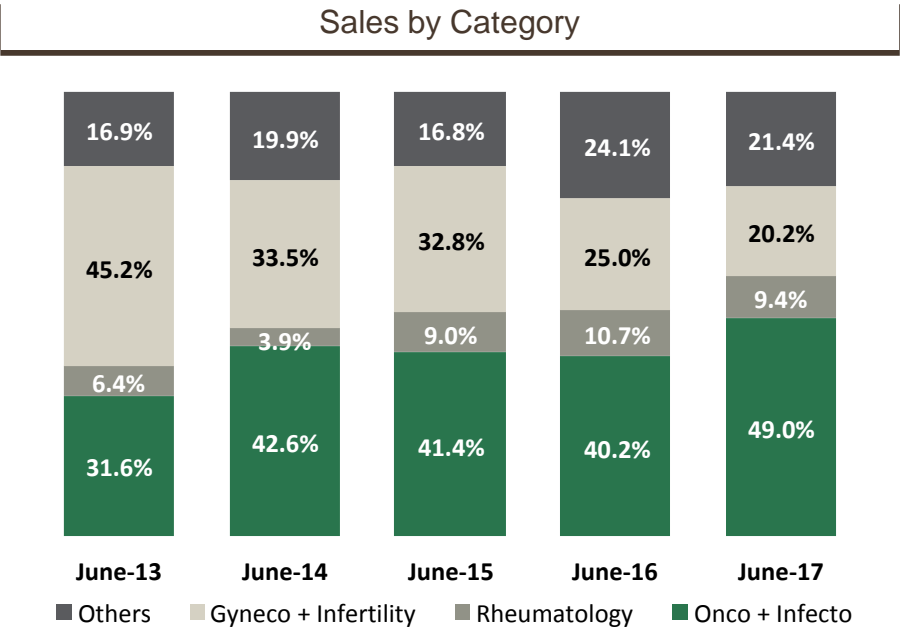
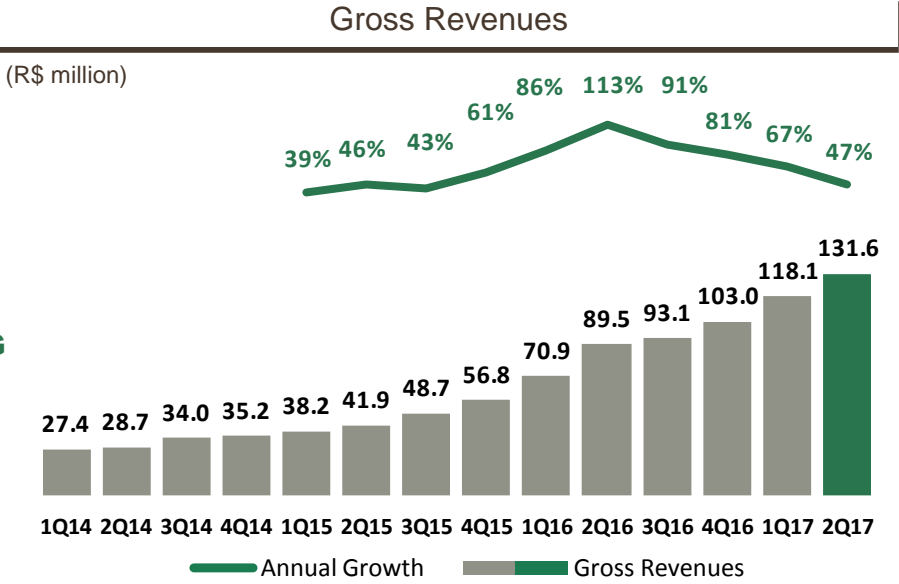
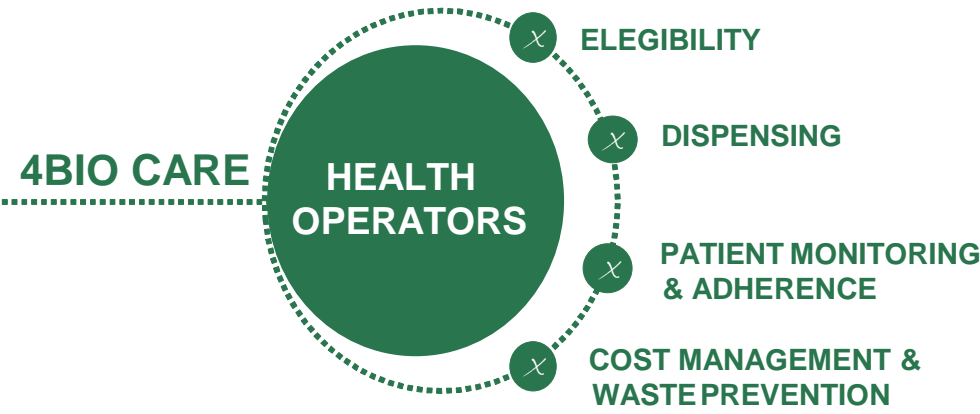


Specialty Pharmacy



> 700 third-party pharmacies

4 Bio has doubled its revenues to become Brazil's Specialty Retailing leader, with strong managed care expertise and a focus in Oral Oncology and Hepatitis C.





Average Mature Store Contribution Margin ⁽¹⁾

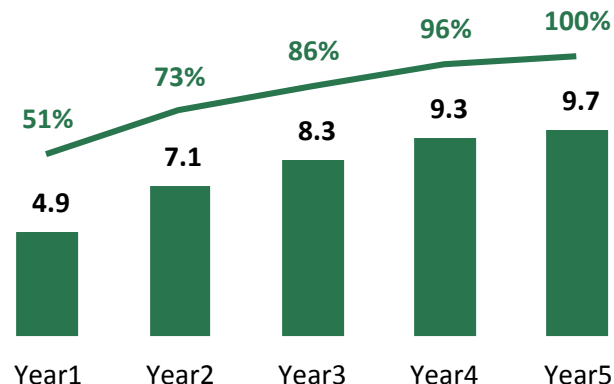
Income Statement (Mature Store) 2016	
<i>(In R\$ 000)</i>	
Gross Revenues	9,692
Gross Profit	2,975
% of Gross Revenue	30.7%
Store Expenses	(1,597)
% of Gross Revenue	16.5%
Store Contribution Margin	1,378
% of Gross Revenue	14.2%
NPV Effect	(58)
Depreciation	(304)
Income Tax (34%)	(345)
Depreciation	304
NOPAT (a)	975
% of Gross Revenue	10.4%
Capex	1,521
Pre-Operational Expenses	229
Operating Working Capital	633
Total Investment (b)	2,383
ROIC (a/b) ⁽²⁾	40.9%

(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

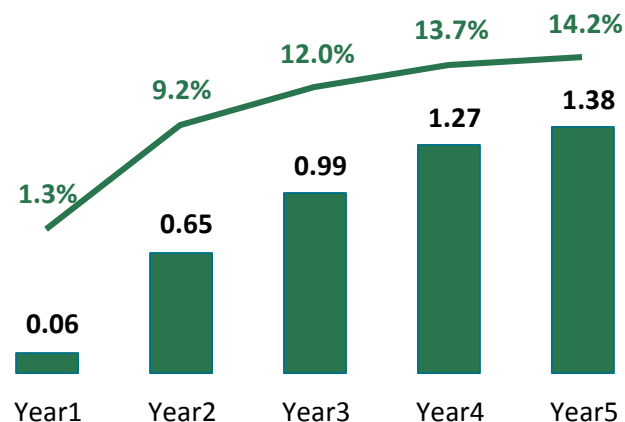
Gross revenues Ramp-Up

(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)



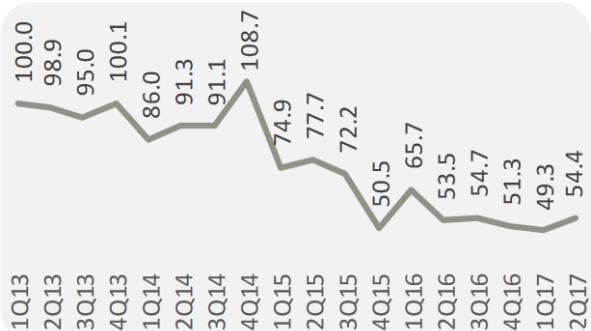
Source: Company internal estimates

Improved execution driving productivity gains

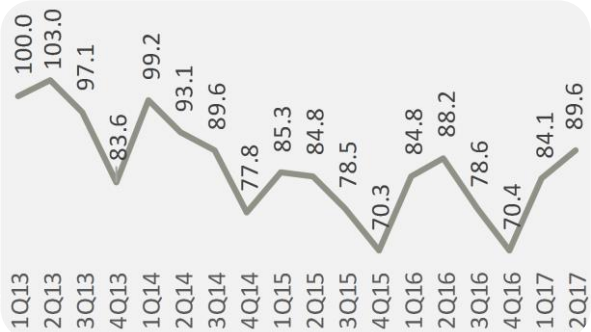


Improved Supply Chain Management

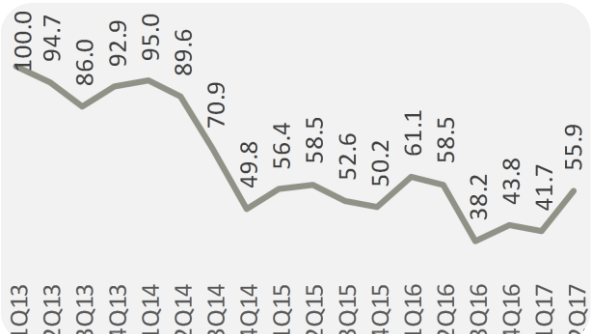
Stock-Outs



Cash Cycle

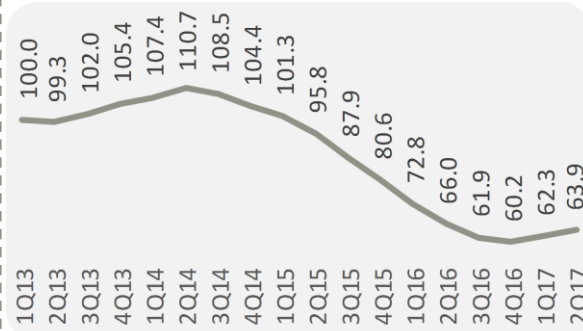


Inventory Losses



Improved Service

Employee Turn-Over (LTM)

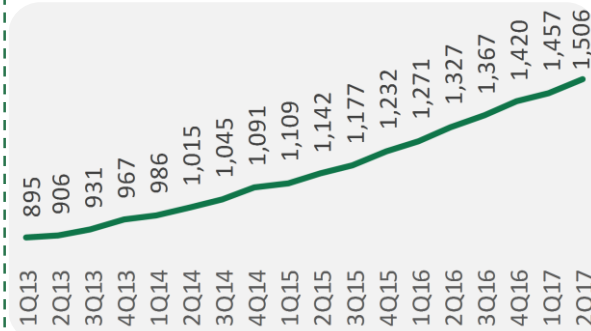


Customer Insatisfaction (%)

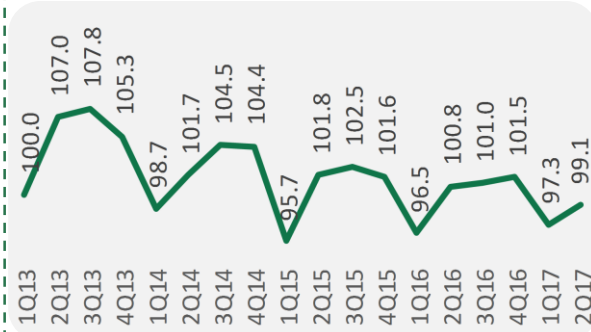


Accelerate Growth & Improved Productivity

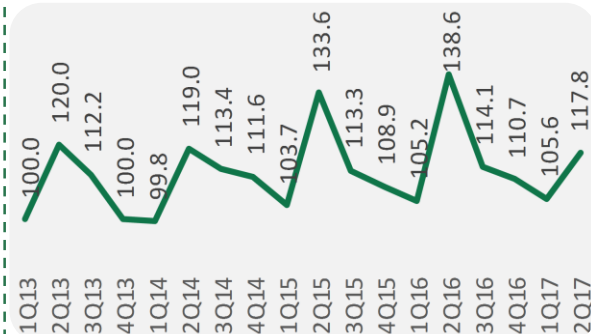
Stores



Avg. Revenues per Mature Store

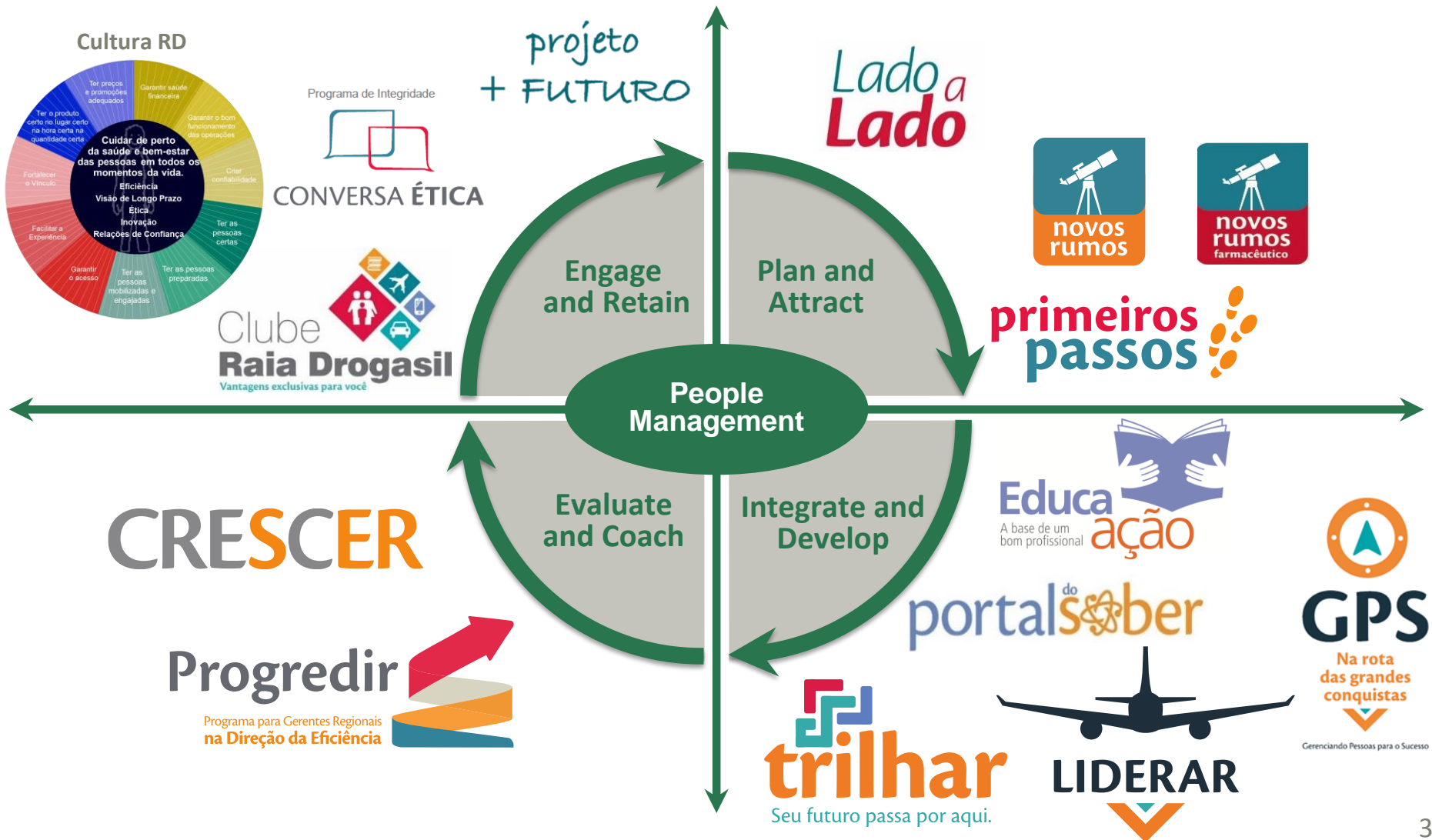


Avg. Store EBITDA per Mature Store



* 1Q13 = 100 Index. Figures do not include 4-bio. Cash cycle adjusted to a comparable basis due to the old tax regime that reduced inventories up to the 3Q13 (equivalent to +4.5 days). Mature Store Revenues and EBITDA were adjusted to 1Q13 CPI levels.

We have structured 15 programs in 3 years to promote the People Management Cycle and strengthen the RD Efficiency Culture



Reinventing the Execution for the Next 15 Years



We have established four main strategies and three core enablers to deliver on them

1 - Accelerate the Organic Expansion



2 - Introduce New Formats



3 - Enhance Category Mgmt. & Shopping Experience



4 - Involve, Understand & Potentialize Customers



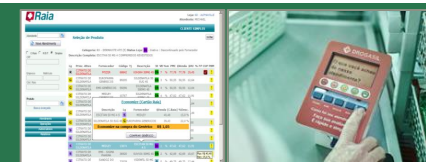
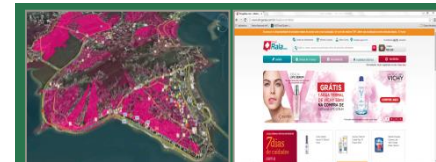
5 – Attract, Develop, Engage & Retain People



6 – Integrate, Streamline & Reinforce Processes



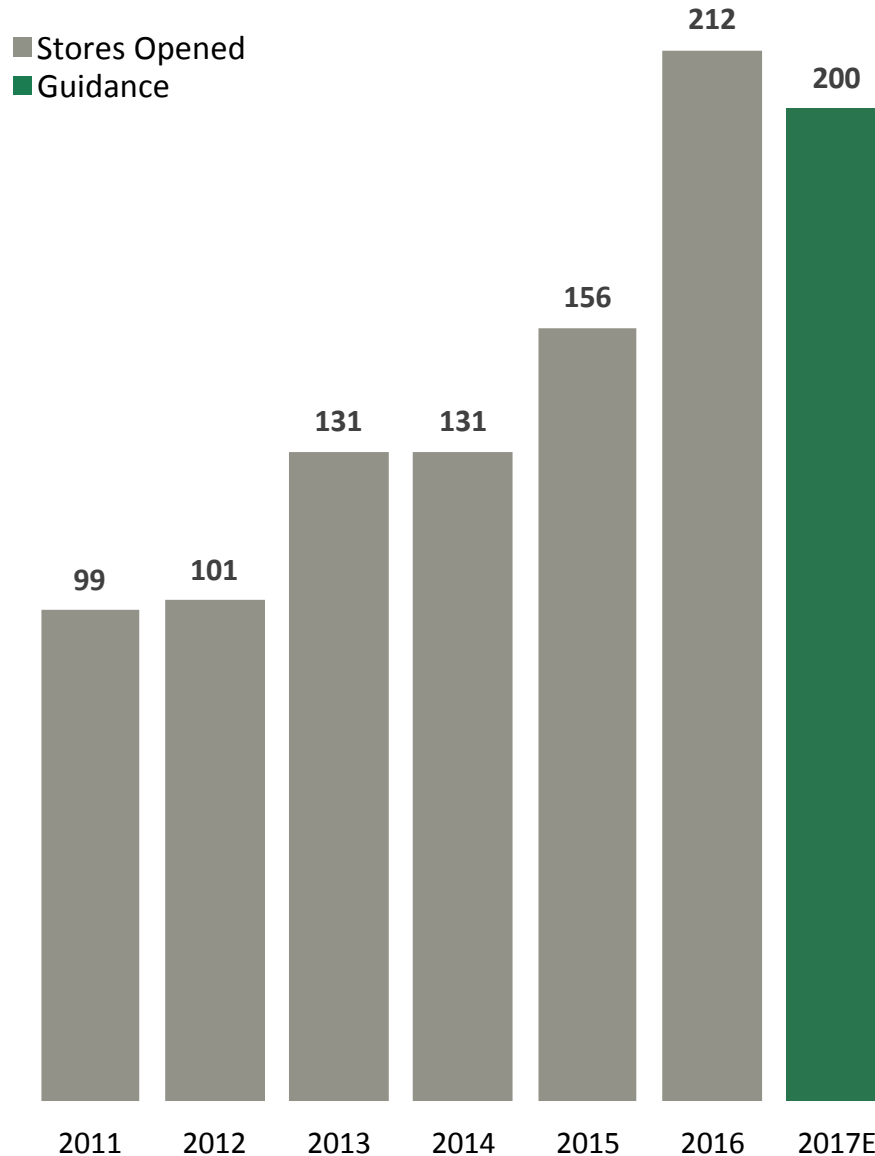
7 – Leverage & Improve Platforms



1 – Accelerate organic expansion



New Store Openings



Main Challenges

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

Main Solutions

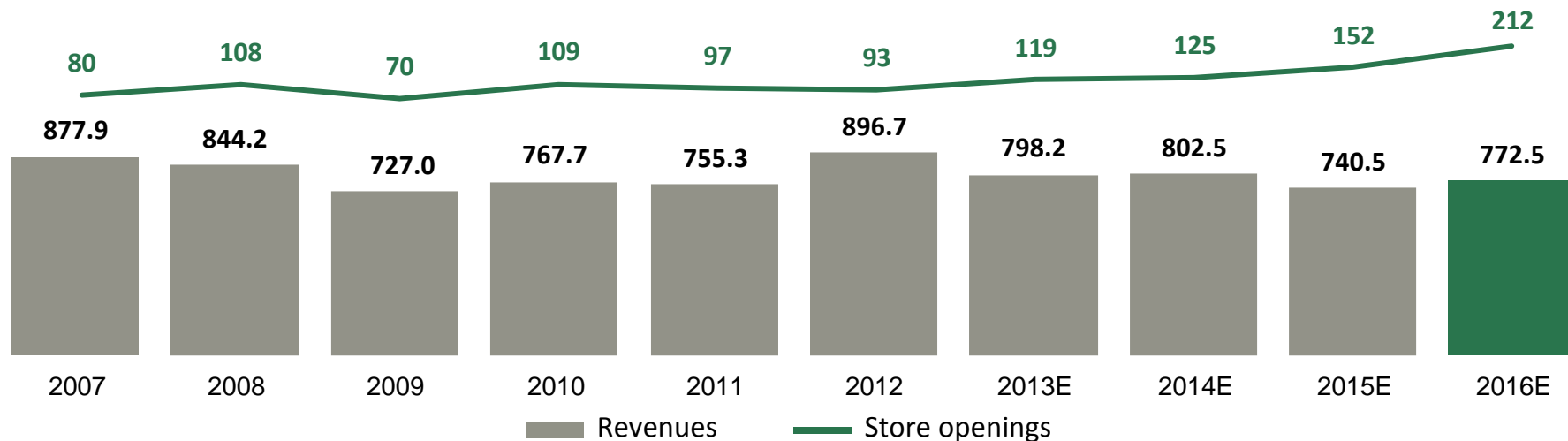
- **Expanded the Real Estate Team**
- **Increasing Contract Buffer**
- **Implementing PMO to Align Functional Areas & Streamline Process**
- **Enhancing Training Programs & Turnover Reduction**

Our expansion has sustained the historical returns ...



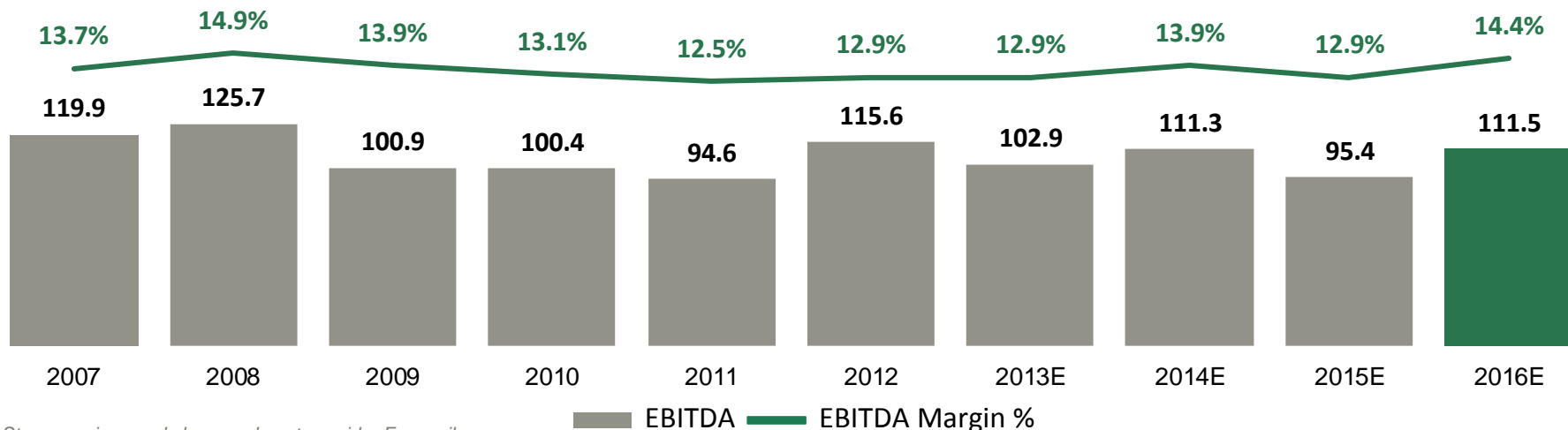
Average Mature Store Revenues by Vintage (Monthly)

(Store openings, closures as a % of openings)



Average Mature Store EBITDA by Vintage (Monthly)

(R\$ 000, EBITDA Margin)



EBITDA EBITDA Margin %

* Store openings and closures do not consider Farmasil.
 ** For stores opened from 2013 onwards, we assume the estimated mature store revenues and profitability.
 *** Does not consider G&A and DCs expenses.
 ***** Average for LTM ended in March, 2017.

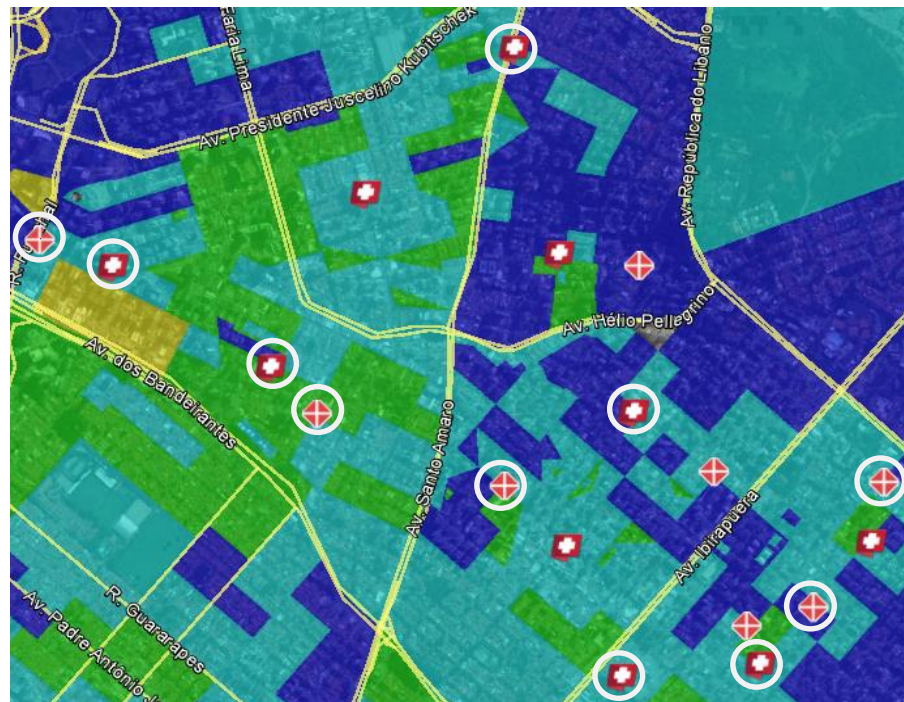
Jardins and Paraíso - São Paulo



○ Opened after March, 2010

		Revenues		
Mar/10 = 100 index	# Stores	Mar/10*	Mar/17	Growth %
Pre-existing Stores	11	100	99	-0.6%
Expansion	12		96**	
Total Revenues	23	1.100	2.250	104.5%
		EBITDA ***		
Mar/10 = 100 index	# Stores	Mar/10	Mar/17	Growth %
Pre-existing Stores	11	100	132	31.7%
Expansion	12		147	
Total EBITDA	23	1.100	3.214	192.2%

Moema, Vila Nova, Vila Olímpia - São Paulo



○ Opened after March, 2010

		Revenues		
Mar/10 = 100 index	# Stores	Mar/10*	Mar/17	Growth %
Pre-existing Stores	7	100	102	1.6%
Expansion	11		79**	
Total Revenues	18	700	1.583	126.1%
		EBITDA ***		
Mar/10 = 100 index	# Stores	Mar/10	Mar/17	Growth %
Pre-existing Stores	7	100	151	50.7%
Expansion	11		117	
Total EBITDA	18	700	2.343	234.7%

* Adjusted to March 2017 CPI levels.

** Considers the estimated mature store revenue, applying the maturation curve for stores opened after 2012.

*** Does not consider G&A and DCs expenses.

2 – Introduce new formats

Farmasil (Low Cost Format)



Droga Raia "Big Store" Format



New Drogasil Store Identity



Farmasil Model



Pedestrian and low income public

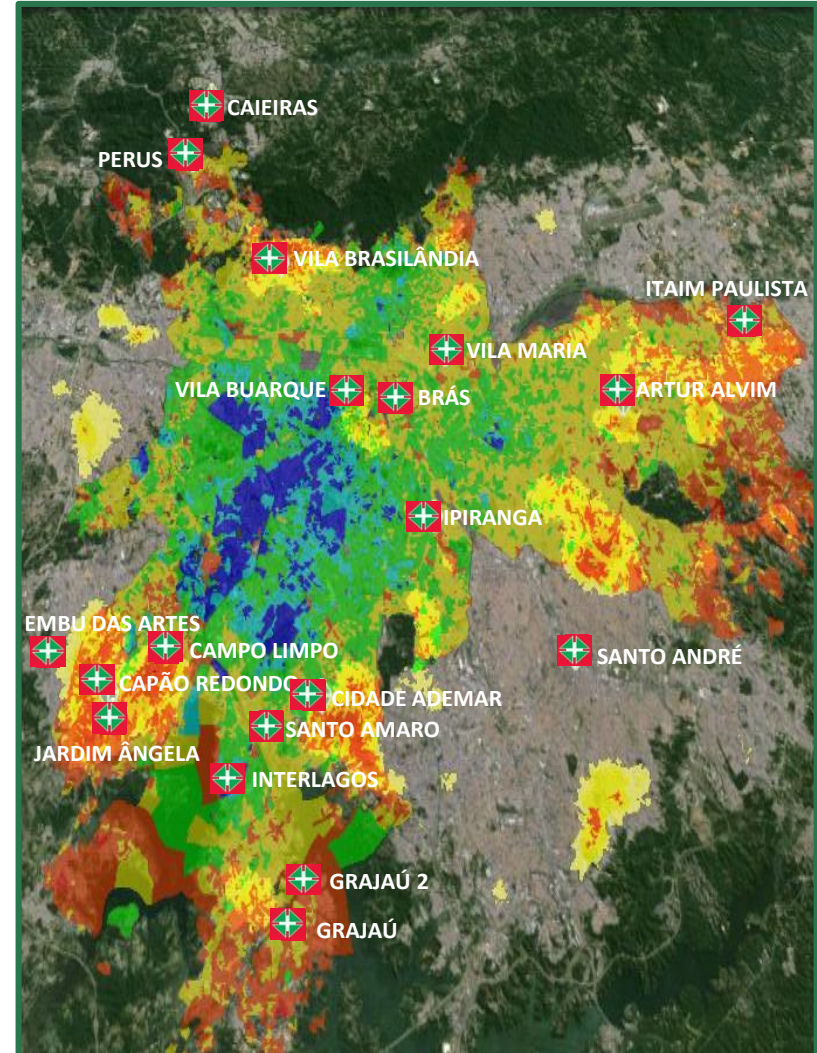
Differentiated and innovative store format

Low operating cost

Competitive prices and focus on generics

Higher gross margin and lower working capital

São Paulo Metropolitan Region



3 – Enhance category management & shopping experience



Customer-Centric Category Management



Implementing a New Pricing Platform



Become a Beauty Destination



Become a Full-Service Pharmaceutical Provider



Primary Care

+



Specialty Drugs

Increase Private Label Range & Penetration



Dunnhumby

- Global leader in Customer Science and Personalization
- Long term partnerships with global retail leaders such as Tesco, Kroger, Casino and Macy's

dunnhumby



Partnership Terms

- Long term partnership
- Fully dedicated team and cutting-edge platforms
- RD has exclusivity in the Brazilian drugstore market

Data + Science = Delight + Loyalty

New Loyalty Program

Personalization

- Focus on *Surprise and Delight*, in substitution for the current *Earn and Redeem* points scheme
- Enhance customer experience in all phases of the shopping cycle, in and out of store
- Higher focus in *up-sell* instead of *cross-sell*

- Complex algorithms allowing higher accuracy and relevance for the Exclusive Offers
- Reduced time of service for controlled medicines through client registration
- Measurement of the loyalty level by store and improved tracking of the customer profile
- Opportunities of leveraging adherence to treatments through industry partnerships

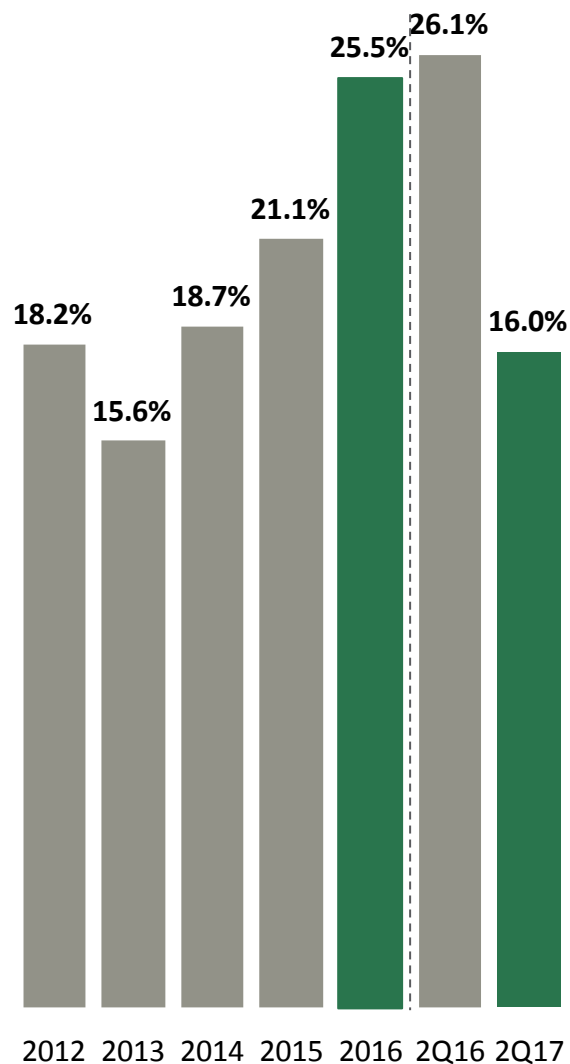
A photograph of a modern, multi-story Raia Pharmacy building with a curved facade and large glass windows. The Raia logo, featuring a red cross and the word 'Raia' in blue, is visible on the building's facade and on a tall vertical sign to the right. The image is overlaid with a semi-transparent teal filter.

Proven Track Record in Delivering High Growth with Margin Expansion

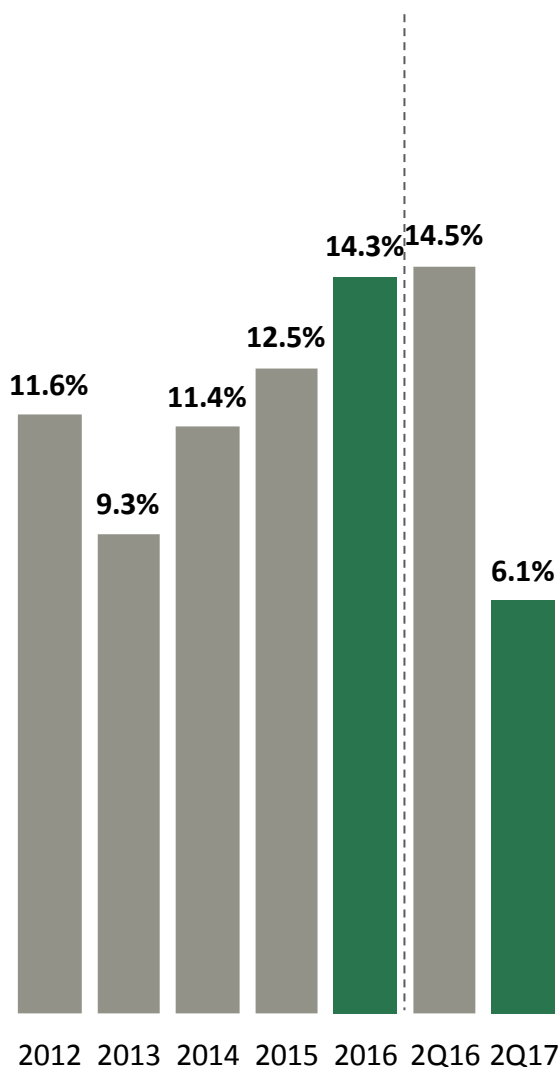
Strong revenue growth



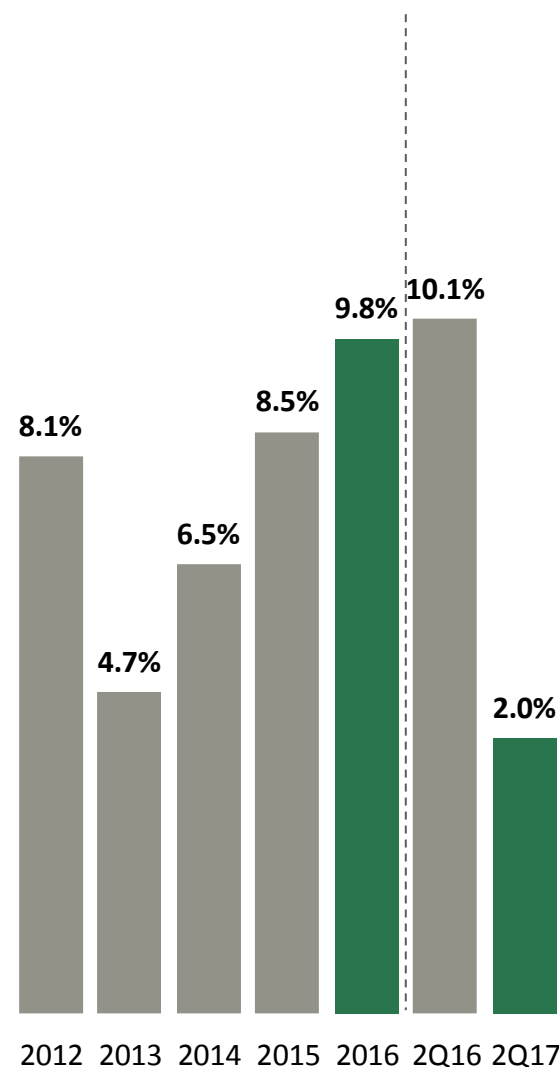
Consolidated Revenue Growth



Same Store Sales Growth*



Mature Stores Growth*



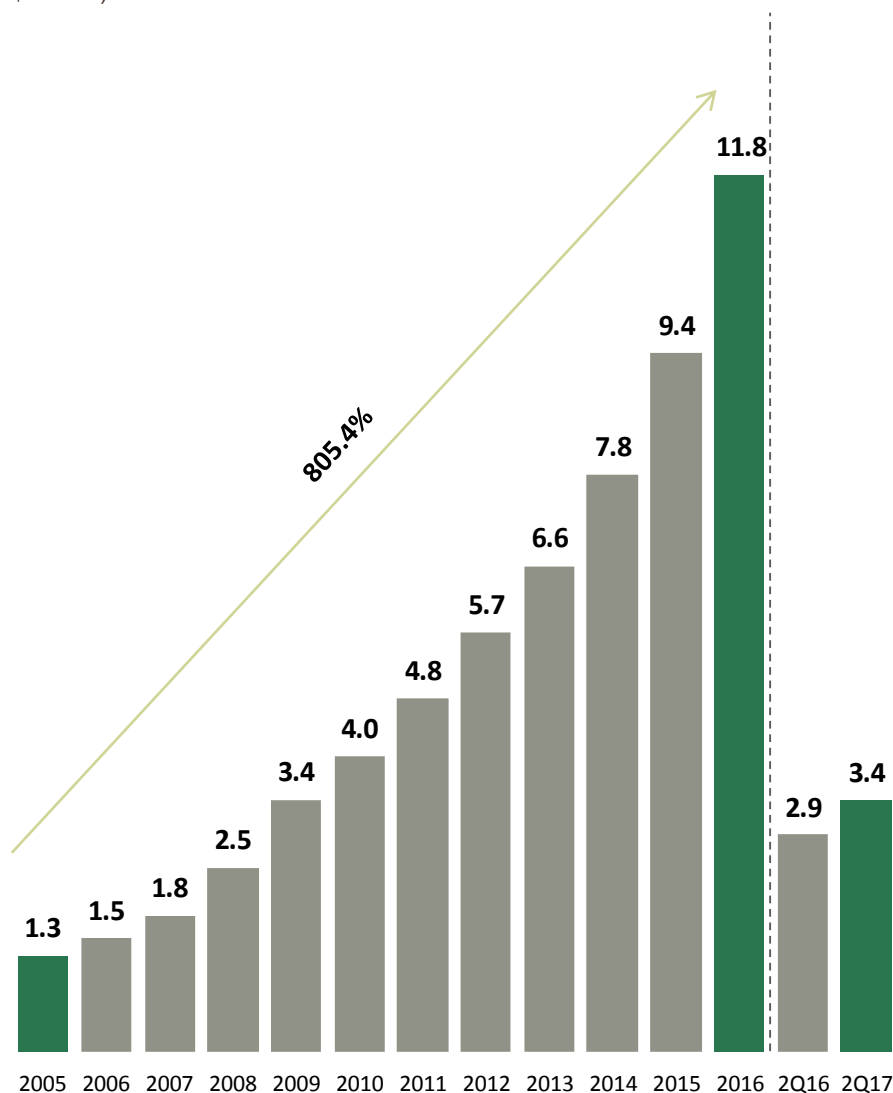
* Only considers retail.

Pharmaceutical products have been the highlight, maintaining a very strong growth pace in an unfavorable macro scenario

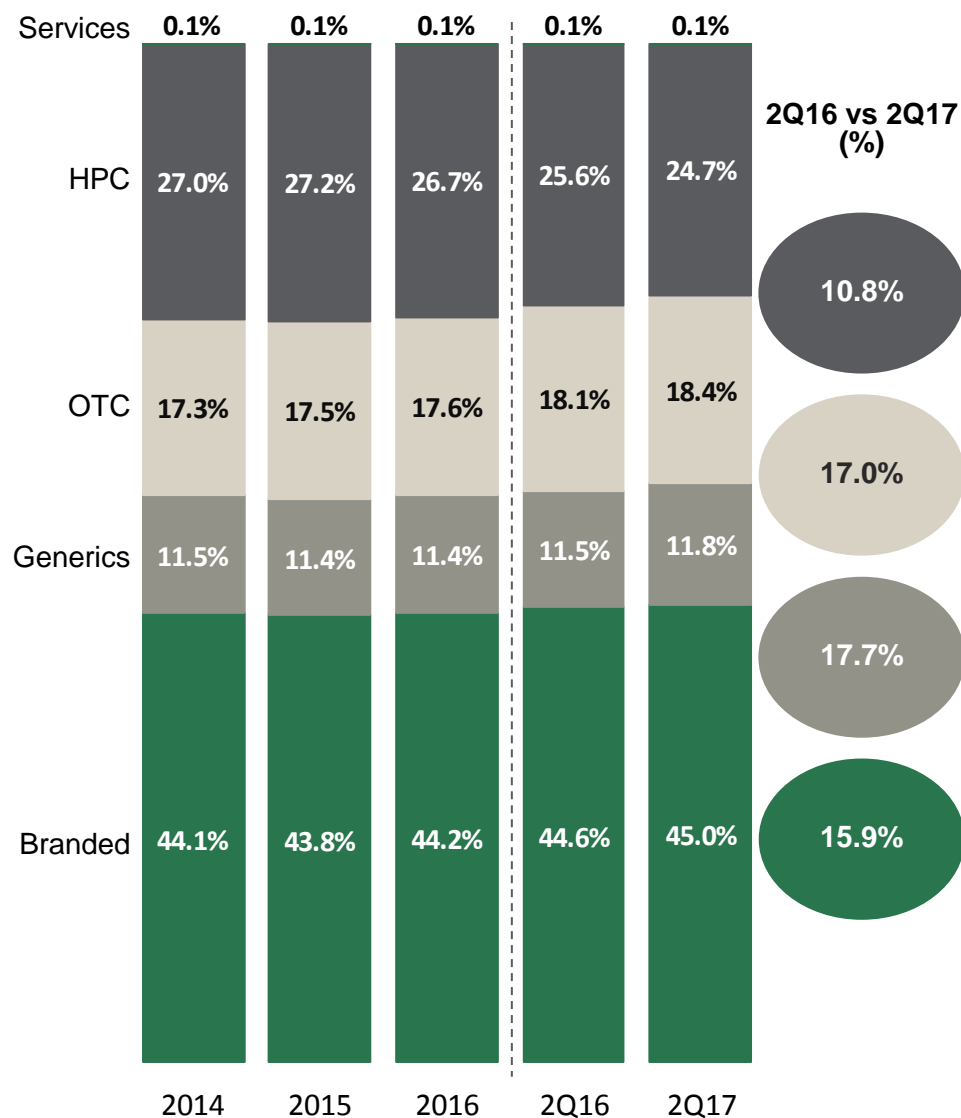


Combined Gross Revenues

(R\$ million)



Retail Sales Mix

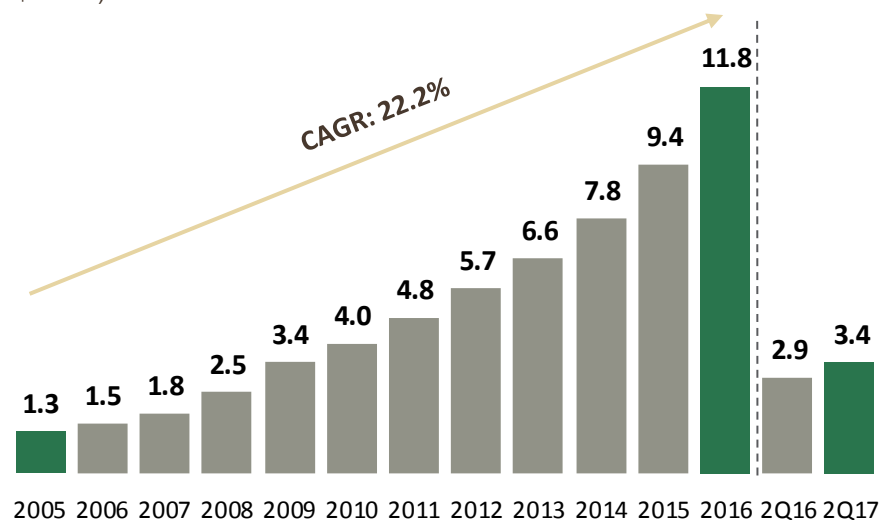


Delivering accelerated long-term growth with margin expansion*



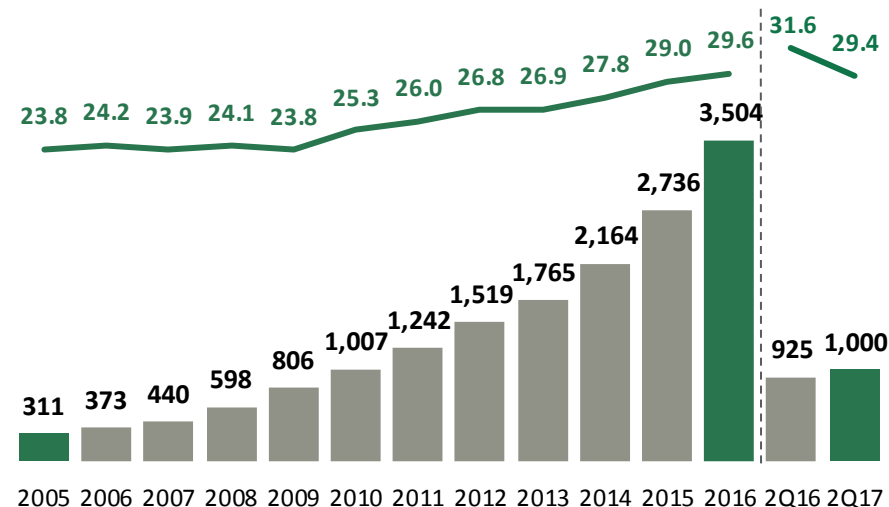
Gross Revenues

(R\$ billion)



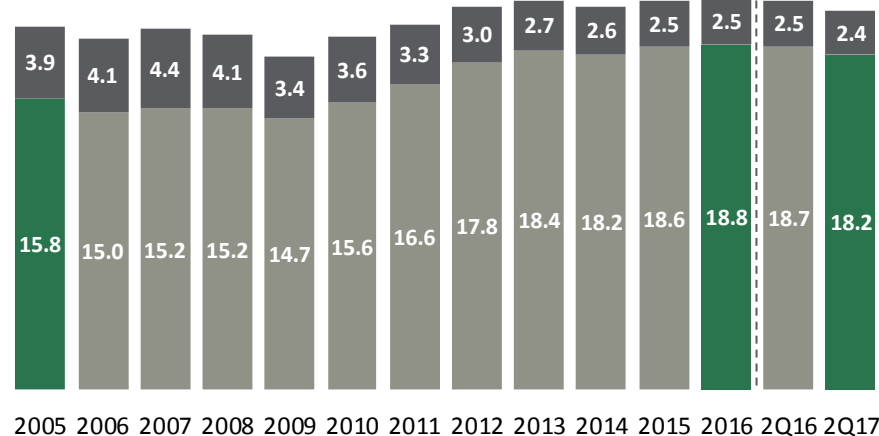
Gross Profit

(R\$ million, % of Gross Revenues)



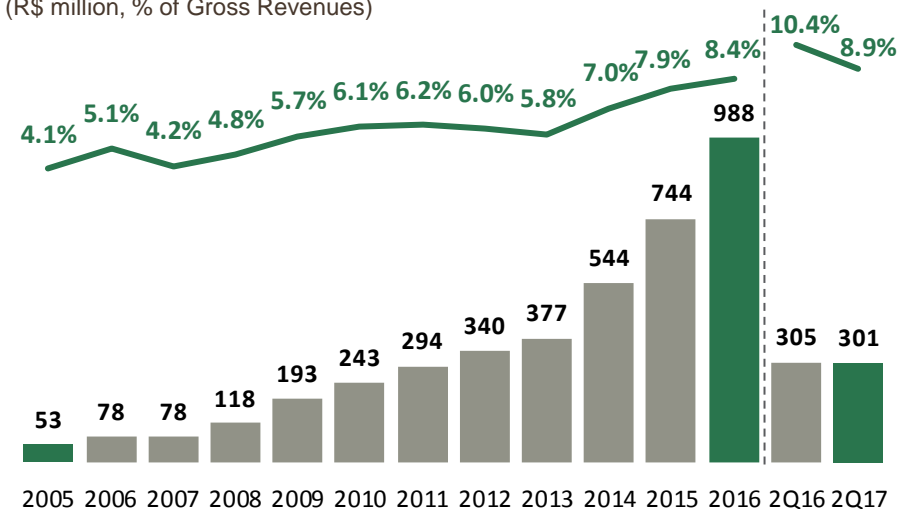
Adjusted Operating Expenses

(% of Gross Revenues)



EBITDA

(R\$ million, % of Gross Revenues)



■ Sales Expenses ■ G&A

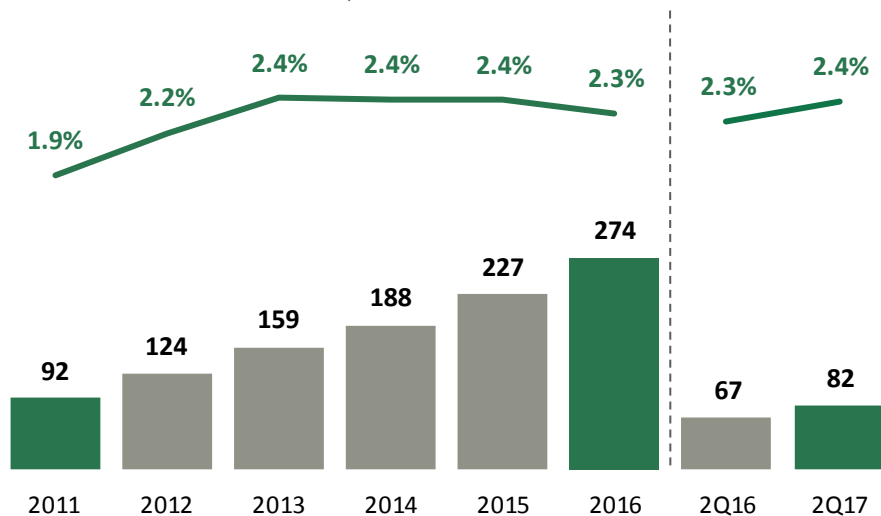
* Considers 4Bio on a Pro-forma Basis.

Expanding net margin*



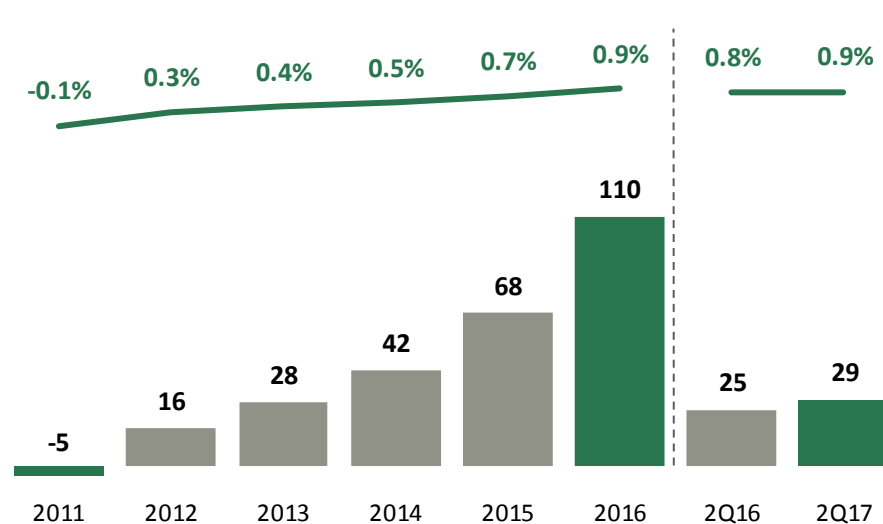
Depreciation

(R\$ million, % of Gross Revenues)



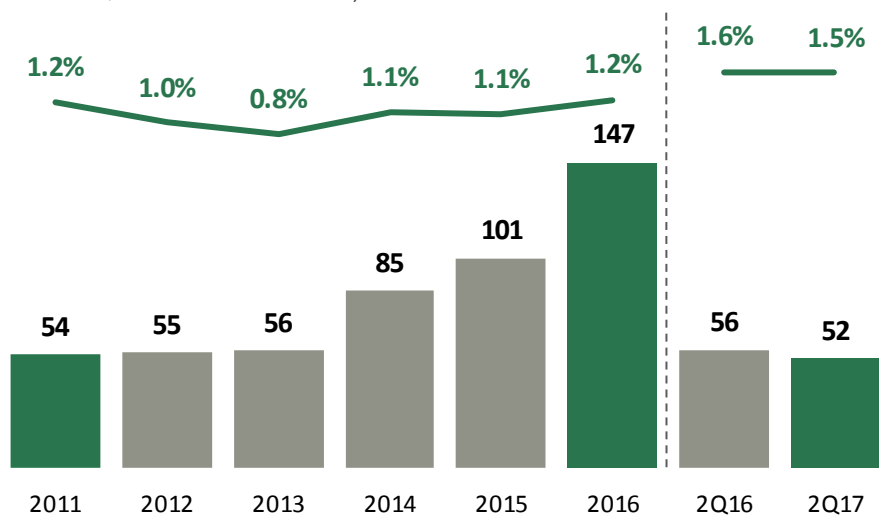
Net Financial Expenses

(R\$ million, % of Gross Revenues)



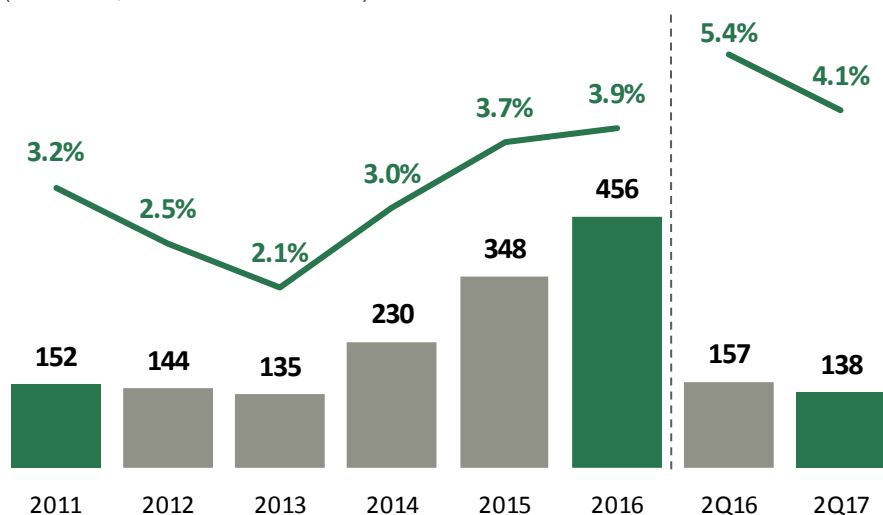
Income Tax

(R\$ million, % of Gross Revenues)



Adjusted Net Profit

(R\$ million, % of Gross Revenues)



* Considers 4Bio on a Pro-forma Basis.

Positive free cash flow every year since 2013

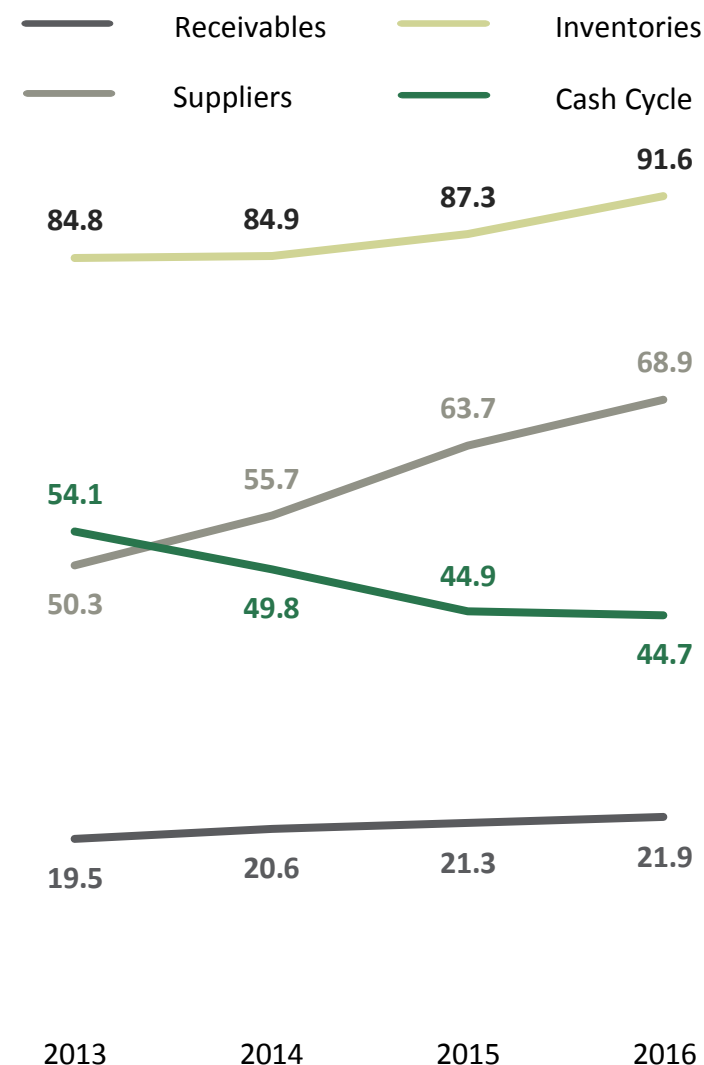


Cash Flow

Cash Flow (R\$ million)	2013	2014	2015	2016
Adjusted EBIT	218.0	356.7	516.5	713.2
NPV Adjustment	(15.7)	(33.6)	(53.2)	(67.3)
Non-Recurring Expenses	(48.5)	(9.5)	(10.0)	(7.7)
Income Tax (34%)	(52.3)	(106.6)	(154.1)	(217.0)
Tax Shield from Goodwill Amortization	22.3	42.8	42.8	42.8
Depreciation	158.9	187.8	227.1	274.4
Others	24.7	8.4	(3.5)	12.9
Resources from Operations	307.4	446.0	565.5	751.4
Cash Cycle*	(110.6)	(116.6)	(92.8)	(258.4)
Other Assets (Liabilities)	85.2	(4.1)	(10.2)	31.0
Operating Cash Flow	282.1	325.3	462.5	524.0
Investments	(237.1)	(271.2)	(388.7)	(489.1)
Free Cash Flow	44.9	76.4	73.8	34.9
Interest on Equity	(29.3)	(41.5)	(121.3)	(153.3)
Income Tax Paid over Interest on Equity	(5.3)	(10.6)	(25.3)	(27.0)
Net Financial Expenses	(12.2)	(8.5)	(12.2)	(42.1)
Share Buyback	-	(20.9)	-	-
Income Tax (Tax benefit over financial expenses and interest on equity)	22.7	28.3	65.1	80.5
Total Cash Flow	20.8	0.9	(19.9)	(107.0)

Cash Cycle

(COGS Days, Gross Revenues Days)



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

IBOVESPA 

*Índice
Brasil 50* **IBRX 50**

- 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 Leading 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