



Institutional Presentation

April, 2011



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Presenters

Eugênio De Zagottis

*Board Member, VP –
Investor Relations &
Commercial*

- **11 years of industry experience. Worked previously as a management consultant at McKinsey and at Arthur Andersen**
- **MBA from University of Michigan, BBA from FGV-SP**

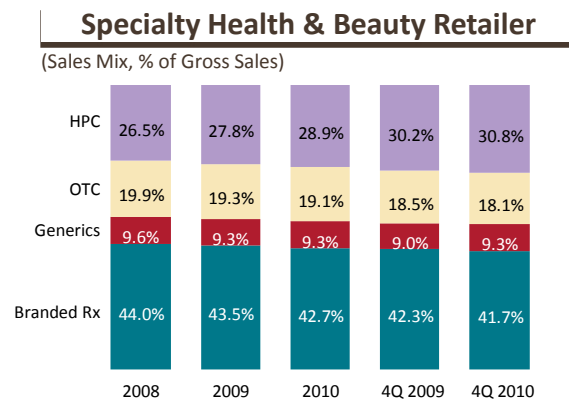
Leonardo Corrêa

Investor Relations

- **10 years of experience in finance. Worked for 3 years as Corporate Planning Director at Droga Raia and previously at Johnson & Johnson, Pfizer and Kraft Foods**
- **MBA from Insper (IBMEC - SP), B.S. in Economics from UFRJ**

Company Overview

- 105 years of history under control of the same family. In 2008 we partnered with Pragma Patrimônio and Gávea Investimentos, and in December, 2010 we became a public company;
- Brazil's 2nd largest drugstore chain in store count: 350 stores in all the top 5 states in Brazil, which account for 67% of the Country's pharmaceutical market. Approximately 44% of our stores have been opened in the last 3 years and have not completed their maturation process;
- Brazil's 5th largest drugstore chain in terms of gross revenue: R\$ 1.9 billion in 2010 (EBITDA of R\$ 75.8 million in the same period);
- Differentiated business model with high returns on invested capital and economies of scale to be captured;
- Most aggressive store opening program in the industry, with 200 net new store openings from 2007 to 2010, a significant increase over the 150 stores at the end of 2006;
- Completed our IPO in December, 2010 and fully exercised the green shoe option: R\$ 654 million of total offer size and R\$ 500 million in net primary proceeds to strengthen our growth program

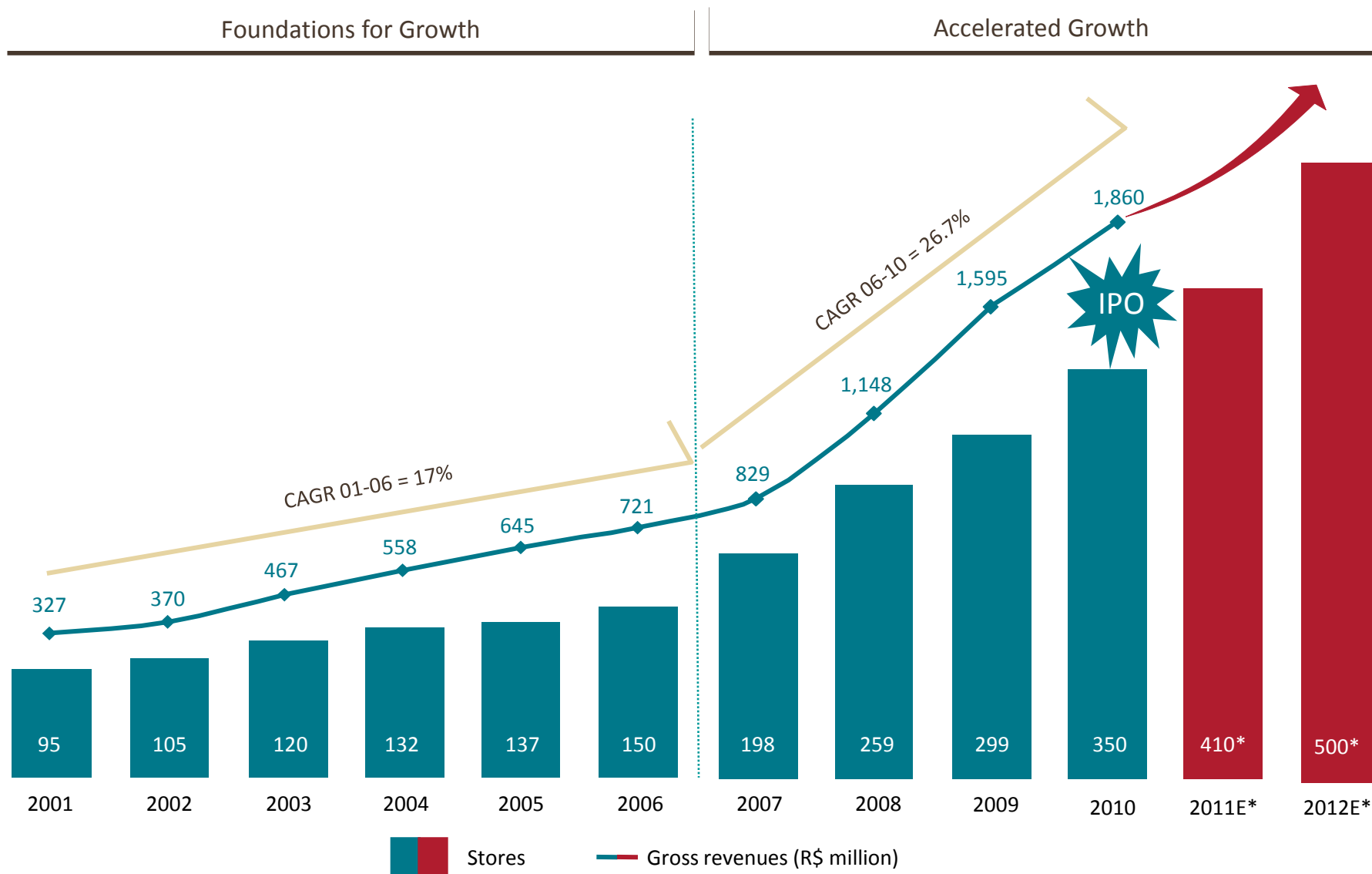


Our IPO totaled R\$ 654.7 million. Primary proceeds were R\$ 525.7 million, which resulted in a net equity increase of R\$ 500.3 million.

<i>(In R\$ million)</i>	Base Offer 23/12/2010	Green Shoe 13/01/2011	Total
Gross IPO Proceeds	569.3	85.4	654.7
Gross Secondary Offer	67.0	62.1	129.0
Gross Primary Offer (Raia)	502.3	23.3	525.7
Eenses	24.5	0.9	25.4
Banking Fees	19.1	0.9	20.0
Transaction expenses ⁽¹⁾	5.4		5.4
Net Proceeds (Raia)	477.8	22.4	500.3

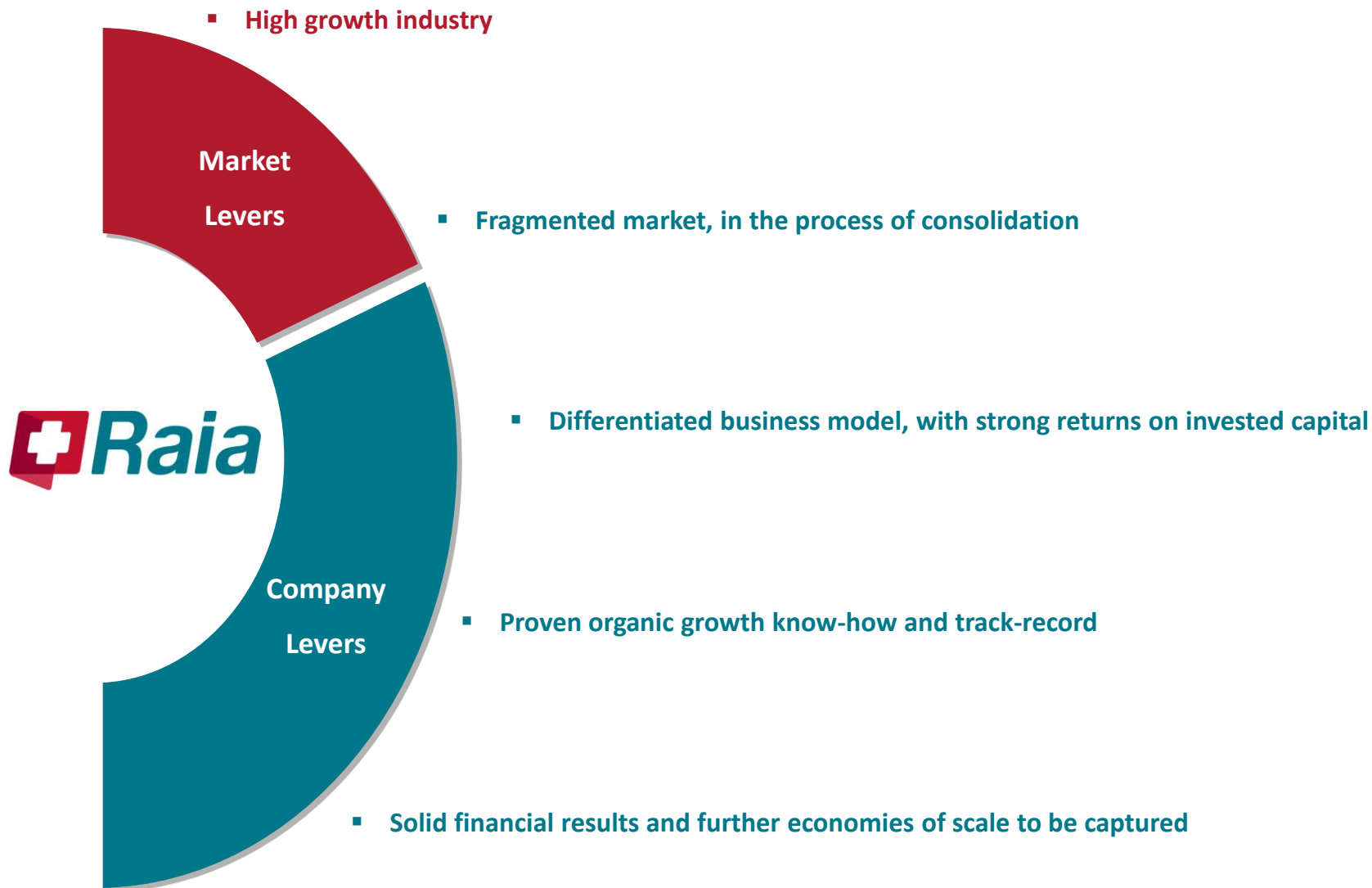
(1) Refer to auditing, lawyers, consulting and other expenses

Despite our limited resources, we have leveraged our growth from 2007 to 2010 through the most aggressive store opening program in the industry's history



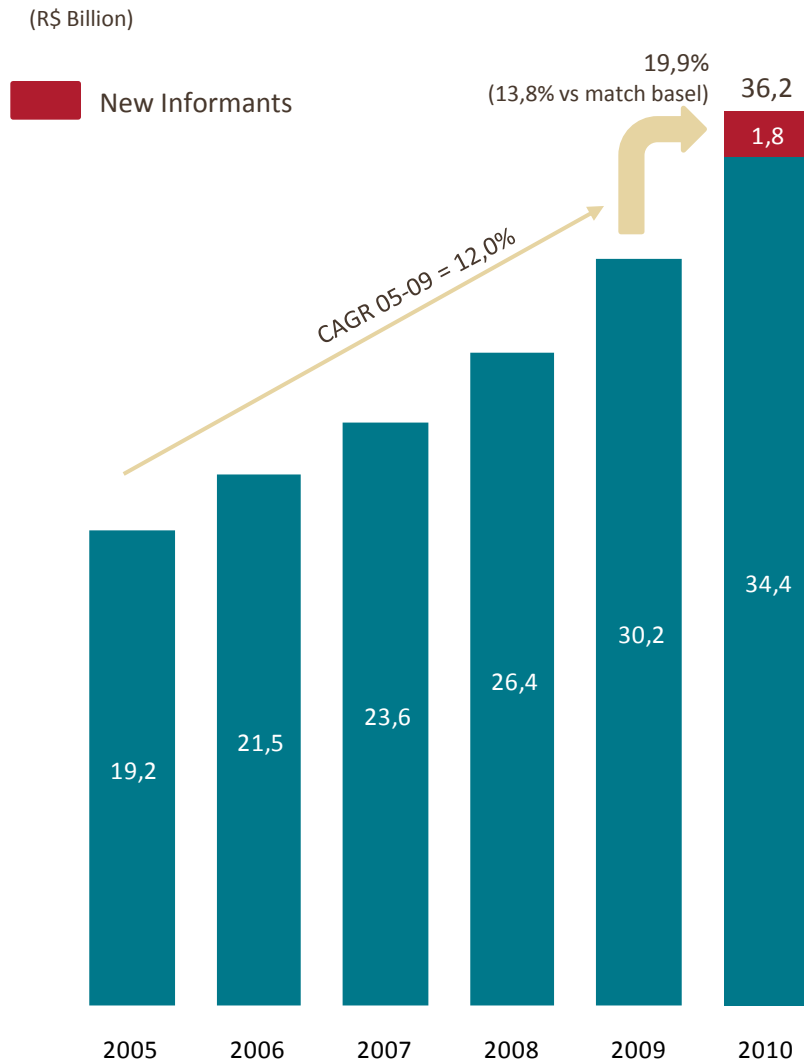
* Assumes our gross store opening guidance, disregarding eventual store closings that may happen throughout the period.

Value creation levers

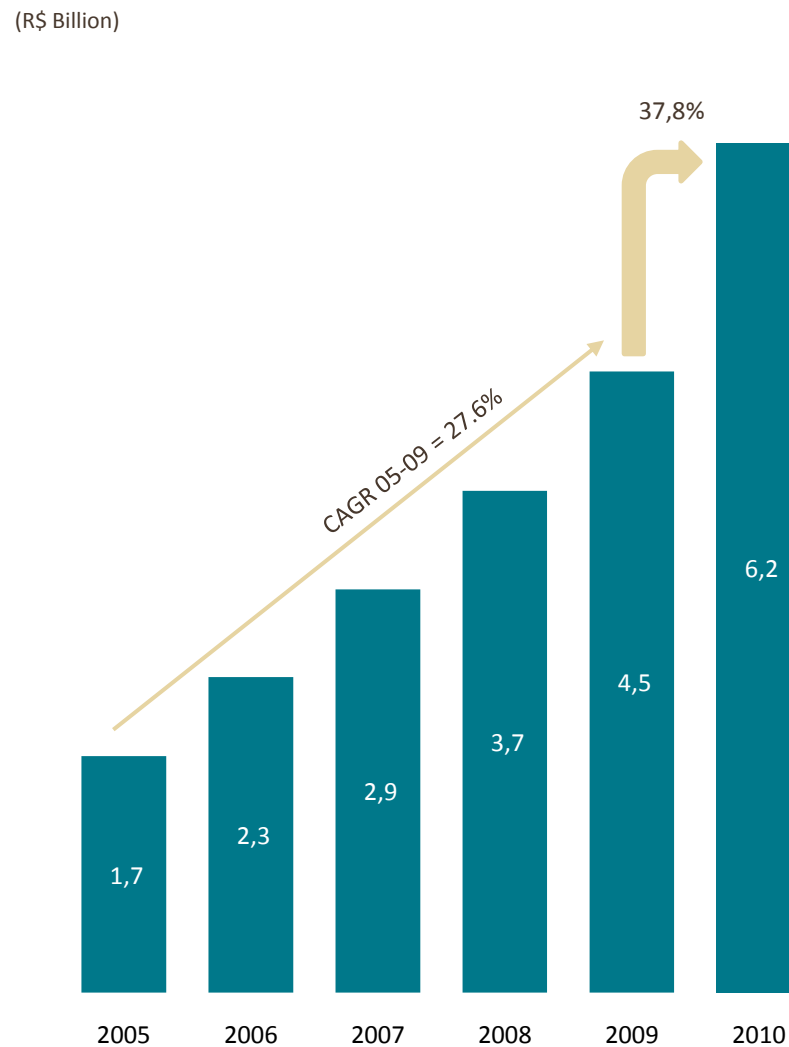


High growth market, with increasing importance of generics

Pharmaceutical Market



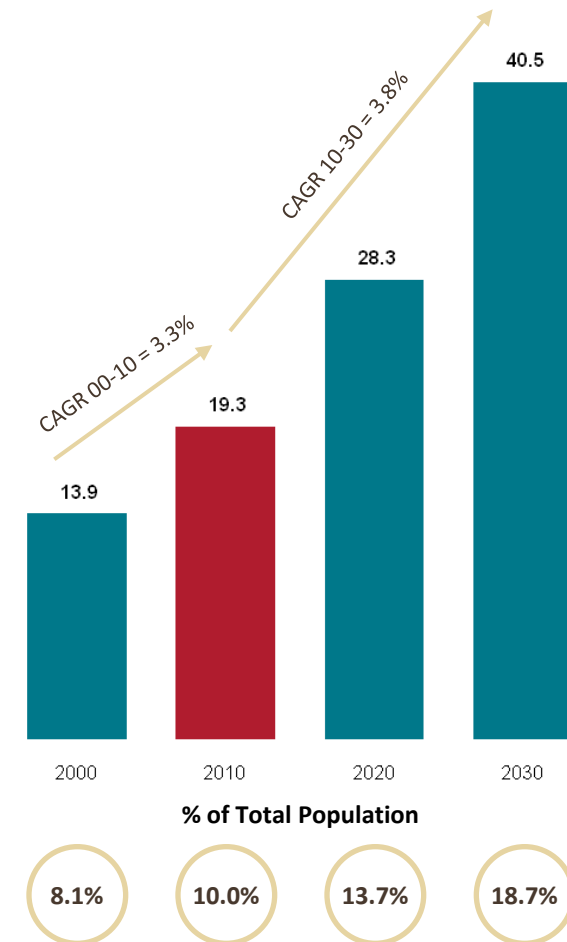
Generics Market



Demographic, macroeconomic and sector levers

Brazilian Population above 60 years old

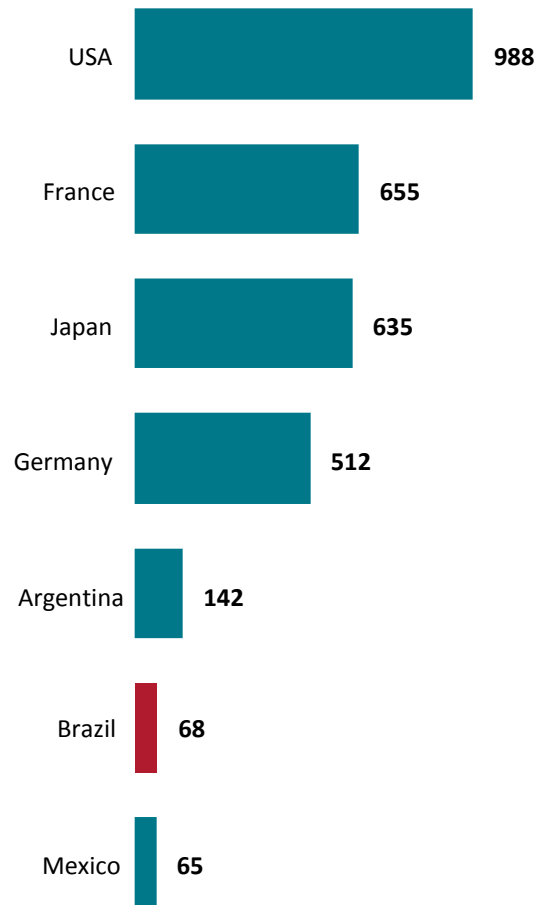
(Million of people)



Source: IMS Health

Annual per Capita Pharma Spending Selected Countries

(US\$ in 2009)



Source: IMS Health, Population Reference Bureau 2009

Products Losing Patents* 2010 to 2012

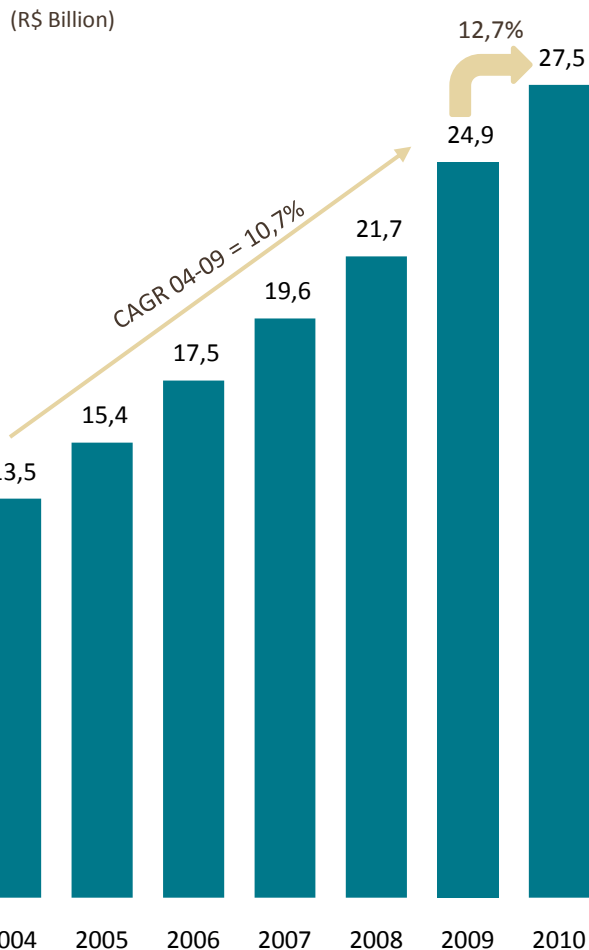


* Lipitor (Pfizer), Viagra (Pfizer), Diovan (Novartis), Crestor (Astra Zeneca), Atacand (Astra Zeneca), Zyprexa (Lilly), Seroquel (Astra Zeneca), Singulair (MSD), Micardis (Boehringer), Benicar (Sankyo), Aprozide (Sanofi), Aprovel (Sanofi), Others

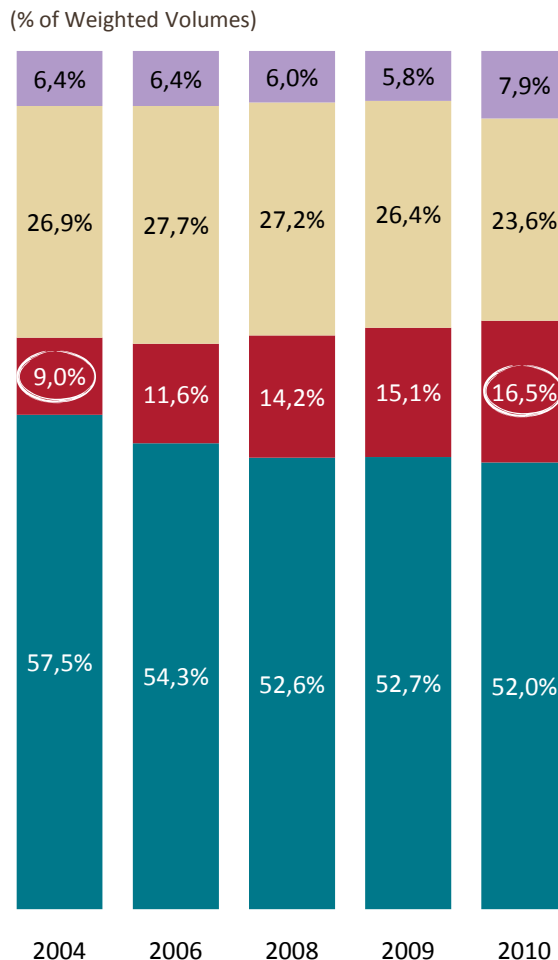
Source: IMS Health

High growth hygiene & personal care (HPC) market, with increasing market share of the drugstore chains

HPC Market

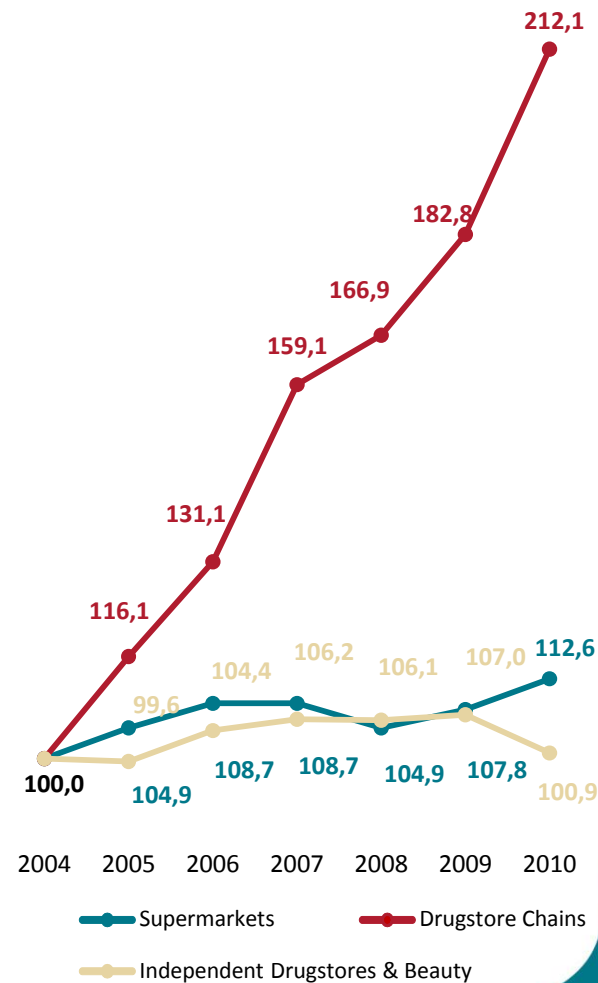


Market Share by Channel

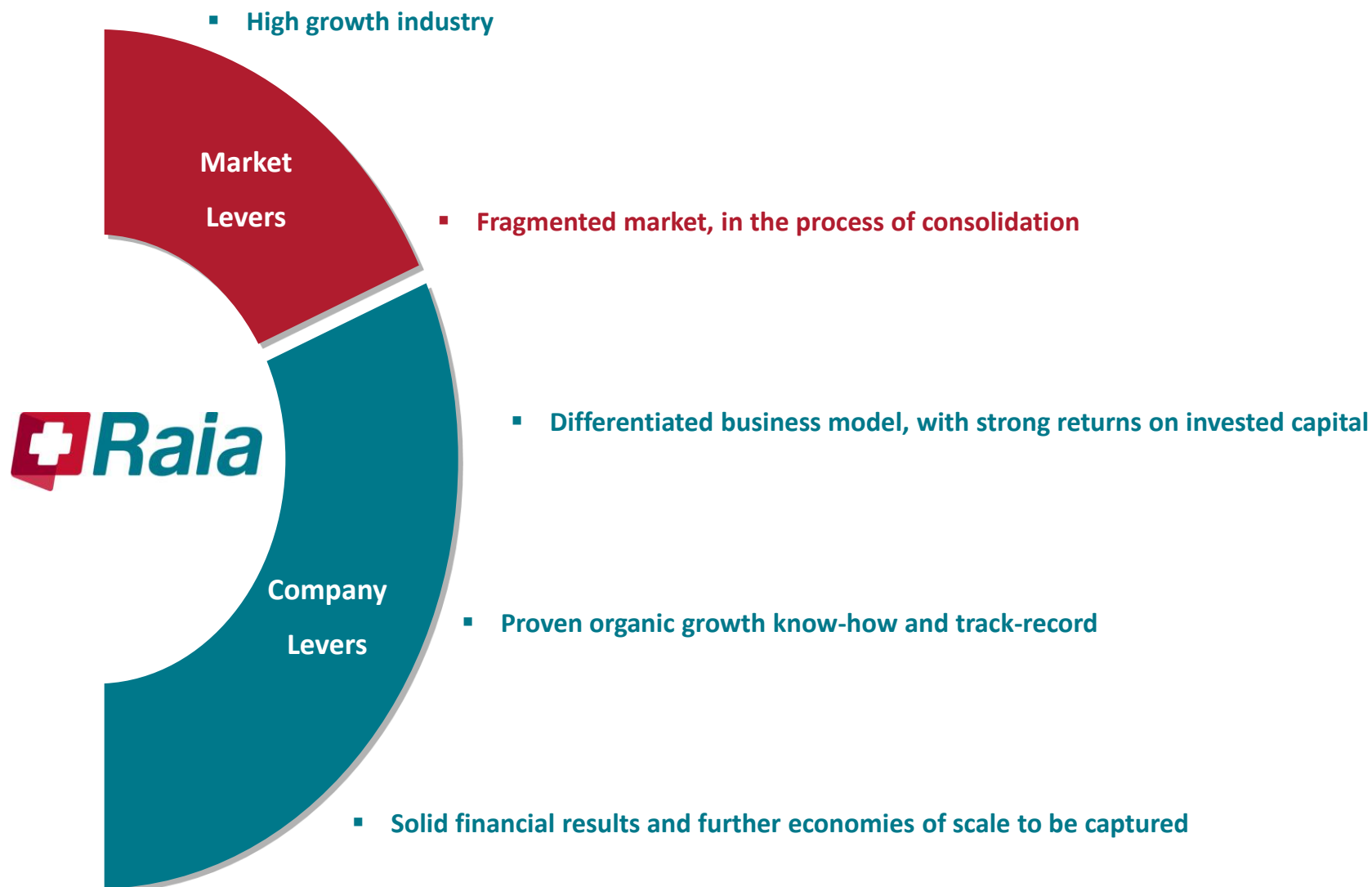


HPC Growth by Channel – Weighted Volumes

Index: 2004 = 100

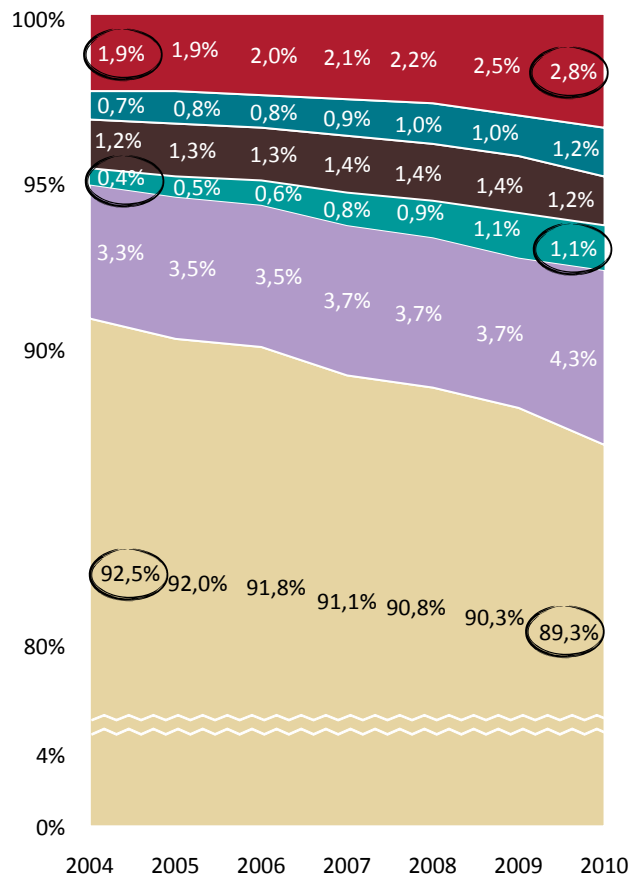


Value creation levers

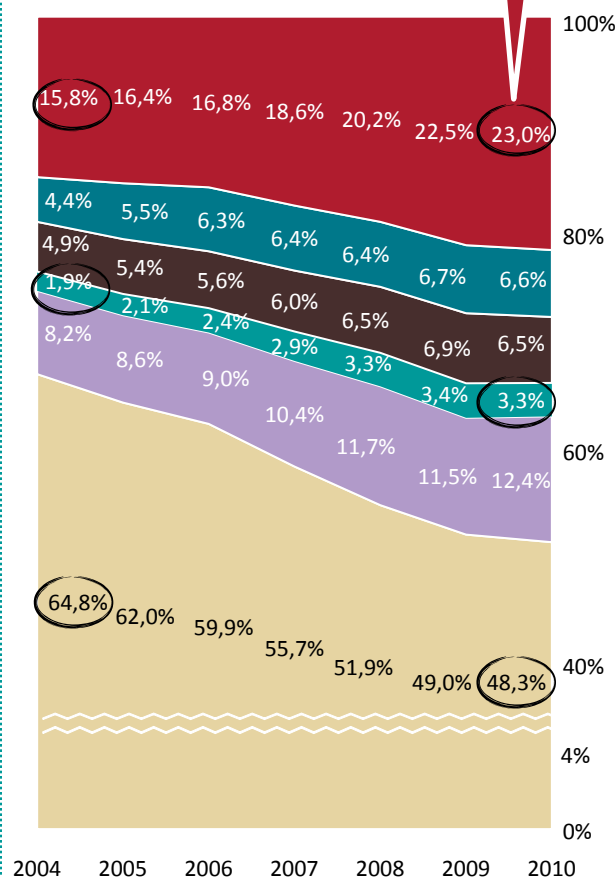


Fragmented drugstore market, in the process of consolidation: top 5 chains growing, independents losing share and supermarkets stagnated

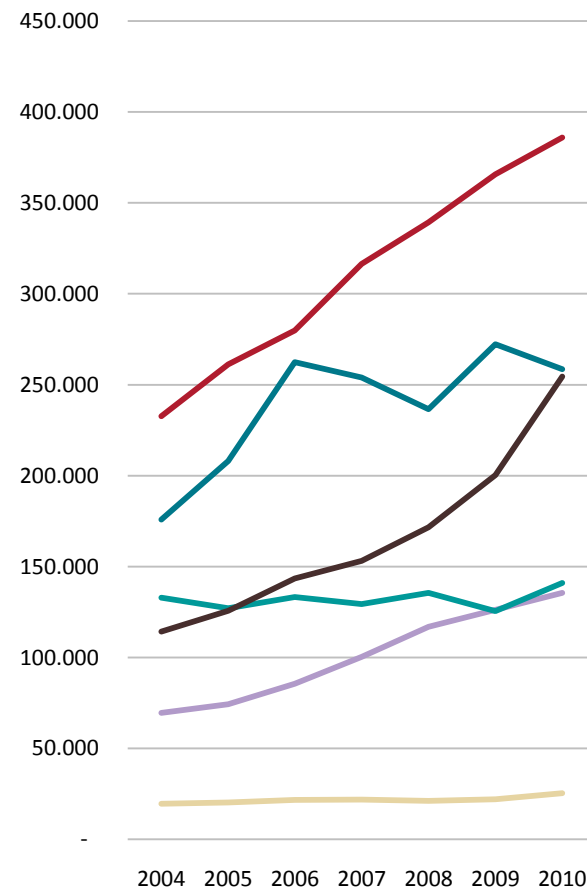
% of Stores



% of Sales



Average Monthly Sales per Store (R\$)



ABRAFARMA TOP 5 ABRAFARMA TOP 6 - 10 OTHERS ABRAFARMA SUPERMARKETS OTHER CHAINS INDEPENDENTS

Source: IMS Health and Abrafarma

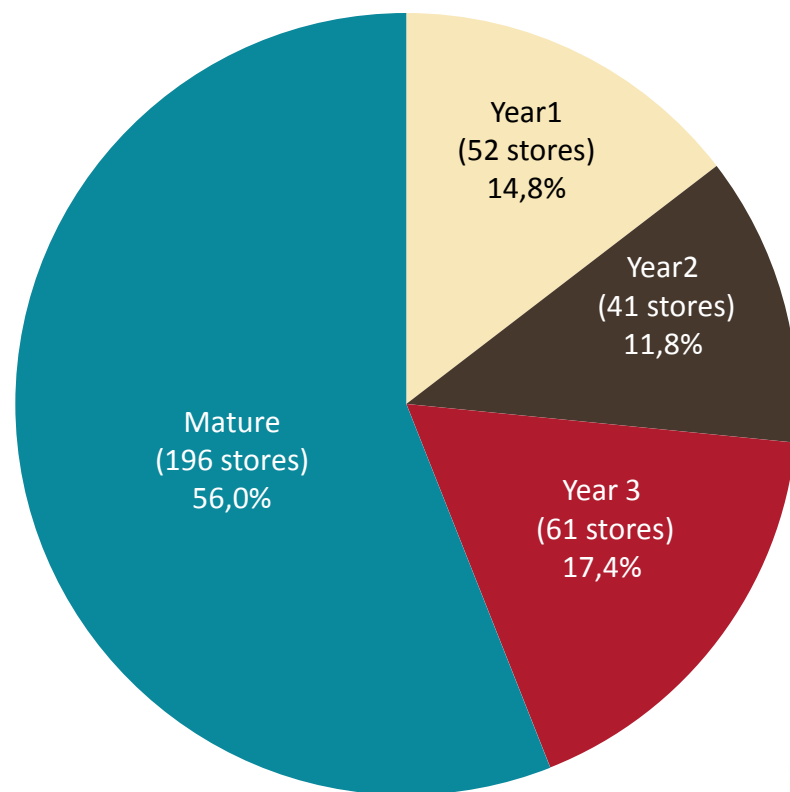
According to Abrafarma's 2010 ranking, we turned into the second largest chain in store count and remain as the 5th largest in revenues, with 44% of our stores still maturing.

ABRAFARMA Ranking - 2010



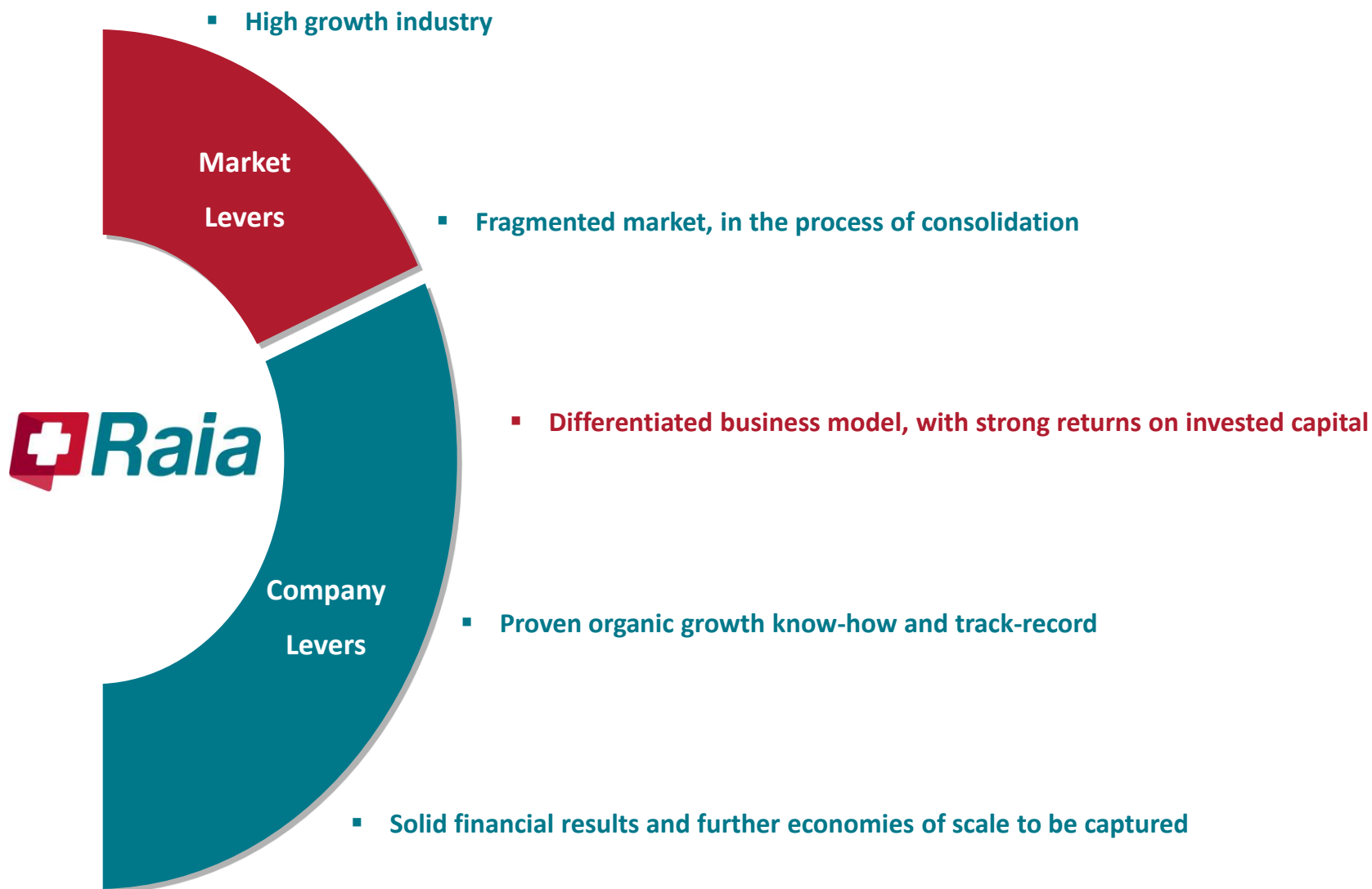
Age Structure of the Store Portfolio – December, 2010

(Number of Stores, % of Existing Stores)



Source: ABRAFARMA (Drogaria São Paulo's gross revenues are pro-forma, since they include the figures for Drogão, acquired in June, 2010, for the whole year)

Value creation levers



We operate with high marginal returns on invested capital ...

Average Mature Store Contribution Margin

(R\$ thousand)

Income Statement of Mature Stores	2009	2010
Gross Revenues	6,617.4	6,636.2
Gross Profit	1,413.7	1,510.7
% Gross Revenues	21.4%	22.8%
Other Operating Revenues	133.6	110.7
% Gross Revenues	2.0%	1.7%
Gross Profit after Revenues	1,547.3	1,621.4
% Gross Revenues	23.4%	24.4%
Store Expenses	908.1	914.5
% Gross Revenues	13.7%	13.8%
Contribution Margin	639.2	706.9
% Gross Revenues	9.7%	10.7%

Marginal ROIC – Mature Stores

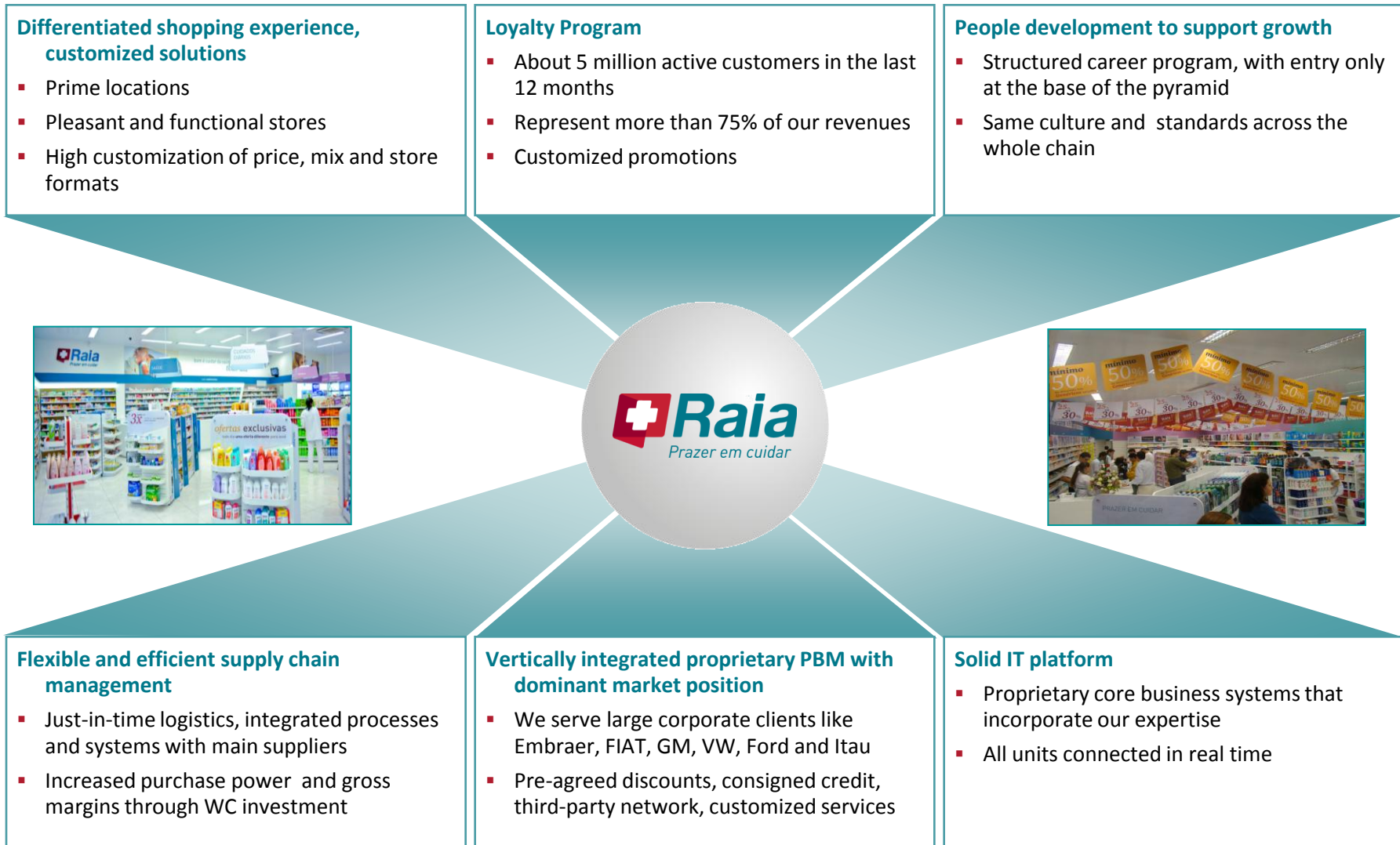
(R\$ thousand)

ROIC	2009	2010
Store Contribution Margin	639.2	706.9
Depreciation	146.2	151.0
EBIT	493.0	555.8
Income Tax (34%)	167.6	189.0
(A) EBIT (after tax)	325.4	366.9
Capex (1)	797.0	888.4
Pre Operational Expenses	80.0	79.2
Operating Working Capital (2)	126.0	133.9
(B) Total Investments	1,003.0	1,101.5
	32.4%	33.3%

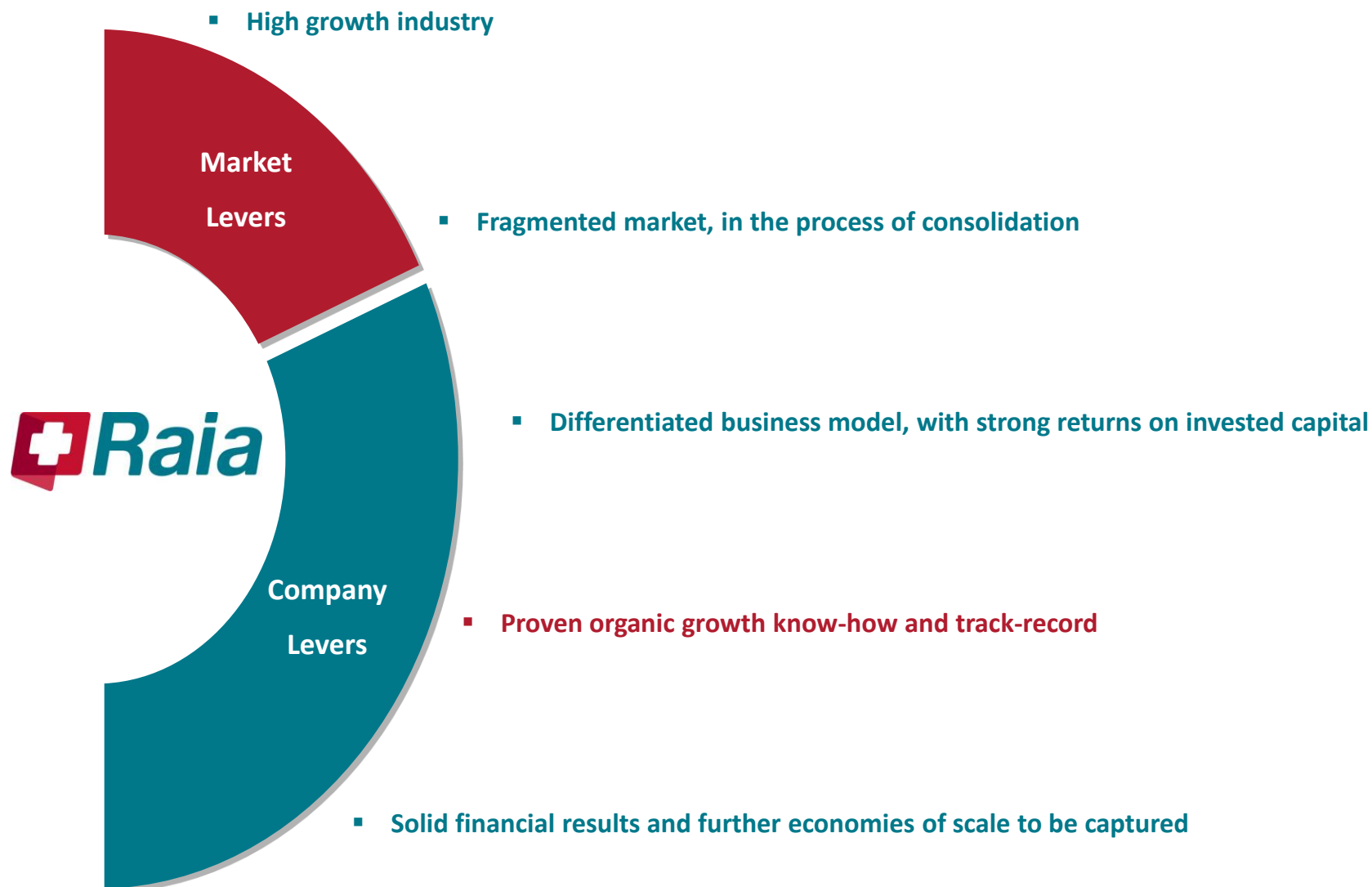
(1) Considers the average for all 41 rented stores opened in 09 and 51 in 10

(2) Considers the average operating working capital at the end of the period

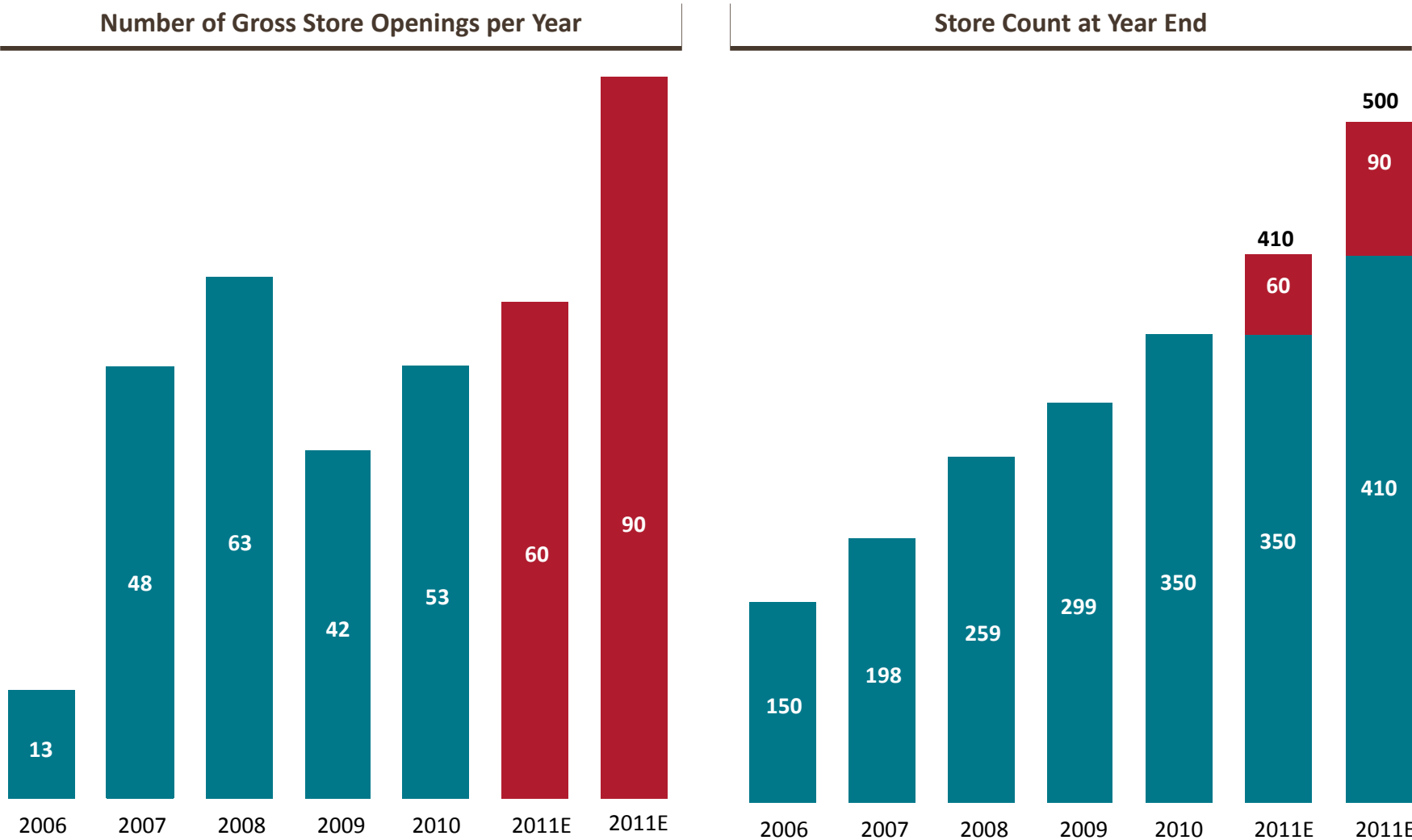
... due to a differentiated business model, with high operating efficiency



Value creation levers



We opened 200 net stores from 2007 to 2010 and expect to open 150 additional stores over the next two years ...



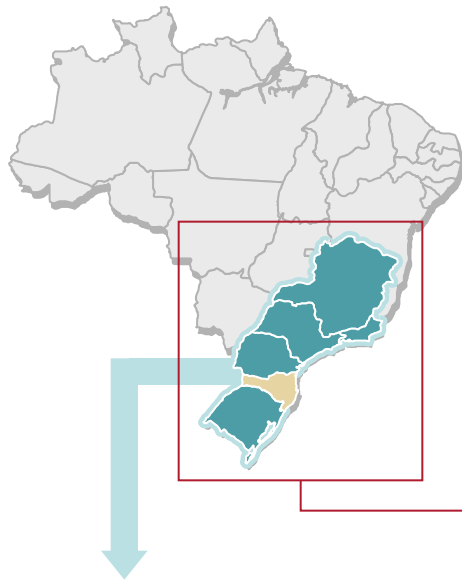
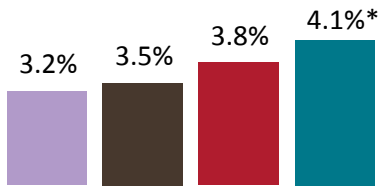
Hystorical gross openings per year do not consider store closures (2 in 2008, 2 in 2009 and 2 in 2010).
 Expected store openings and store count for 2011 and 2012 assume public guidance and do not consider store closures that may happen throughout the period

... by leveraging our first-mover advantage into the top markets of Brazil, where our market share and store count are still limited ...

Total: 350 stores

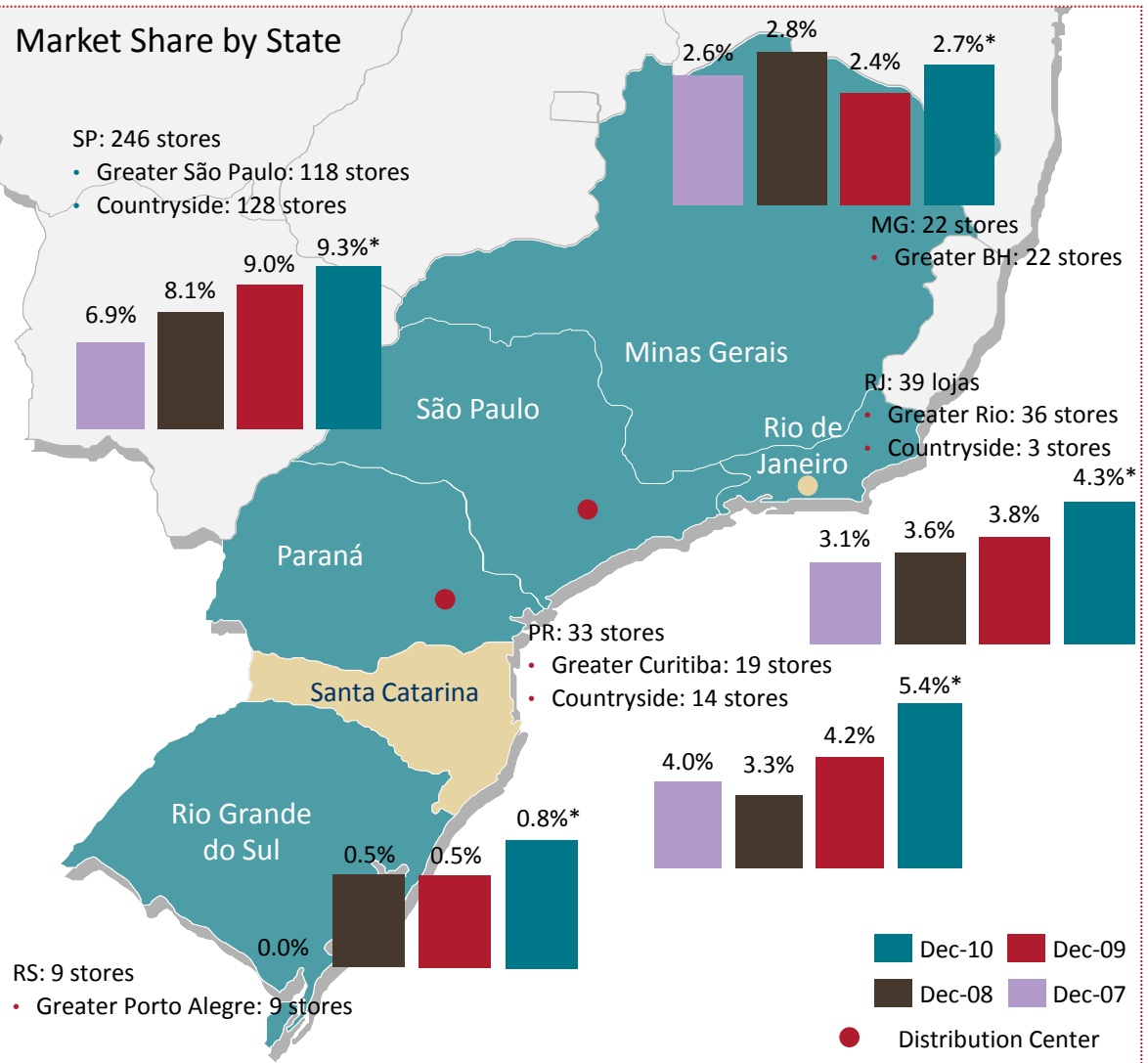
Market Share - Brazil*

(December 2010)



70% of the Brazilian pharmaceutical market including Santa Catarina

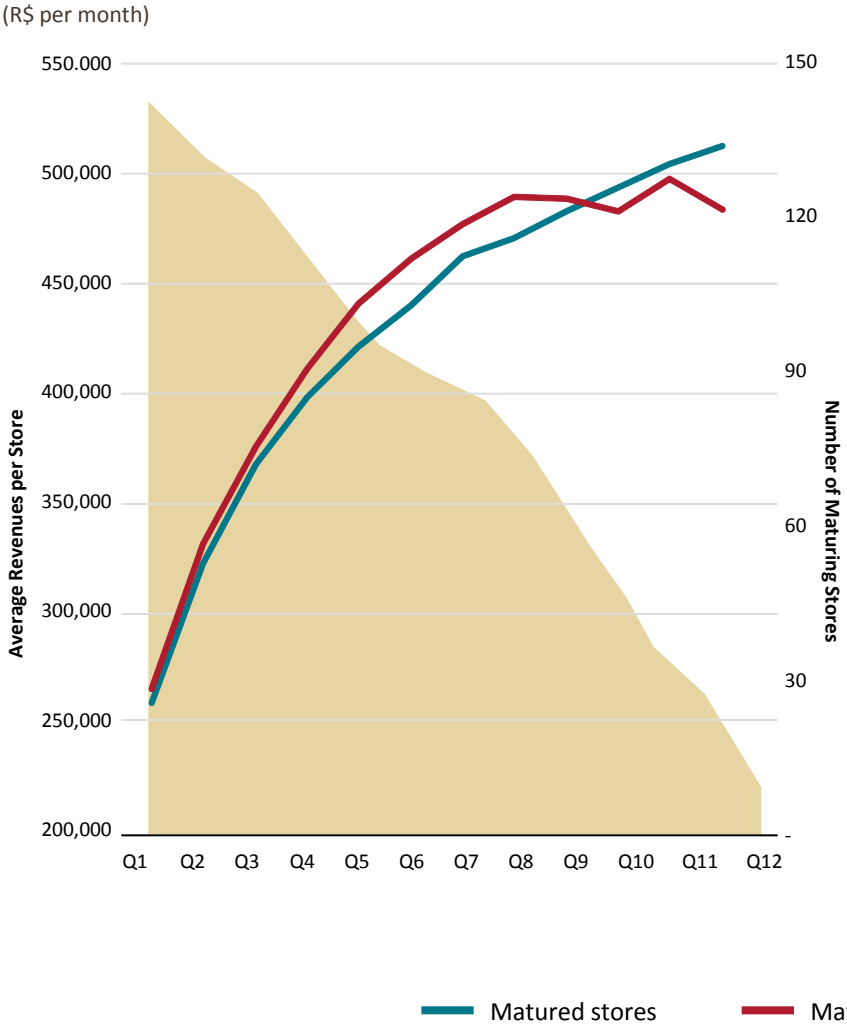
Market Share by State



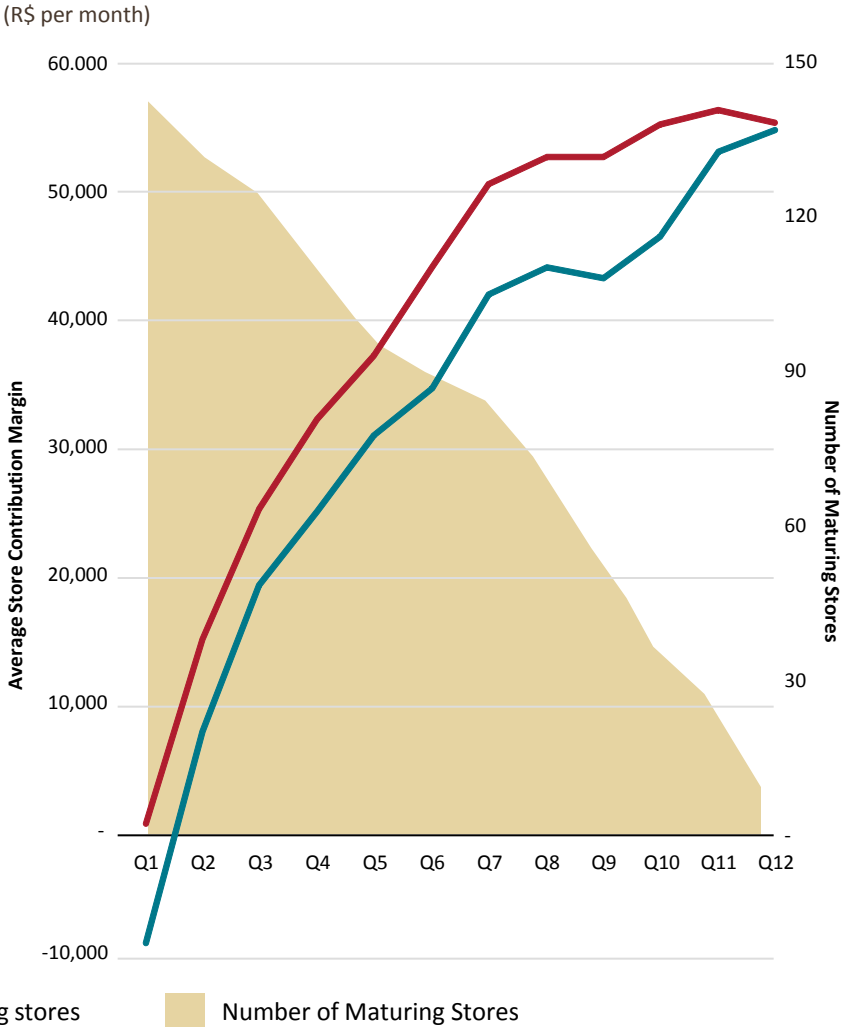
* 2010 participation adjusted to cover the same informant base of 2009. Considering the new base of informants we would have 3.8% of national participation and 8.8% SP; 4.2% RJ; 2.3% MG; 5.2% PR; and 0.8% RS

... resulting in a high quality growth

Ramp-Up: Gross Revenues* (net of customer returns)

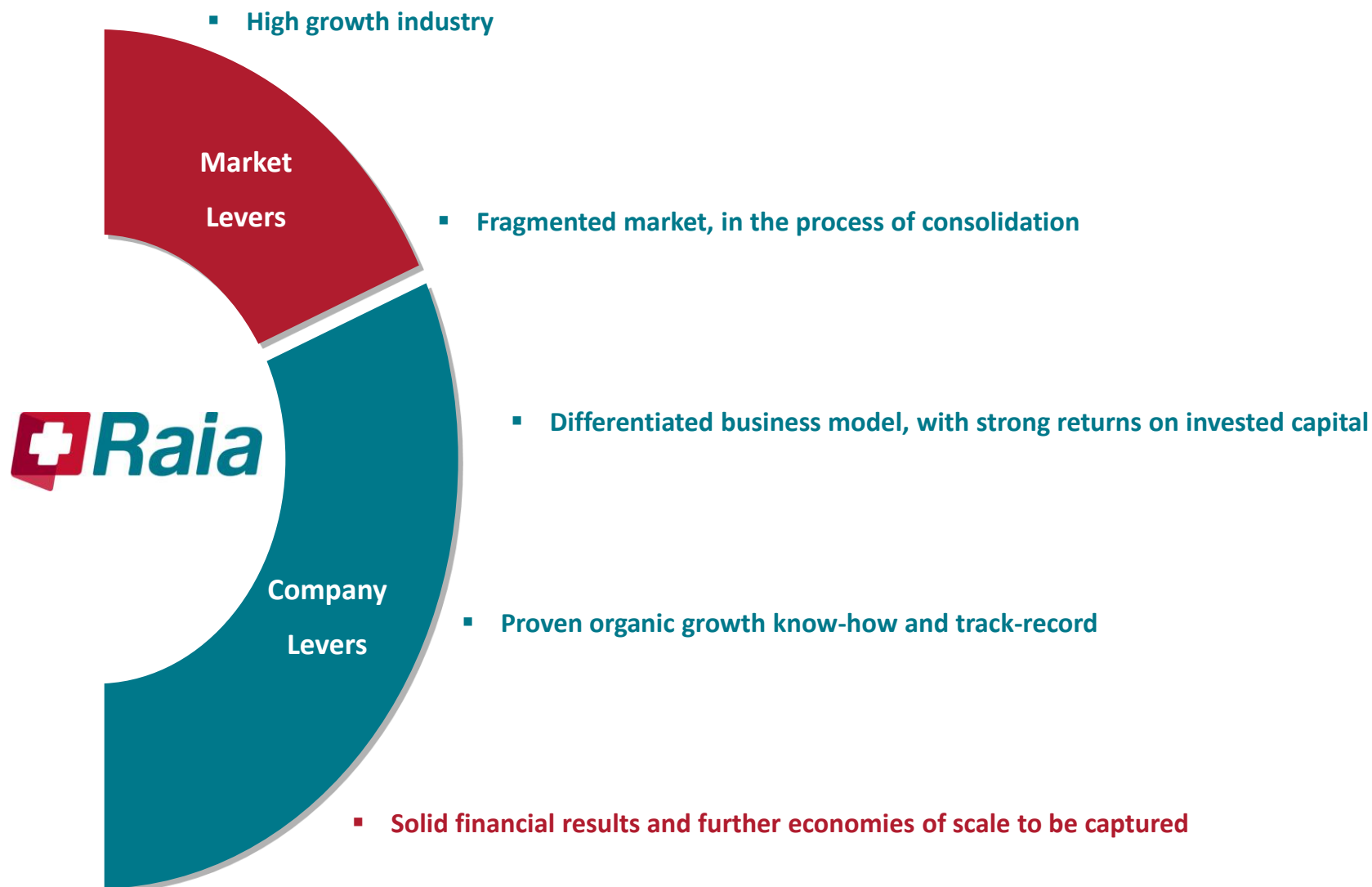


Ramp-Up: Store Contribution Margin*

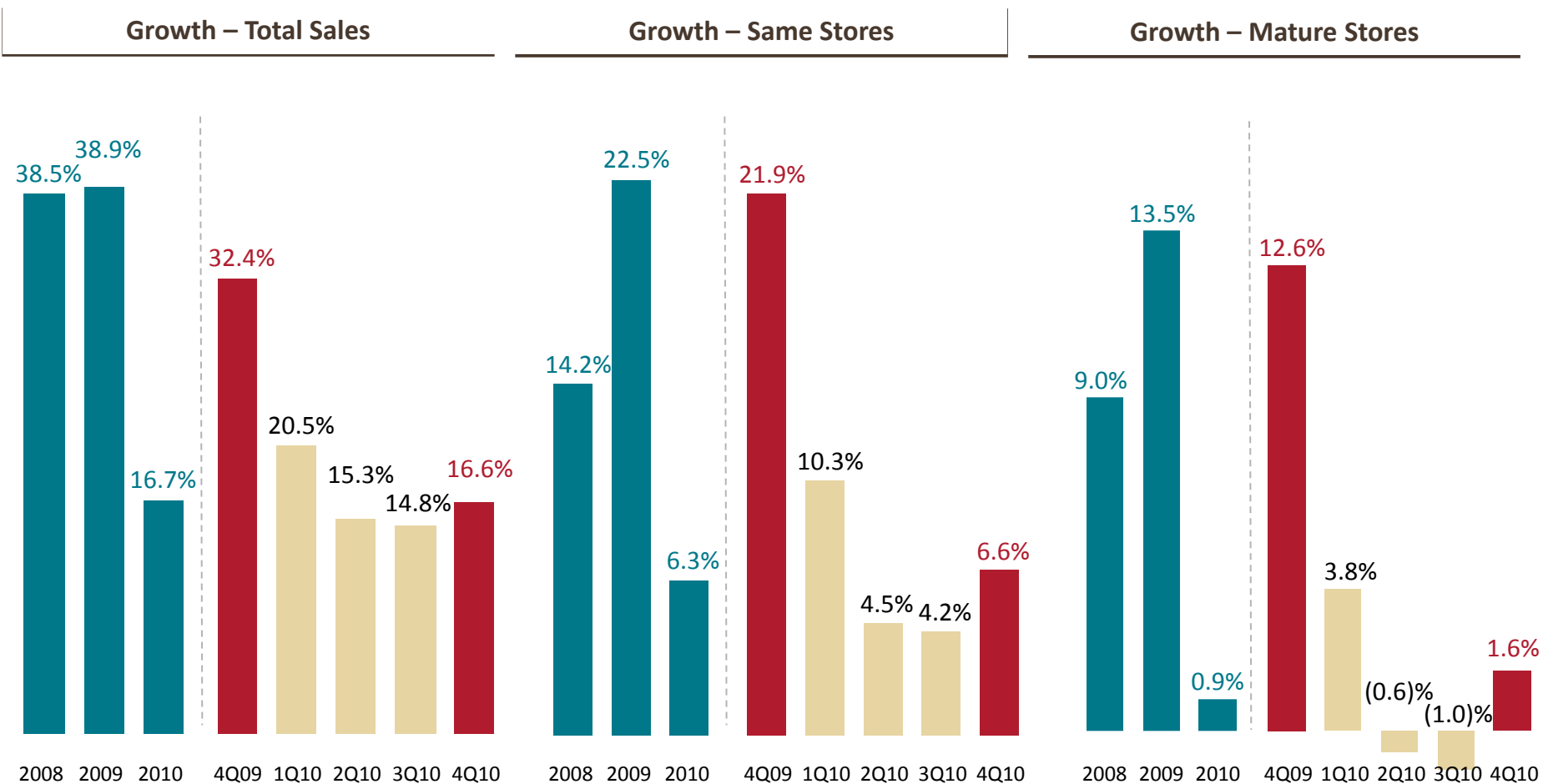


* Comprises 76 mature stores opened since 2002 and a variable number of maturing stores along the period as reflected in the chart

Value creation levers



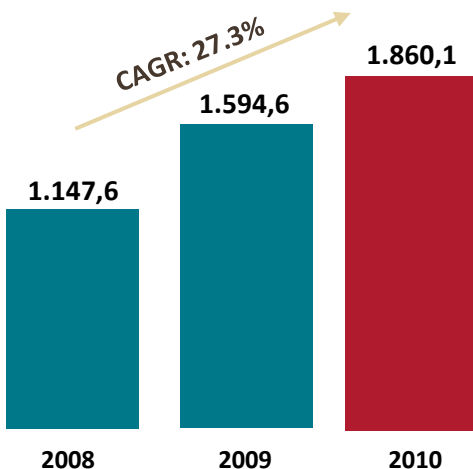
We maintained in the 4Q10 a revenue growth below our historical levels, due to the extraordinary growth produced by the credit crisis and by the swine flu pandemic in 2009.



We have delivered strong top line growth with margin expansion

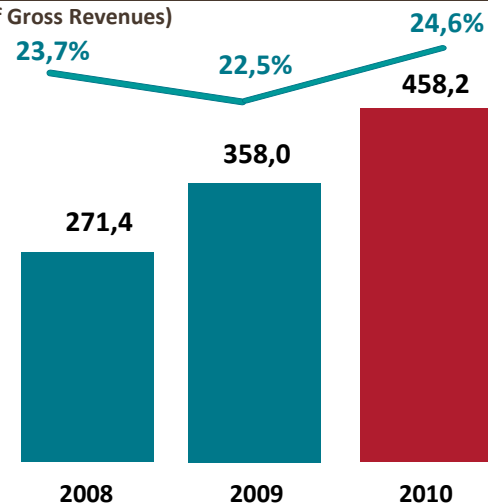
Gross Revenues

(R\$ million)



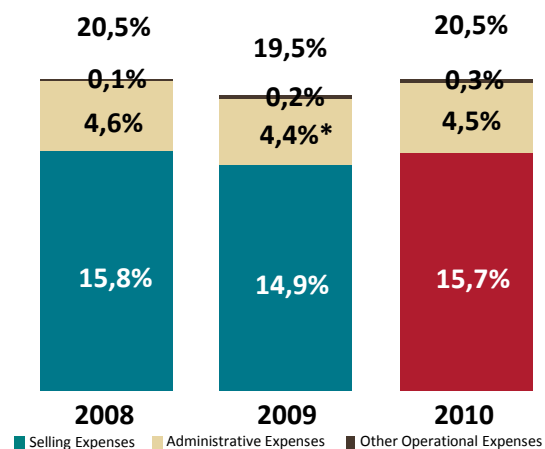
Gross Margin

(R\$ million, % of Gross Revenues)



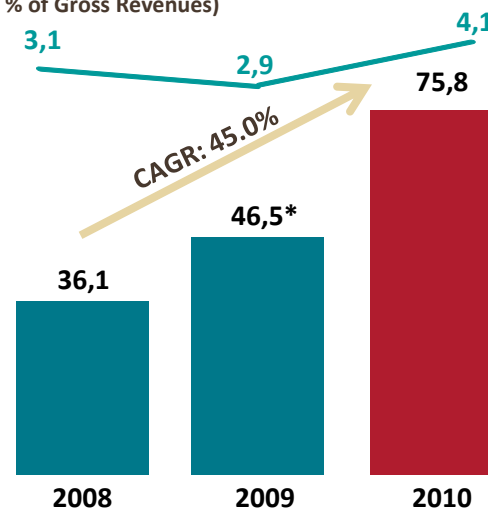
Operational Expenses

(% of Gross Revenues)



Adjusted EBITDA

(R\$ million, as a % of Gross Revenues)

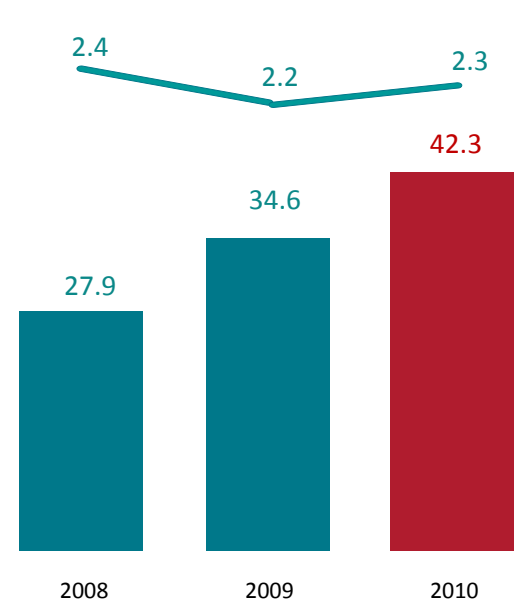


*Adjustment related to the PIS and COFINS credit recovery of R\$ 8.5 million and the change in the provision methodology for civil, tax and labour contingencies (equivalent to R\$ 2.2 million in the year and R\$ 3.0 in the 4Q10)

Net income was only slightly positive as a result of our strong growth, which pressured depreciation and financial expenses arising from an asset base with 44% of maturing stores

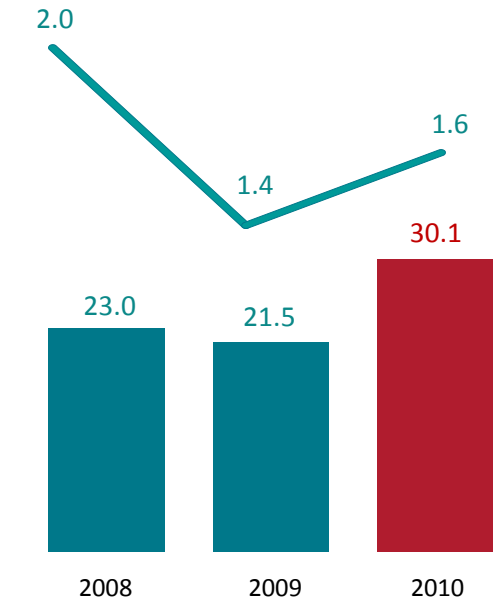
Depreciation

(R\$ million, as a % of Gross Revenues)



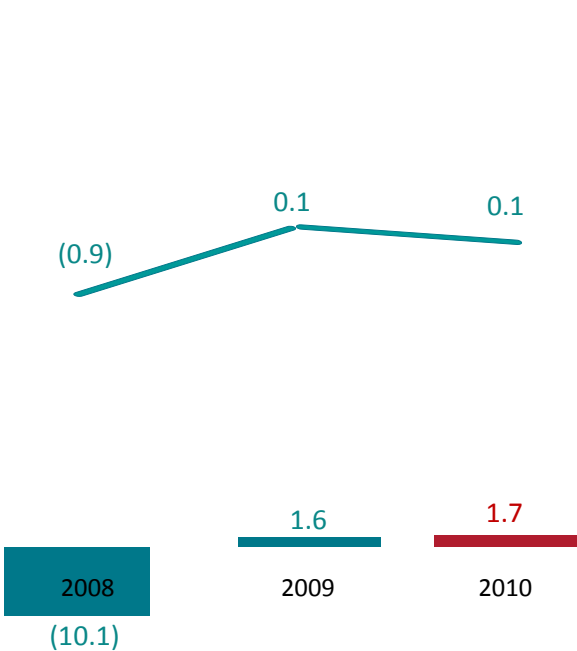
Net Financial Expenses

(R\$ million, as a % of Gross Revenues)



Net Profit

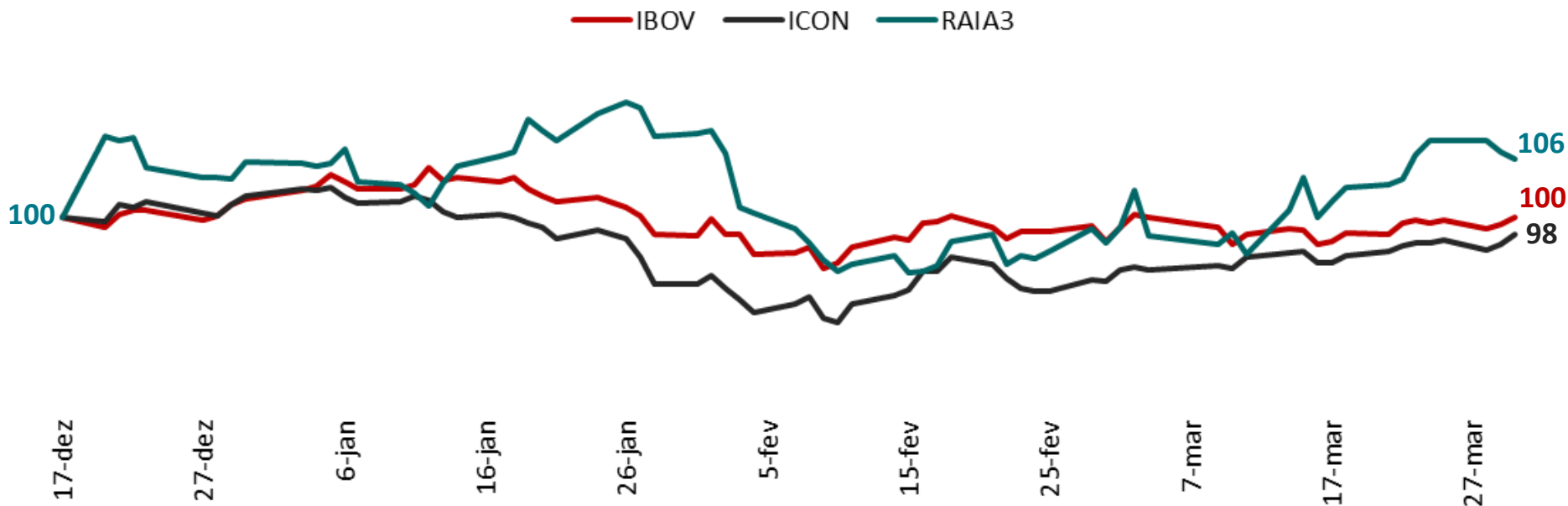
(R\$ million, as a % of Gross Revenues)



In 2010, we funded the bulk of our investments (R\$ 84.8 million) with our operating cash flow (R\$ 75 million)...

Cash Flow <i>(R\$ million)</i>	2008	2009	2010
EBT	(14.8)	1.0	3.4
(+) Depreciation	27.9	34.6	42.3
(-) Other Adjustments	(2.7)	6.1	3.0
Resources from Operations	10.4	41.7	48.7
Working Capital	(37.9)	1.7	(11.0)
Recoverable Taxes	(11.6)	(37.9)	37.3
Operations	(39.1)	5.6	75.0
Investments	(83.7)	(55.3)	(84.8)
Total Cash Flow	(122.8)	(49.8)	(9.8)

Since the IPO, our stock performed above both the Consumption Index and the IBOVESPA



Number of Shares (thousand)	62,014
Stock Quote (R\$) (March 30th)	25.51
Market Cap (R\$ million)	1,582.00



**High Growth Industry, in the
Process of Consolidation**

**Differentiated Business
Model, with High Returns
on Invested Capital and
Margin Expansion Potential**

**Accelerated organic growth,
leveraging our unique
geographic presence and
producing superior results
from our new stores**