



Leading the Consolidation of the Drugstore Industry in Brazil

7th Annual ItaúBBA LatAm CEO Conference (New York) & NDRS (Toronto)
(May 14 to 17, 2012)





The material that follows is a presentation of general background information about RaiaDrogasil S.A. (the “Company”) as of the date of the presentation. It is information in summary form and does not purport to be complete. It is not intended to be relied upon as advice to potential investors. This presentation is strictly confidential and may not be disclosed to any other person. No representation or warranty, express or implied, is made concerning, and no reliance should be placed on, the accuracy, fairness, or completeness of the information presented herein.

This presentation contains statements that are forward-looking within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Exchange Act of 1934. Such forward-looking statements are only predictions and are not guarantees of future performance. Investors are cautioned that any such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the operations and business environments of the Company that may cause the actual results of the companies to be materially different from any future results expressed or implied in such forward-looking statements.

Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable based on information currently available to the Company’s management, the Company cannot guarantee future results or events. The Company expressly disclaims a duty to update any of the forward looking-statements. Our securities have not been and will not be registered under the Securities Act or under any state securities laws in the United States, and are being offered under exemptions from registration under the Securities Act. Securities may not be offered or sold in the United States unless they are registered or exempt from registration under the Securities Act. Any offering to be made in the United States will be made by means of an offering circular that may be obtained from the agents. This presentation does not constitute an offer, or invitation, or solicitation of an offer, to subscribe for or purchase any securities. Neither this presentation nor anything contained herein shall form the basis of any contract or commitment whatsoever.



Eugênio De Zagottis

*Investor Relations and
Corporate Planning (Head)*

- Former IR & Commercial VP of Droga Raia, with 11 years of industry experience. Worked previously as a consultant for McKinsey and for Arthur Andersen.
- MBA from the University of Michigan, BBA from FGV-SP

Leonardo Corrêa

*Investor Relations and
Corporate Planning*

- Former Corporate Planning Director and IR at Droga Raia. Worked previously at Johnson & Johnson, Pfizer and Kraft Foods
- MBA from Insper (IBMEC - SP), B.S. in Economics from UFRJ



RaiaDrogasil S.A.

- Brazil's largest drugstore chain in revenues and store count, according to Abrafarma. R\$ 4.7 billion in revenues, R\$ 272 MM of adjusted EBITDA and R\$ 152MM of adjusted net income (2011);
- Merger between Raia S.A. and Drogasil S.A., two leading Brazilian drugstore chains with 182 years of combined history, with shared control by majority shareholders who are members of the founding families;
- 791 stores in 9 states of Brazil, which represent 80% of the Brazilian pharmaceutical market, and a national market share of only 9.0% (Dec'11). Recently announced the entrance into 3 new states (MS, MT and BA);
- Differentiated business model with a dual brand strategy, high returns on invested capital, and strong potential synergies and economies of scale to be captured;
- Strong organic growth & acquisition track record, with a combined net addition of 454 stores since 2007, a significant increase over the 337 stores at the end of 2006;
- Unparalleled combination of scale, efficiency and financial flexibility in the Brazilian drugstore industry.





1 RaiaDrogasil – Leading the Consolidation of the Drugstore Industry in Brazil

2 Fragmented Market, in the Process of Consolidation

3 Dual Brand Strategy, with strong growth prospects and synergy potential

4 Proven Track Record in Delivering High Growth with Margin Expansion

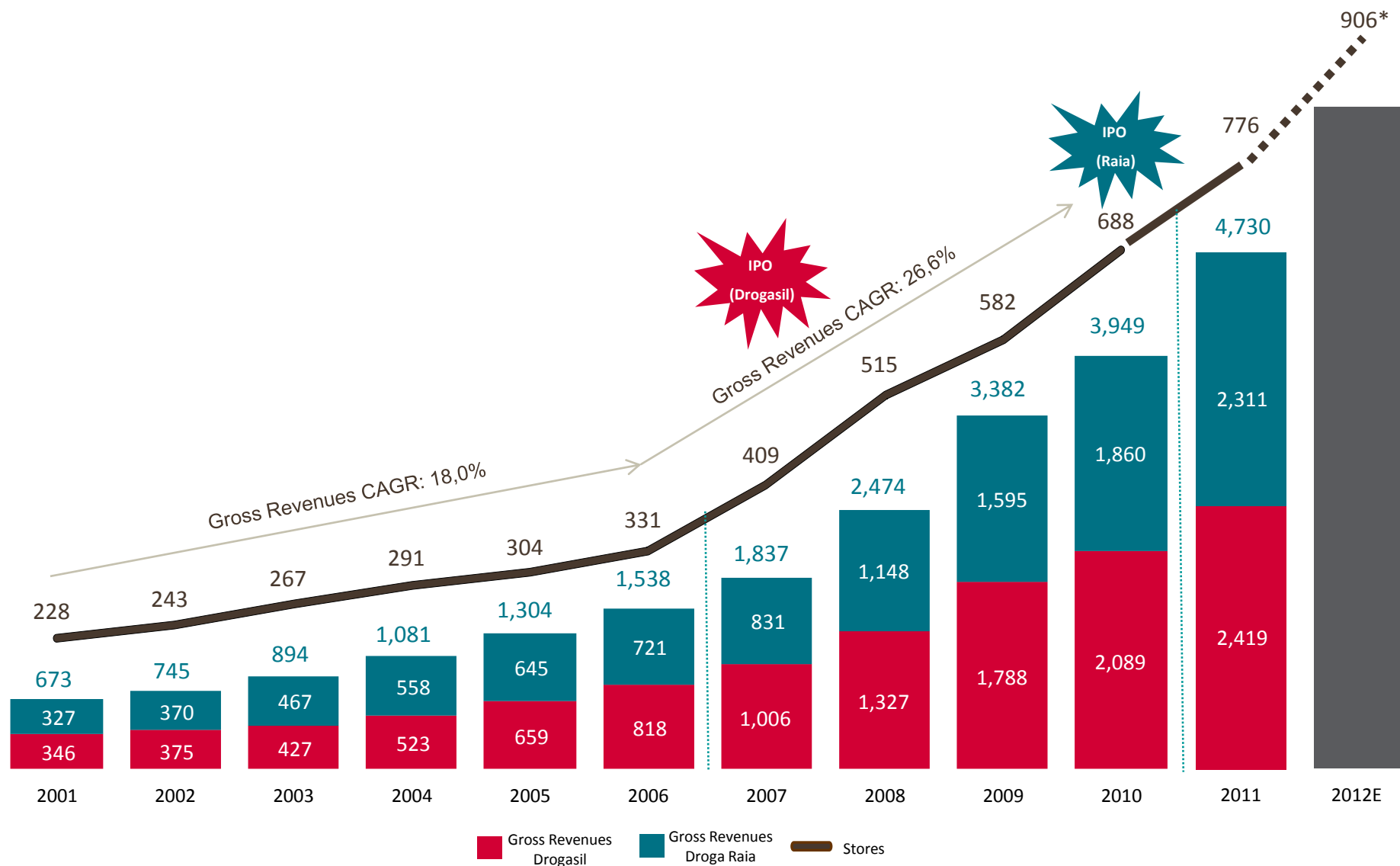
Leading the Consolidation of the Drugstore Industry in Brazil



Foundations for Growth

Accelerated Growth

Merger



* Assumes our gross store opening guidance, disregarding eventual store closings that may happen until the end of the year.

Largest Player in the Industry, both in Revenues and in Store Count



Gross Revenues (2011)

Store Count (2011)

1st RaiaDrogasil 

1st RaiaDrogasil 

2nd  

2nd  

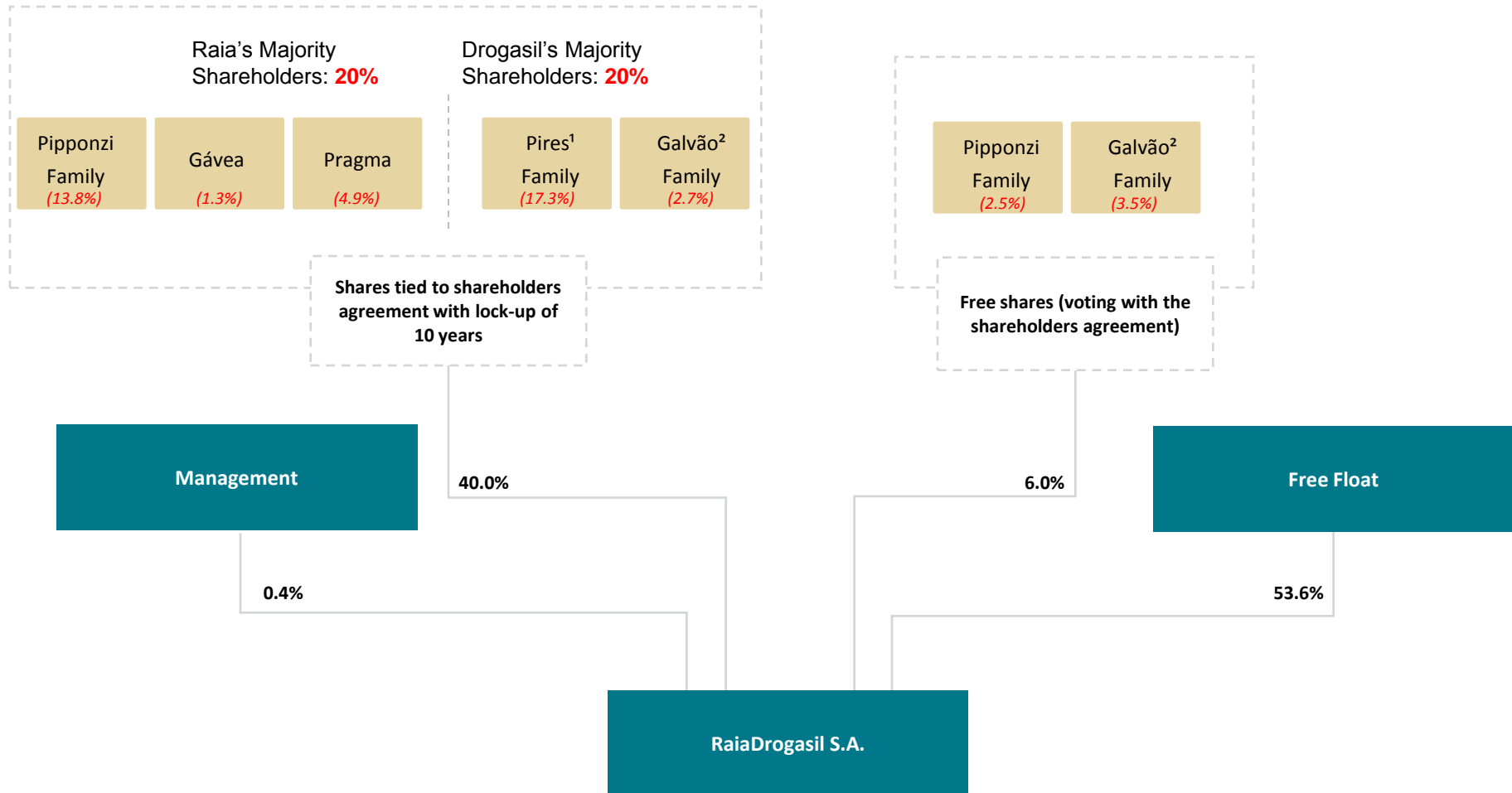
3rd 

3rd 

4th 

4th 

Controlled by Shareholders who are Members of the Founding Families



- Joint control by the majority shareholders of both companies, who will always have the same number of shares tied to the shareholders agreement during its whole term (10 years)
- Tied shares are subject to a 10-year lock-up, which will be progressively reduced to represent 30% of the current stock capital after the fifth anniversary of the agreement.

Note:

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

2 Tantra Participações Ltda



1 Raia Drogasil S.A. – Creating an Industry Leader with an Unparalleled Combination of Scale, Efficiency and Financial Flexibility

2 Fragmented Market, in the Process of Consolidation

3 Dual Brand Strategy, with strong growth prospects and synergy potential

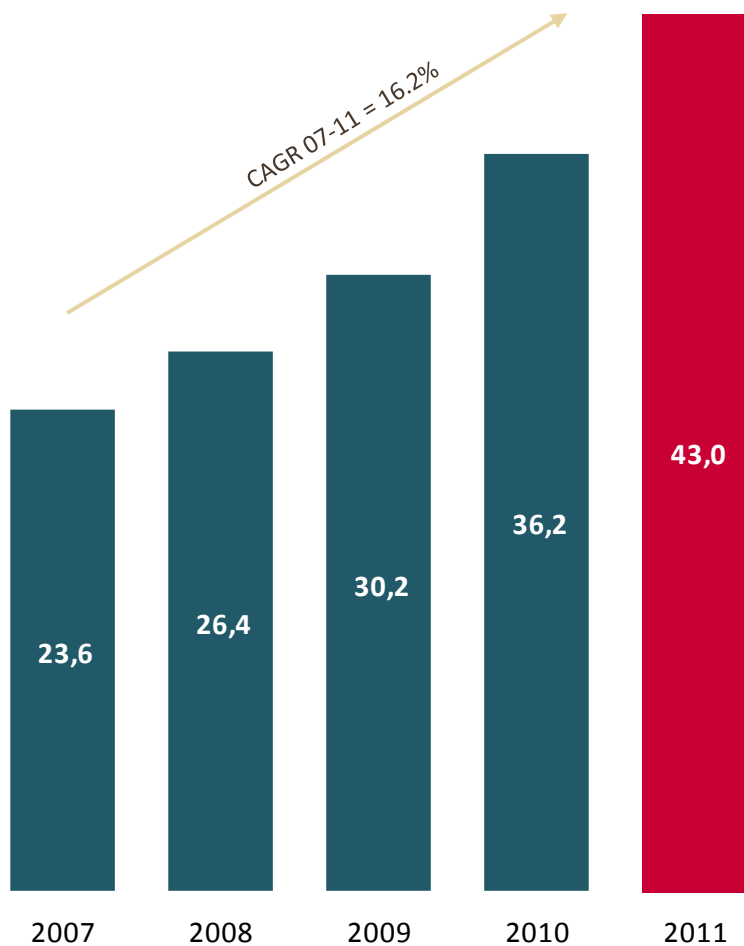
4 Proven Track Record in Delivering High Growth with Margin Expansion

Accelerated Pharmaceutical Market Growth



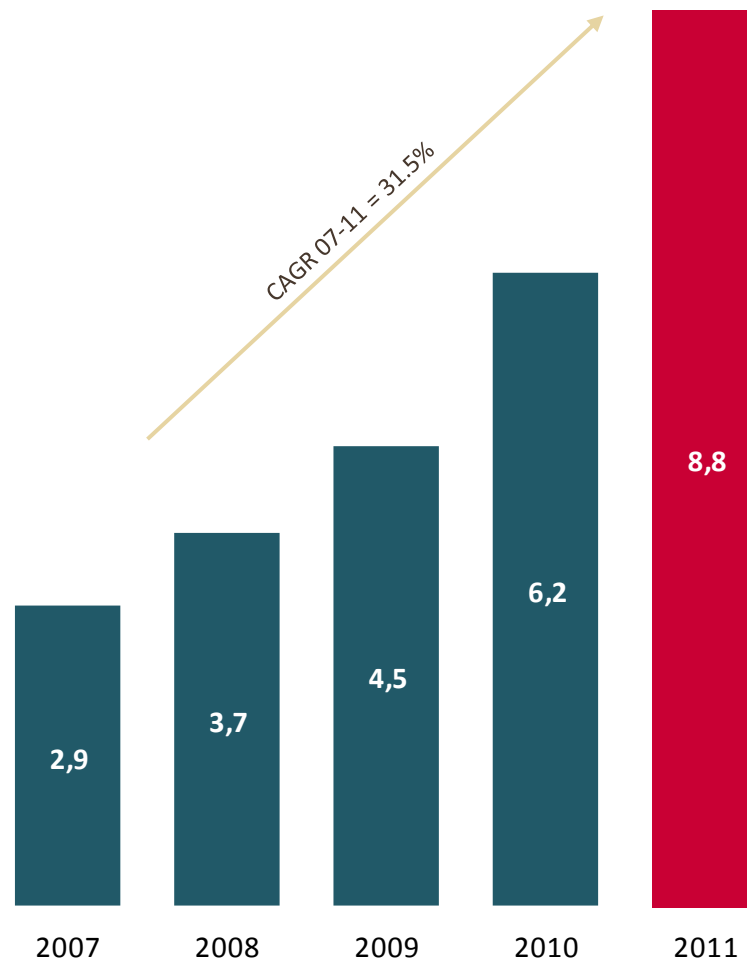
Pharmaceutical Market

(R\$ Billion)



Generics Market

(R\$ Billion)

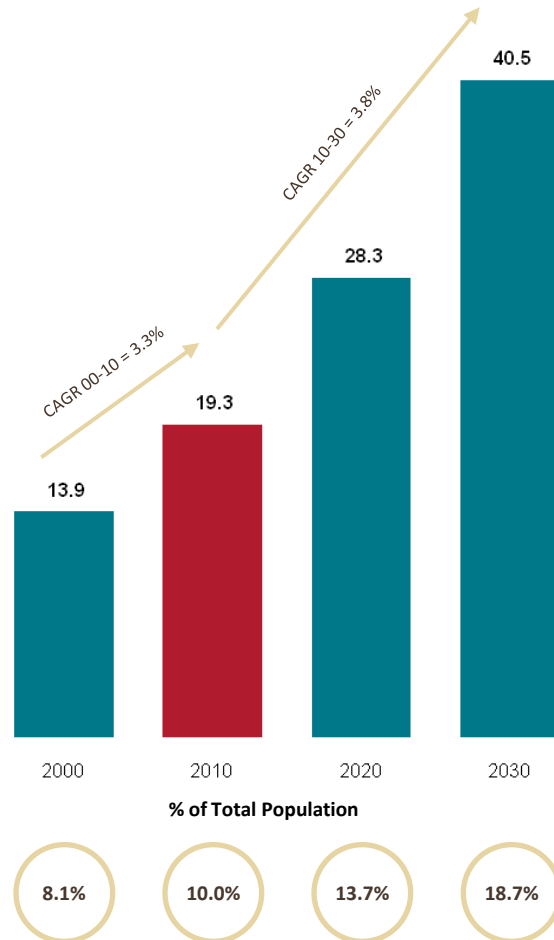




Favorable Demographic and Macroeconomic Trends

Brazilian Population above 60 years old

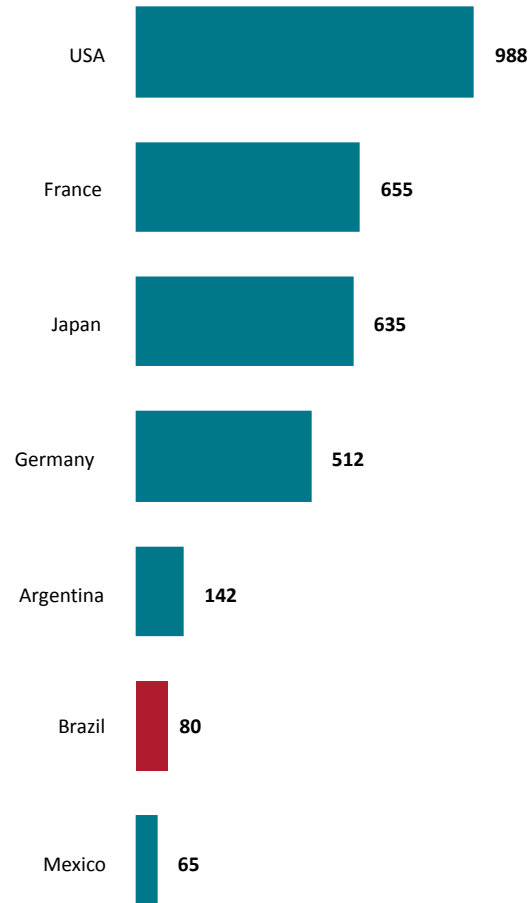
(Million of people)



Source: IMS Health

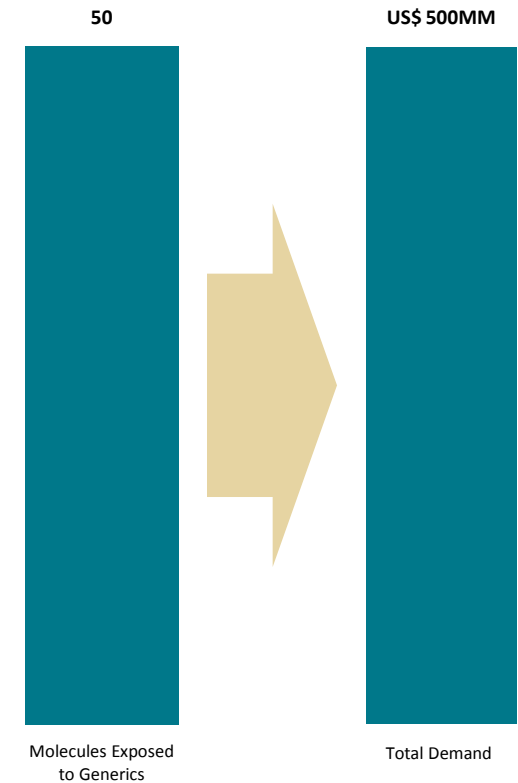
Annual per Capita Pharma Spending Selected Countries

(US\$ in 2009)



Source: IMS Health, Population Reference Bureau 2009

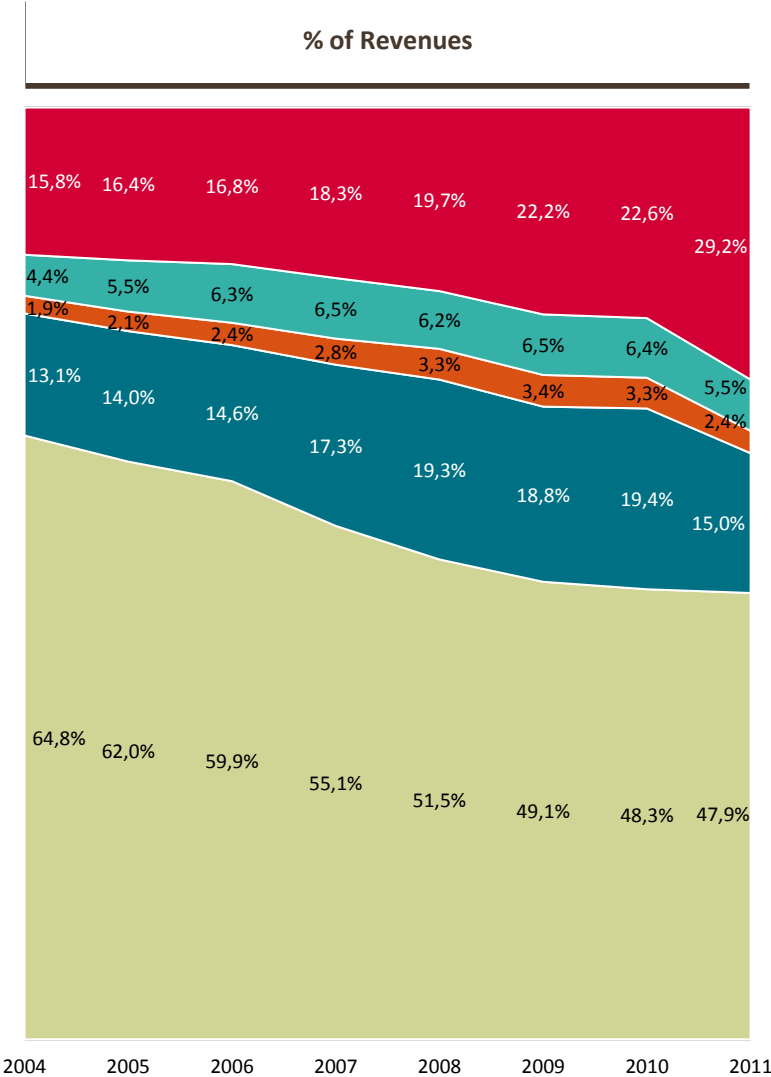
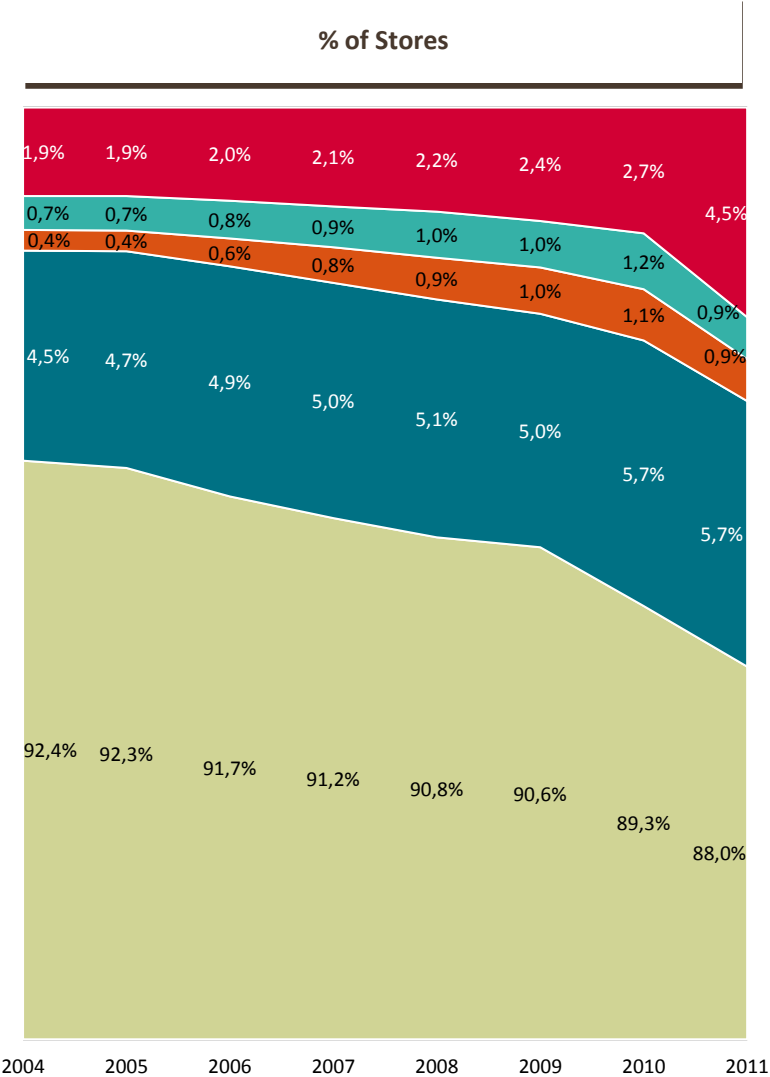
Products Losing Patents* 2010 to 2012



* 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

Fragmented Drugstore Market



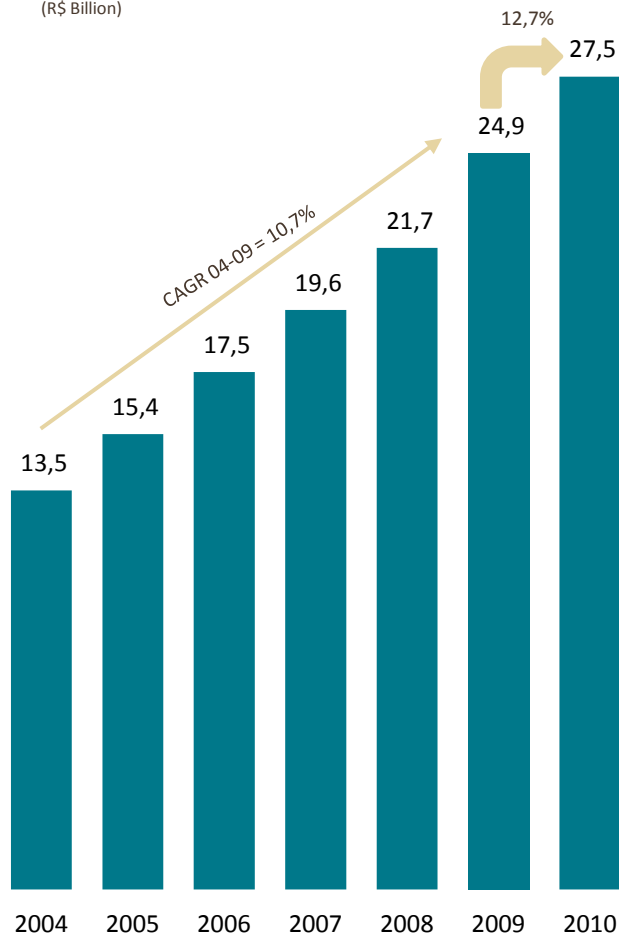
ABRAFARMA TOP 5 ABRAFARMA TOP 6 - 10 SUPERMARKETS OTHER CHAINS INDEPENDENTS

Source: IMS Health and Abrafarma

Accelerated Growth in HPC, with Shifting Share Towards Drugstore Chains

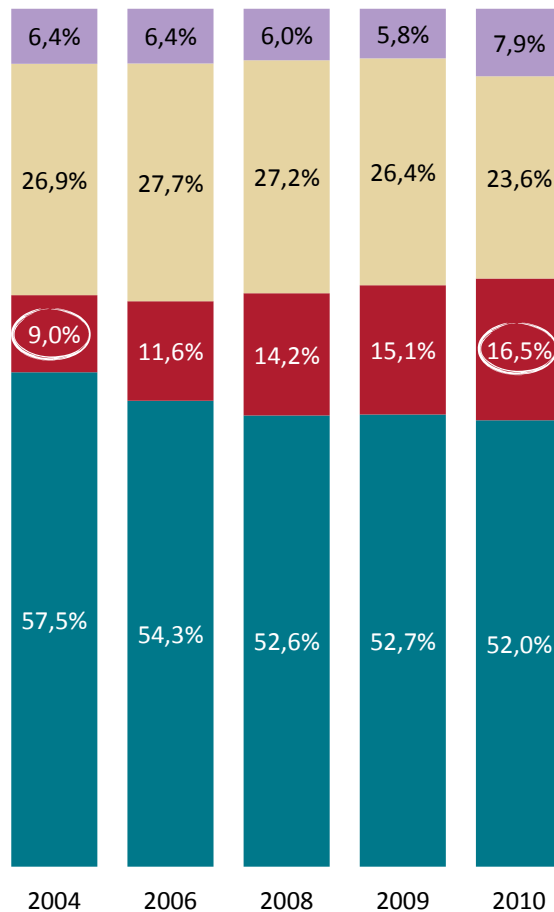
HPC Market

(R\$ Billion)



Market Share by Channel

(% of Weighted Volumes)

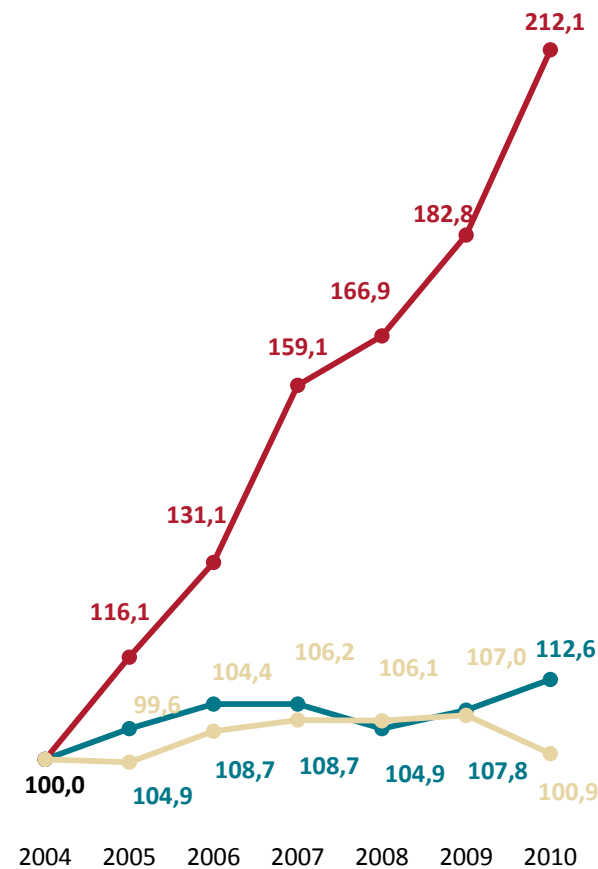


Supermarkets
Independent
Drugstores & Beauty

Drugstore Chains
Traditional

HPC Growth by Channel – Weighted Volumes

Index: 2004 = 100



Supermarkets

Drugstore Chains

Independent Drugstores & Beauty



1 Raia Drogasil S.A. – Creating an Industry Leader with an Unparalleled Combination of Scale, Efficiency and Financial Flexibility

2 Fragmented Market, in the Process of Consolidation

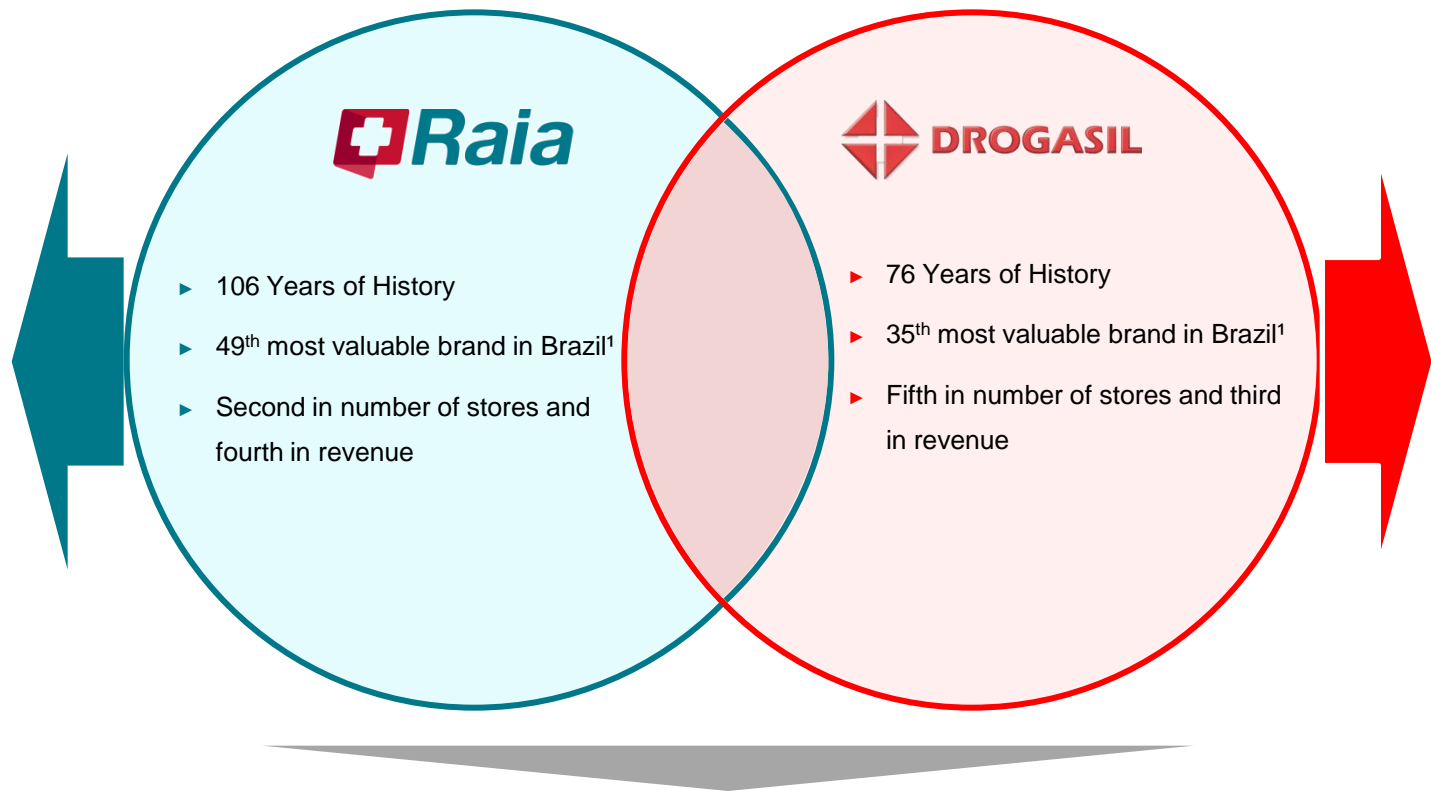
3 Dual Brand Strategy, with strong growth prospects and synergy potential

4 Proven Track Record in Delivering High Growth with Margin Expansion

Leading Brands with Strong Identities and Coordinated Strategies



Coordinated brand strategies: differentiation of consumer targets and store formats



- ✓ Maintenance of existing customers who have a preference for a specific brand
- ✓ Addition of new customers by differentiating the value proposition of the brands

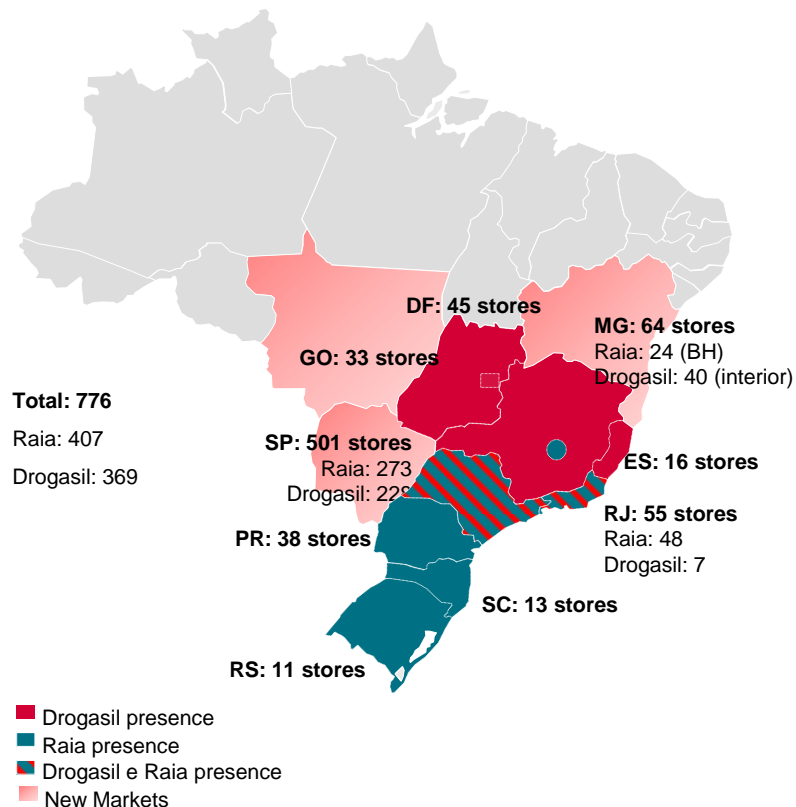
Note:

1 Joint survey by ISTOÉ DINHEIRO and BrandAnalytics/Millward Brown, in 2011

Strong Geographic Presence and High Growth Potential

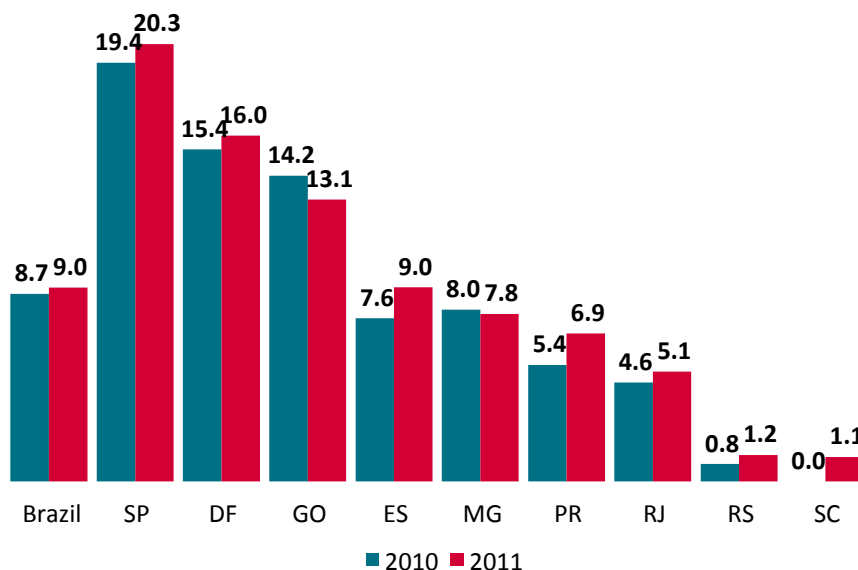


Geographic Presence



Market Share

(Dec/11)



PHARMACEUTICAL MARKET DISTRIBUTION BY STATE

Brazil	SP	DF	GO	ES	MG	PR	RJ	RS	SC
100.0%	29.2%	2.2%	3.0%	2.0%	9.9%	5.7%	13.1%	7.2%	3.6%

- Presence in states that comprise 78% of the Brazilian pharmaceutical market
- Established platform to grow into new markets

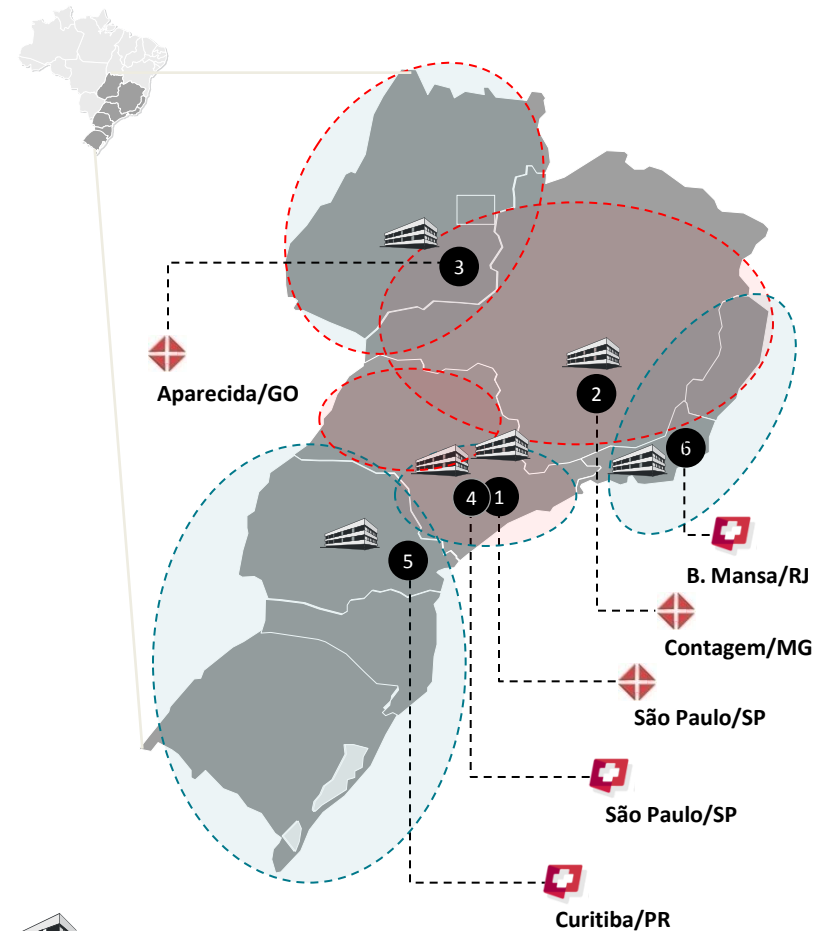
Source: Companies

¹ Note: Market share according to IMS Health, for the month of December, 2011

Decentralized and Complementary Distribution Structure



Distribution Centers



Source: Companies

1

- ▶ Drogasil DC in São Paulo (SP)
- ▶ Area: 17,000 m²

2

- ▶ Drogasil DC in Contagem (MG)
- ▶ Area : 6,200 m²

3

- ▶ Drogasil DC in Aparecida (GO)
- ▶ Area : 12,600 m²

4

- ▶ Raia DC in São Paulo (SP)
- ▶ Area : 19,000 m²

5

- ▶ Raia DC in Curitiba (PR)
- ▶ Area : 6,000 m²

6

- ▶ Raia DC in Barra Mansa (RJ)
- ▶ Area : 8,000 m²

Competitive Gains by Capturing Hard and Soft Synergies



- ▶ Coordinated growth in existing markets
- ▶ Accelerated entry into new markets
- ▶ Gains from the selective closure of redundant stores

- ▶ Adoption of best practices in sales
- ▶ Proprietary PBM leveraging the existing corporate and institutional contracts of each company and obtaining new clients
- ▶ Sharing of existing product and promotional agreements
- ▶ Opportunities to develop a joint e-commerce platform

- ▶ Solid and flexible capital structure
- ▶ Potential use of shares, with enhanced liquidity, as a currency for acquisitions
- ▶ Experience in acquisitions and post-merger integration
- ▶ Leveraging of acquired assets by choosing from two brands in the absorption of each store



- ▶ Adoption of the best purchasing conditions and gross margin policies
- ▶ Enhancement of trade allowances by applying best practices and revaluing promotional spaces
- ▶ Introduction of private label products by leveraging the combined scale

- ▶ Strengthening of the management team and of the combined management structure
- ▶ Logistics optimization through complementary DCs and by increasing the shipping density
- ▶ Integration of systems and processes, and application of best practices
- ▶ Dilution of corporate expenses and elimination of redundancies

Launching our Main Private Label Platform, with Premium Prices & Margins



BLU MARINO

Um mergulho aromático no azul



VERDE ERVA

O movimento do verde



VIBRE GENGIBRE

A força da vitalidade



LIMA LIMÃO

O frescor da cor

BRILHA BAUNILHA

O cheiro da sensação



AMORA ROSA

O perfume do brilho



1 Raia Drogasil S.A. – Creating an Industry Leader with an Unparalleled Combination of Scale, Efficiency and Financial Flexibility

2 Fragmented Market, in the Process of Consolidation

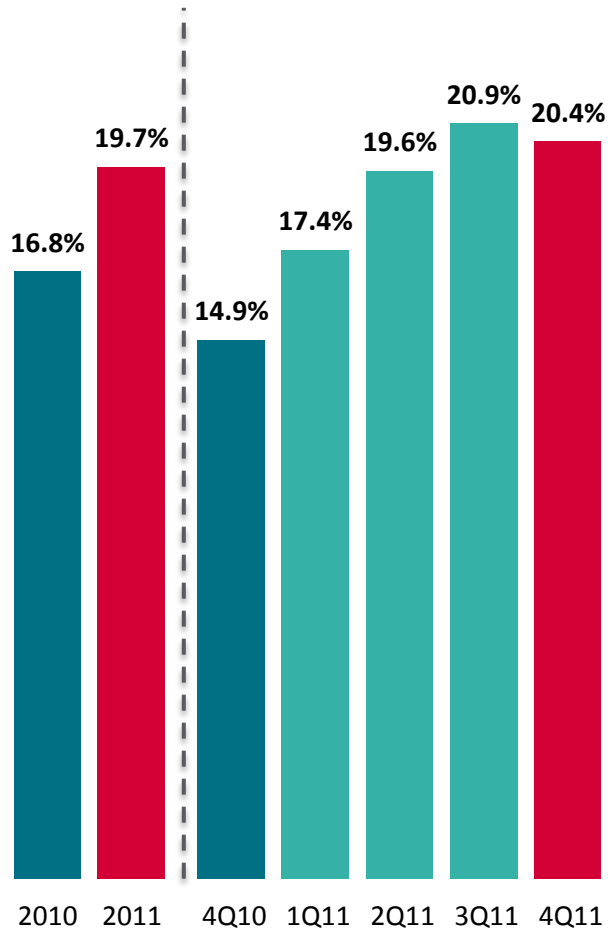
3 Dual Brand Strategy, with strong growth prospects and synergy potential

4 Proven Track Record in Delivering High Growth with Margin Expansion

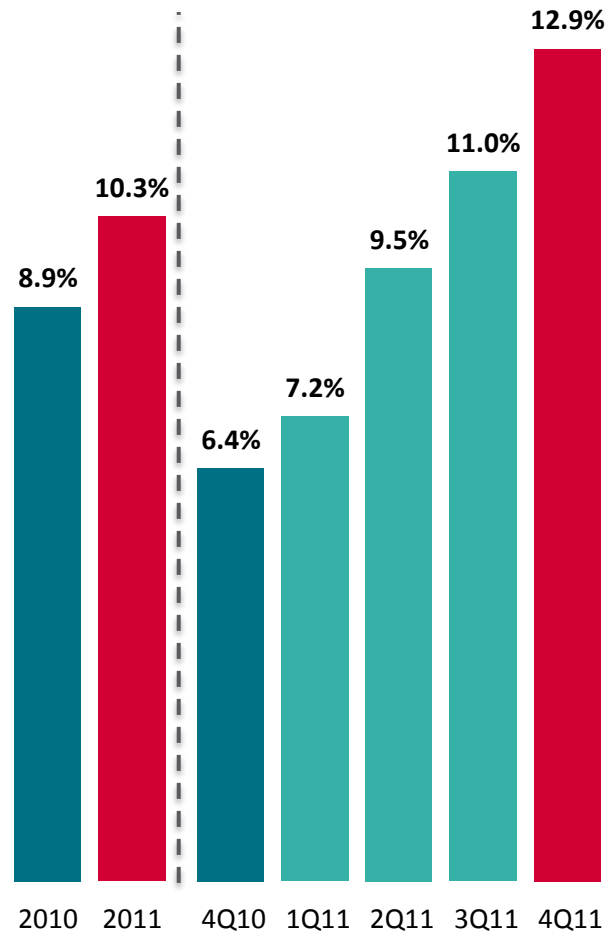
Accelerating Sales Comps



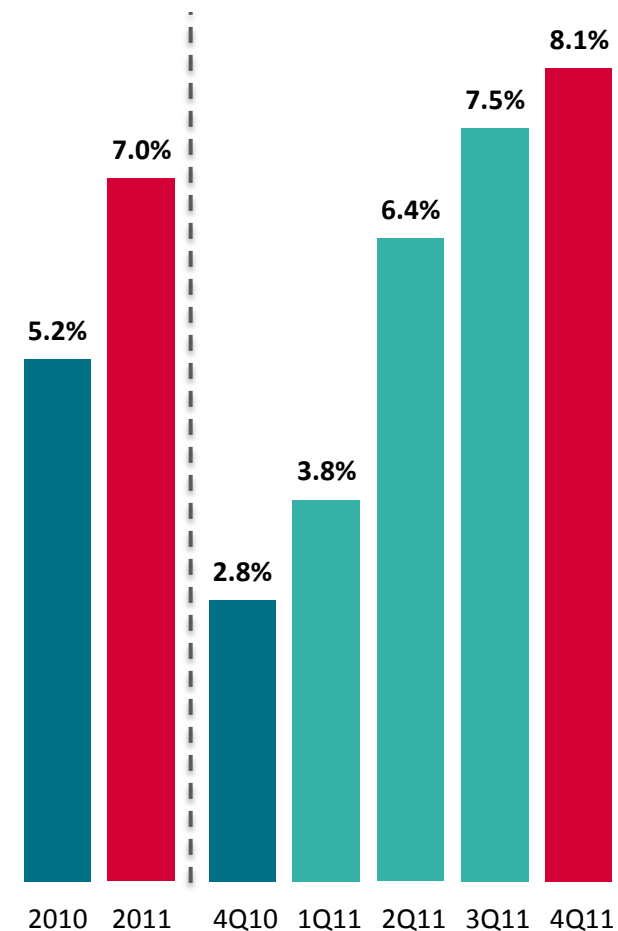
Growth – Total Sales



Growth – Same Store Sales

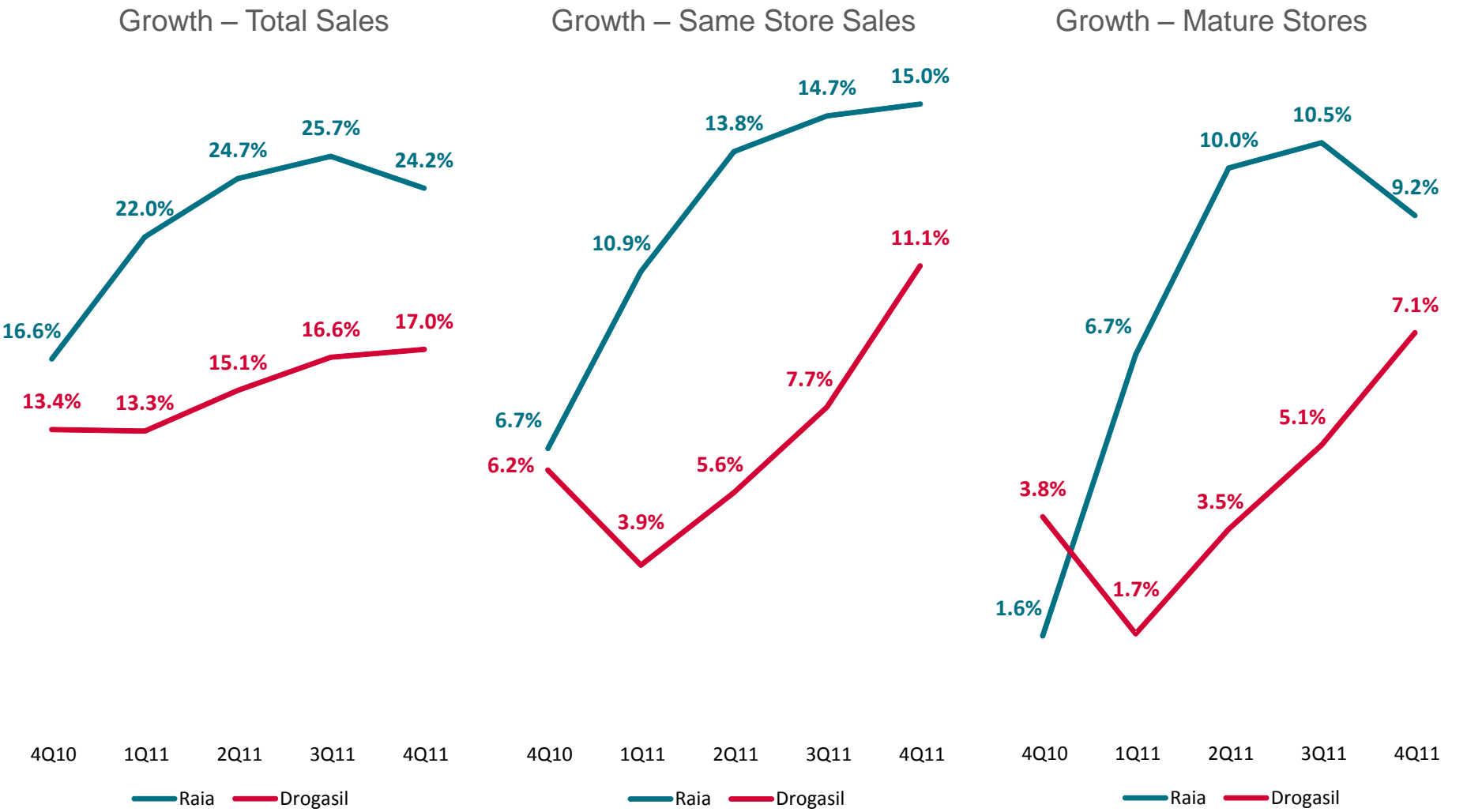


Growth – Mature Stores





Converging Mature Store Growth for Droga Raia and for Drogasil

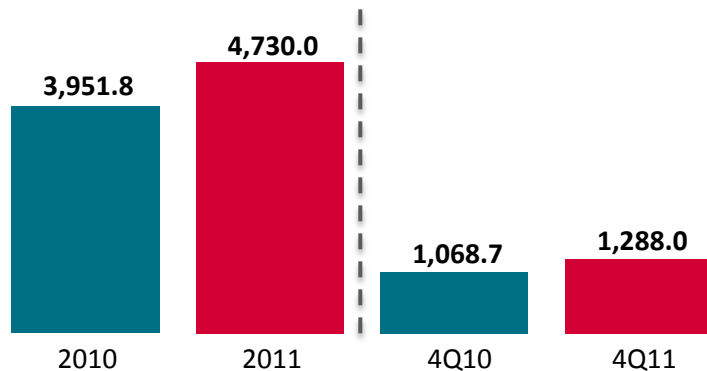


Delivering High Growth with Margin Expansion



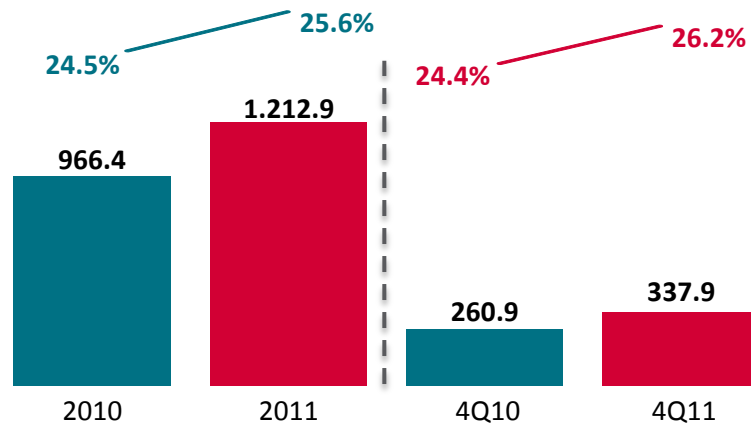
Gross Revenues

(R\$ million)



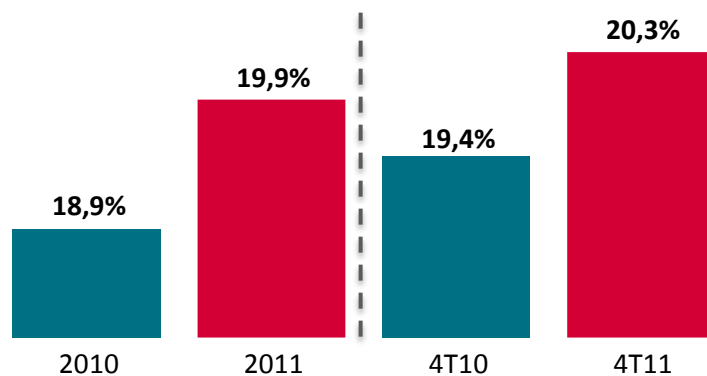
Gross Margin

(R\$ million, % of Gross Revenues)



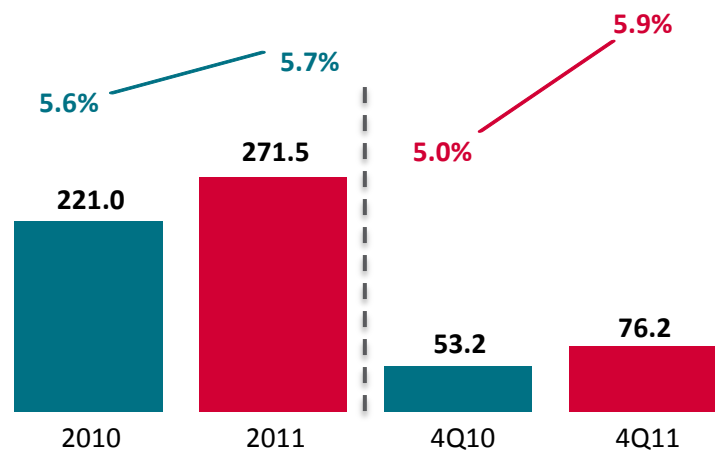
Operational Expenses

(% of Gross Revenues)



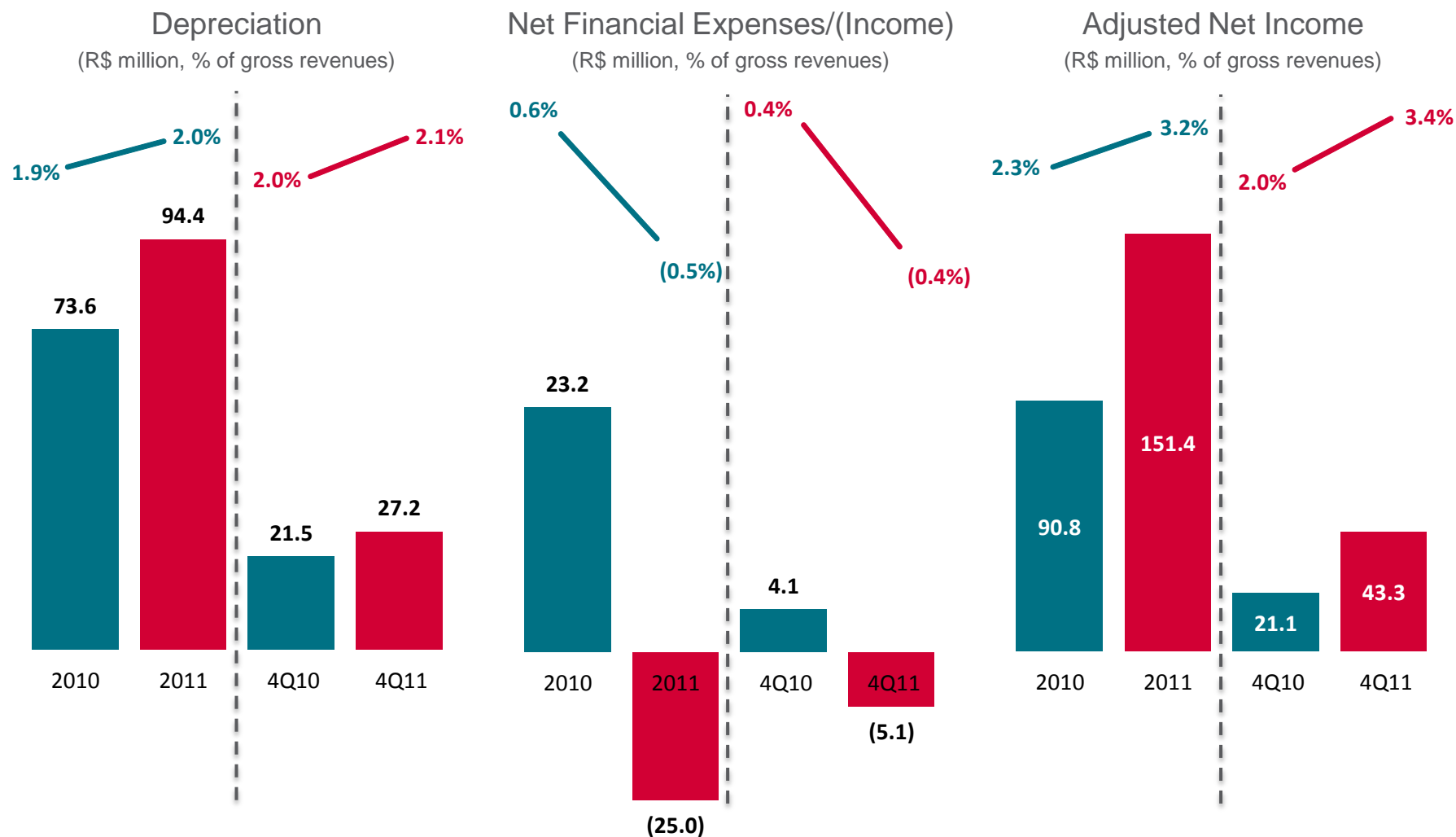
Adjusted EBITDA

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

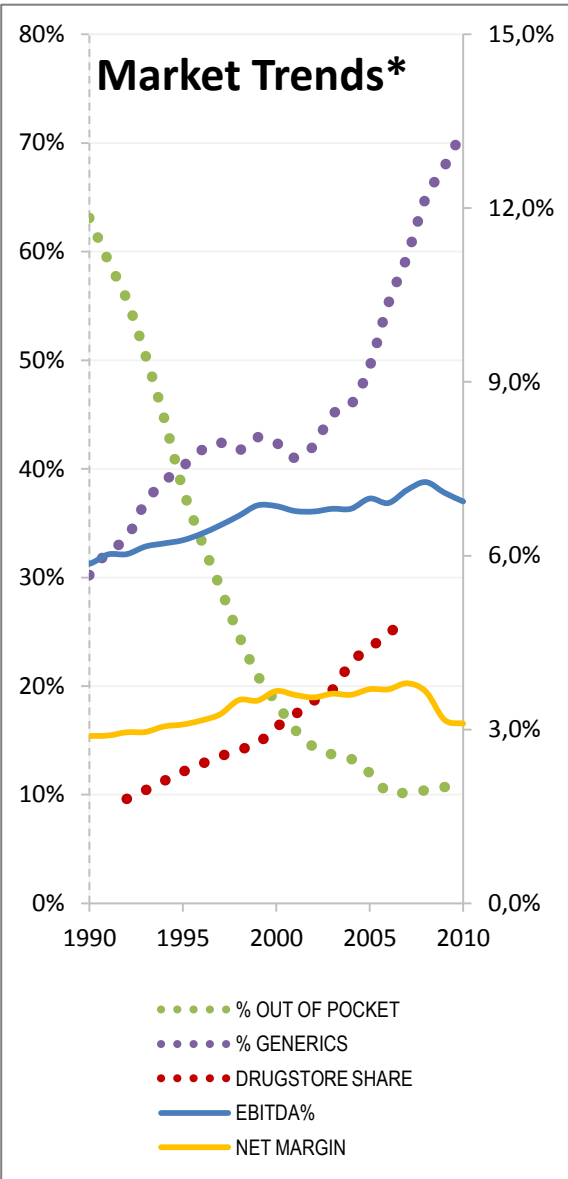
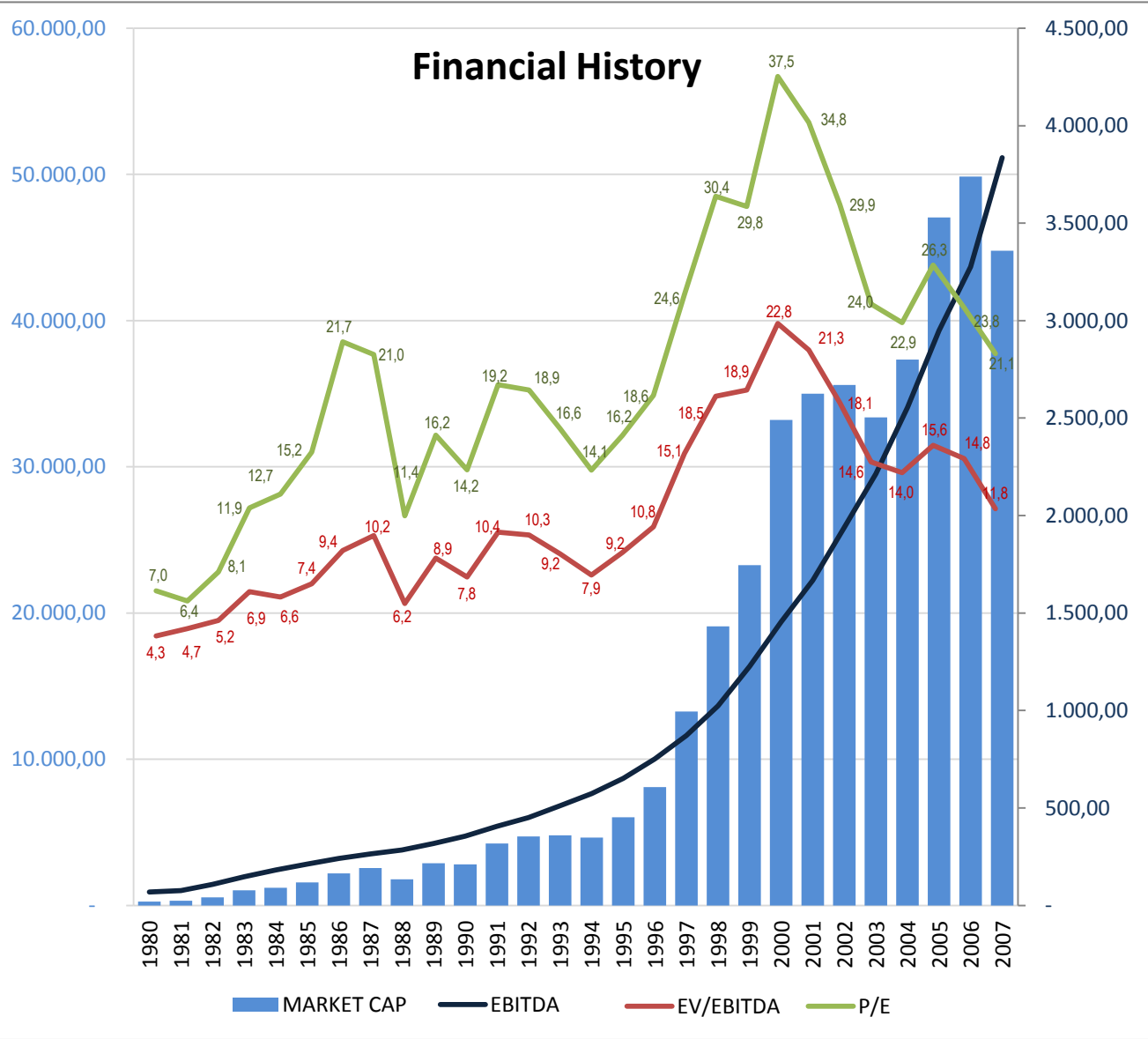


* Adjusted for non-recurring events

Consistent Earnings Growth



Walgreen's Long-Term Benchmark



* 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)