



# Earnings Presentation – 2Q12

August 10<sup>th</sup>, 2012





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.

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## Highlights (Adjusted Figures)

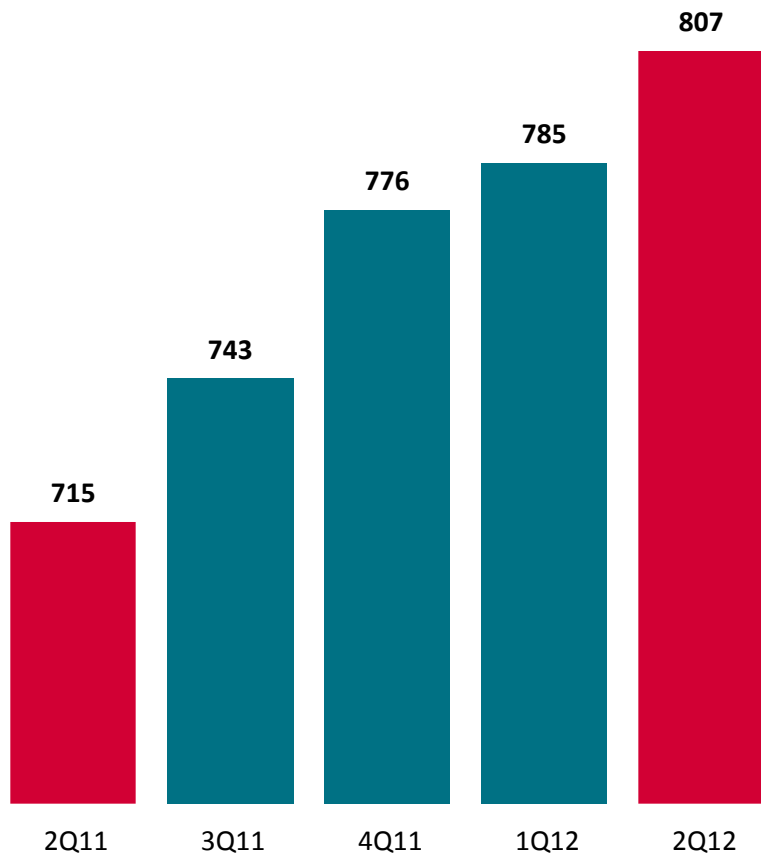
- **Drugstores:** 807 stores in operation (26 new store openings and 4 closures)
- **Gross Revenues:** R\$ 1,375.2 million, 18.8% of growth (11.5% for same-store sales)
- **Gross Margin:** 28.1% of gross revenues, a 1.7 percentage point margin increase
- **Adjusted EBITDA:** R\$ 100.2 million, an increase of 21.8%
- **Adjusted EBITDA Margin:** 7.3%, a 0.2 percentage point margin expansion
- **Adjusted Net Income:** R\$ 53.8 million, 3.9% of net margin



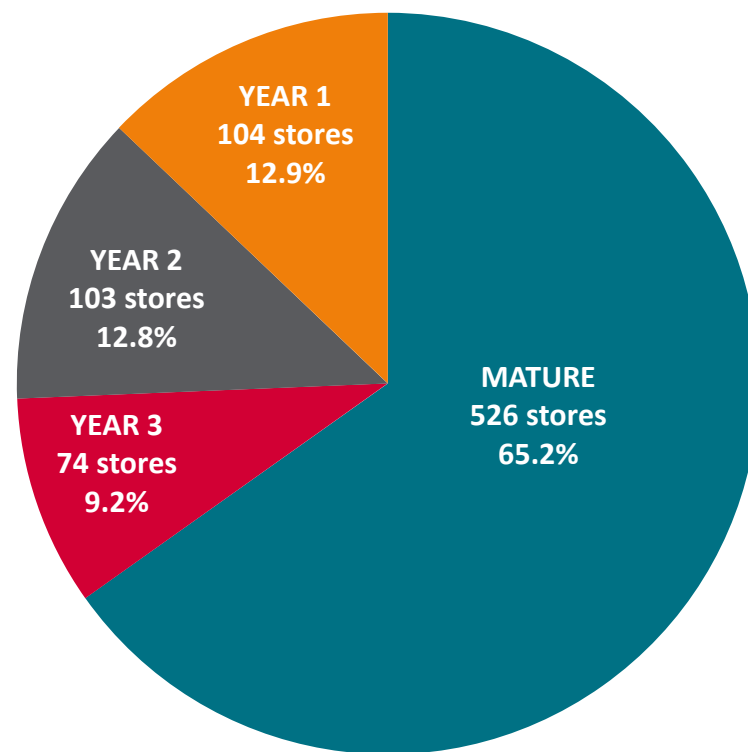


We ended the quarter with 807 stores. We opened 26 stores and closed four in the state of São Paulo, the start of a process of closing redundant stores, one of the association's synergies.

Store Count



Age Structure of Store Portfolio  
(store count, % of existing stores)

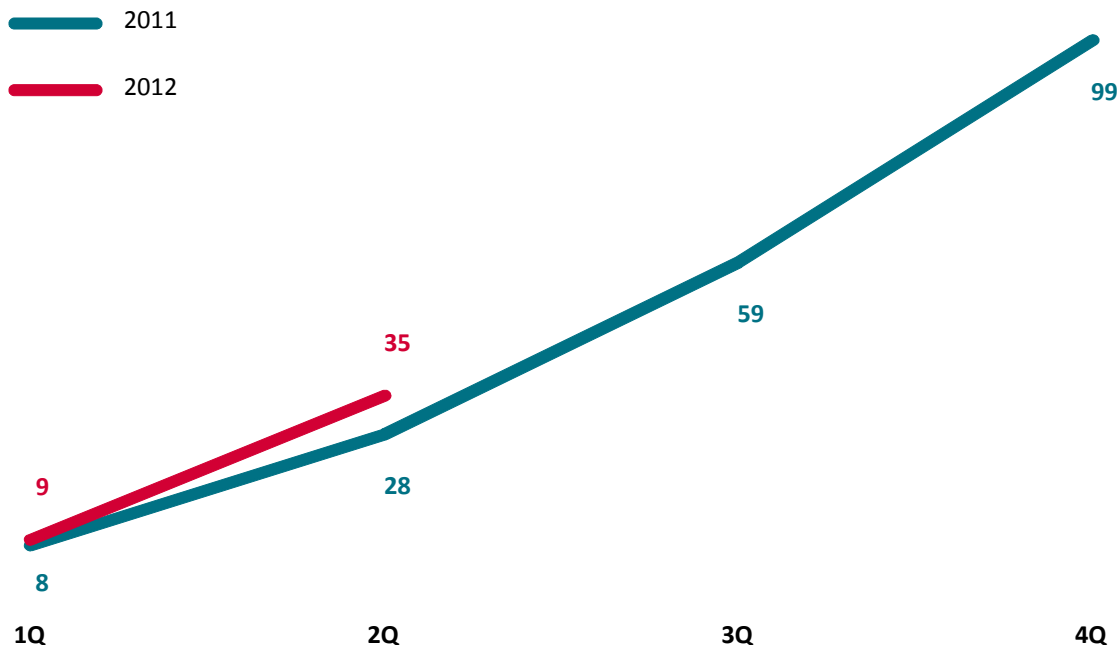


	2Q11	3Q11	4Q11	1Q12	2Q12
Opened	20	31	40	9	26
Closed	1	3	7	0	4



We have aimed at 130 new store openings. However, we lowered the guidance to 110 stores to reflect the incorporation of Raia and the opening suspension of unlicensed Droga Raia stores.

### Cumulative Gross Openings



### Recent Store Development Activity

As of August 9, 2012

- 47 stores opened to date
- 73 additional contracts already signed
- Several other contracts in advanced stages of negotiation
- 26 additional stores to be acquired from Drogoria Santa Marta in Goiânia\*

### Incorporation of Raia S.A. by RaiaDrogasil:

- Temporary suspension of the opening of unlicensed Droga Raia stores
- New openings will be resumed after the incorporation under RaiaDrogasil
- Drogasil openings will continue normally, without any interruptions
- Incorporation expected to be completed by the end of 2012

• **110 new stores guidance for 2012**

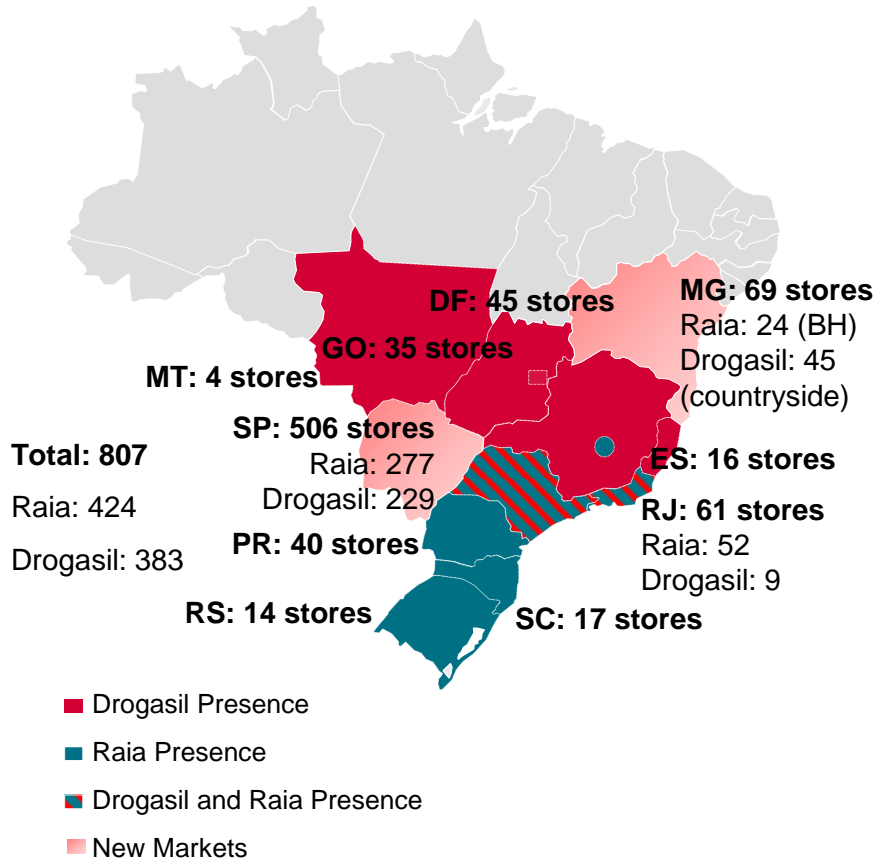
• **130 new stores guidance for 2013**

\* Pending the required legal authorization under Santa Marta's judicial recovery

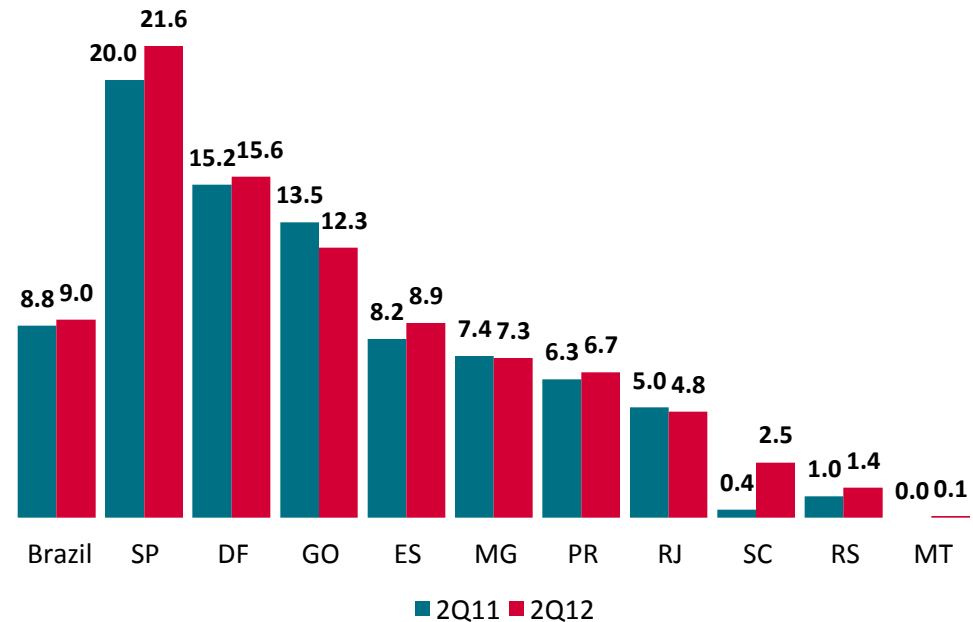


Our national market share grew by 0.2 percentage point, reaching 9.0%. We highlight the growth in SP and the recent entry into SC, as well as a share loss in GO.

### Geographic Presence



### Market Share (June/12)



### PHARMECEUTICAL MARKET DISTRIBUTION BY STATE

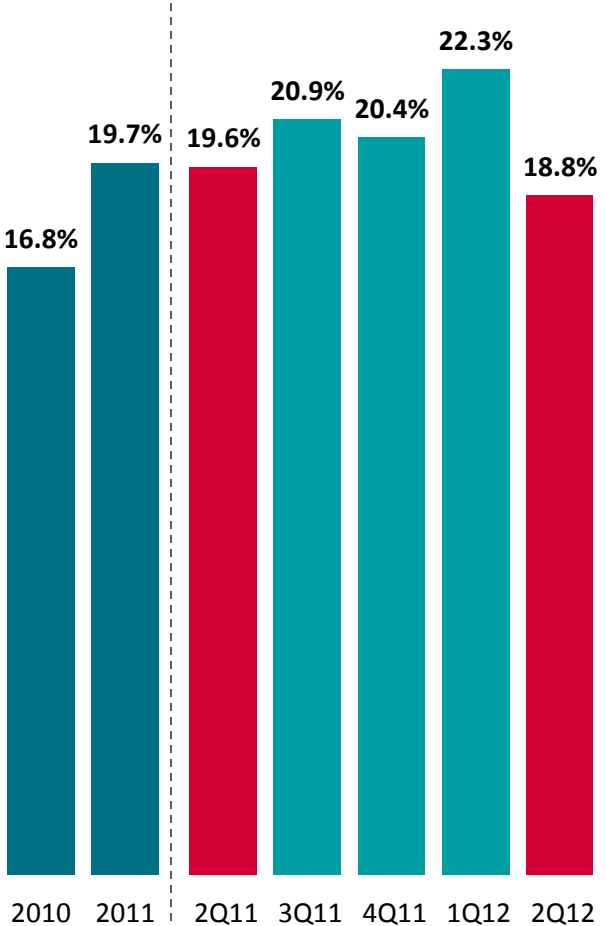
Brazil	SP	DF	GO	ES	MG	PR	RJ	RS	SC	MT
100.0%	27.8%	2.8%	3.3%	1.9%	10.5%	6.0%	13.6%	7.4%	3.8%	1.1%



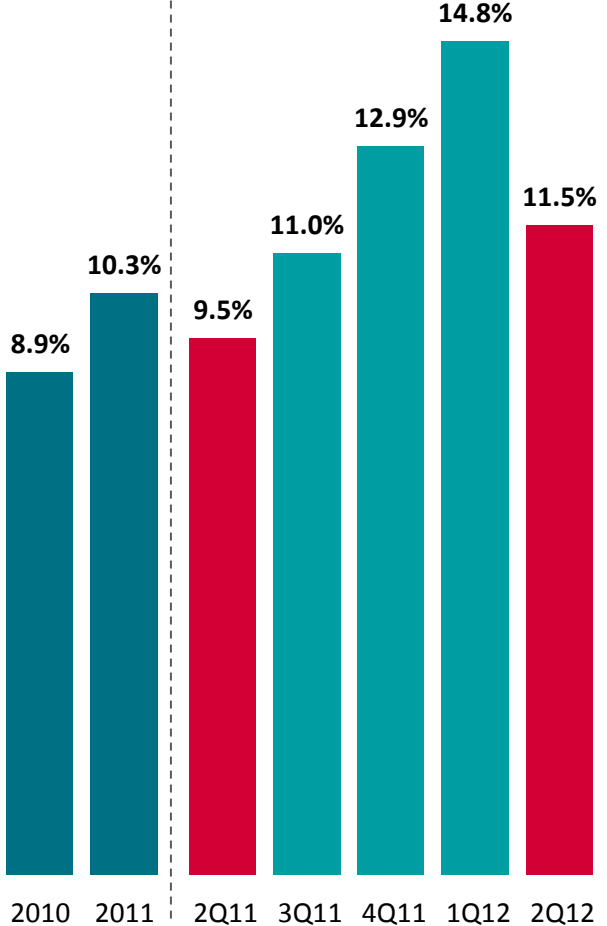
We have returned to historic growth levels after the peak observed in the first quarter.



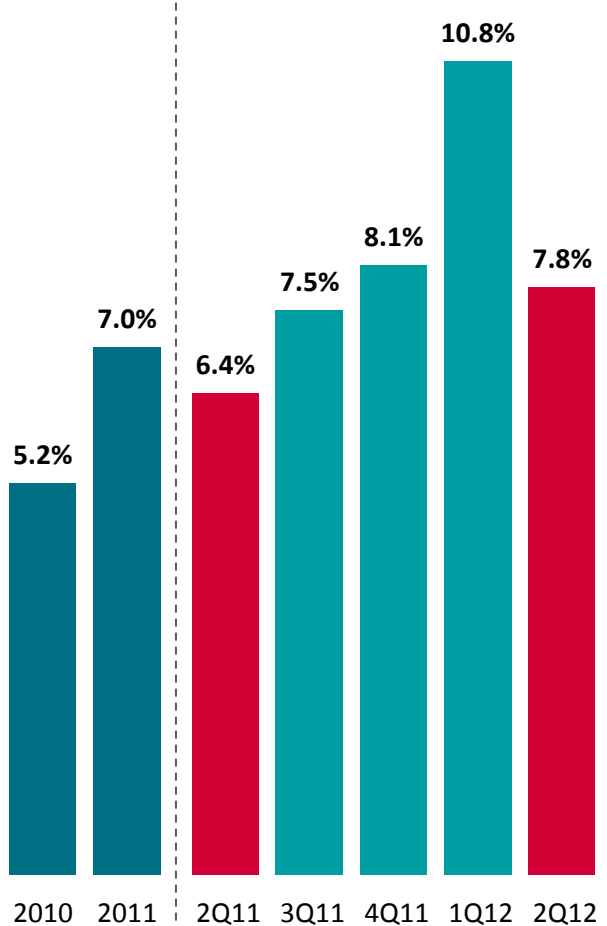
Growth – Total Sales



Growth – Same Store Sales



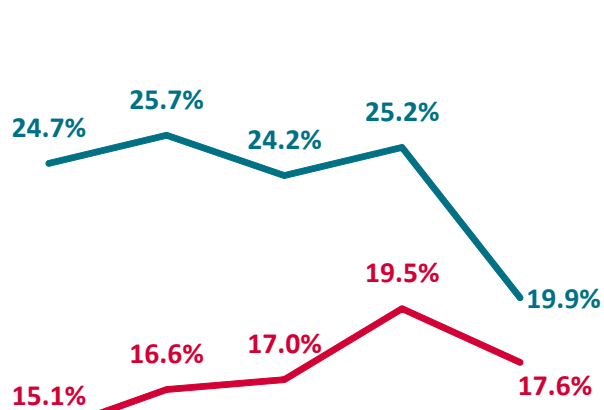
Growth – Mature Stores



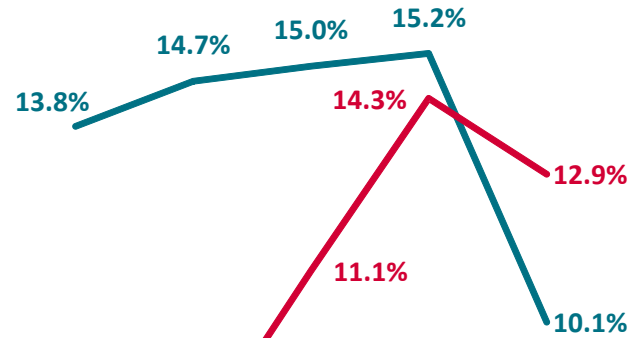
Drogasil reached mature store sales growth of 9.1% while Raia decelerated to 6.4%, due to the double digit comp base of the second quarter of 2011.



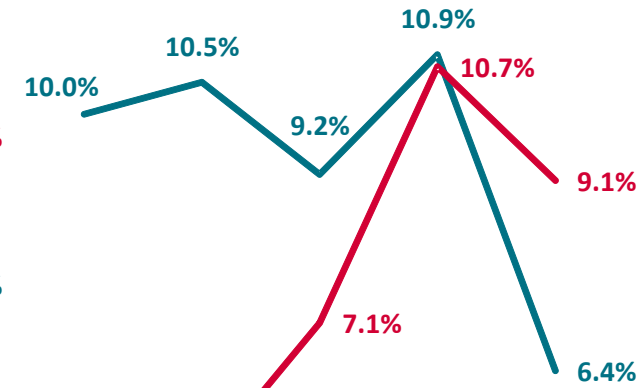
Growth – Total Sales



Growth – Same Store Sales



Growth – Mature Stores



2Q11 3Q11 4Q11 1Q12 2Q12

— Raia — Drogasil

2Q11 3Q11 4Q11 1Q12 2Q12

— Raia — Drogasil

2Q11 3Q11 4Q11 1Q12 2Q12

— Raia — Drogasil

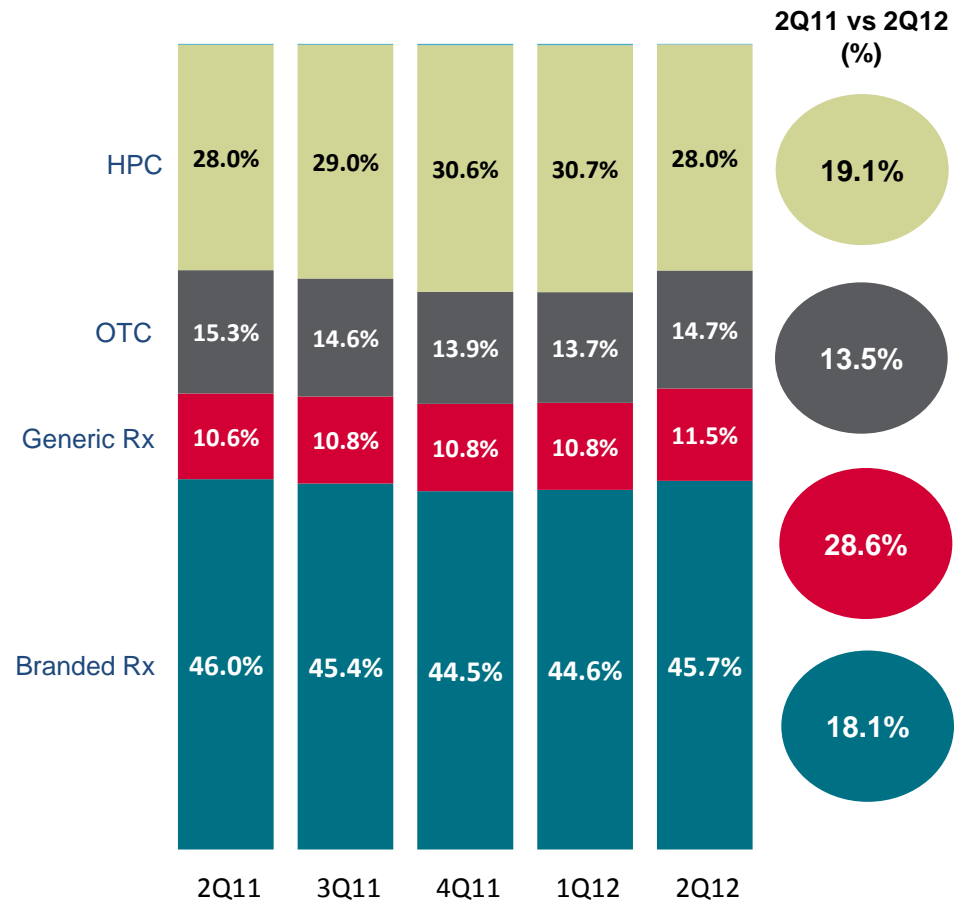
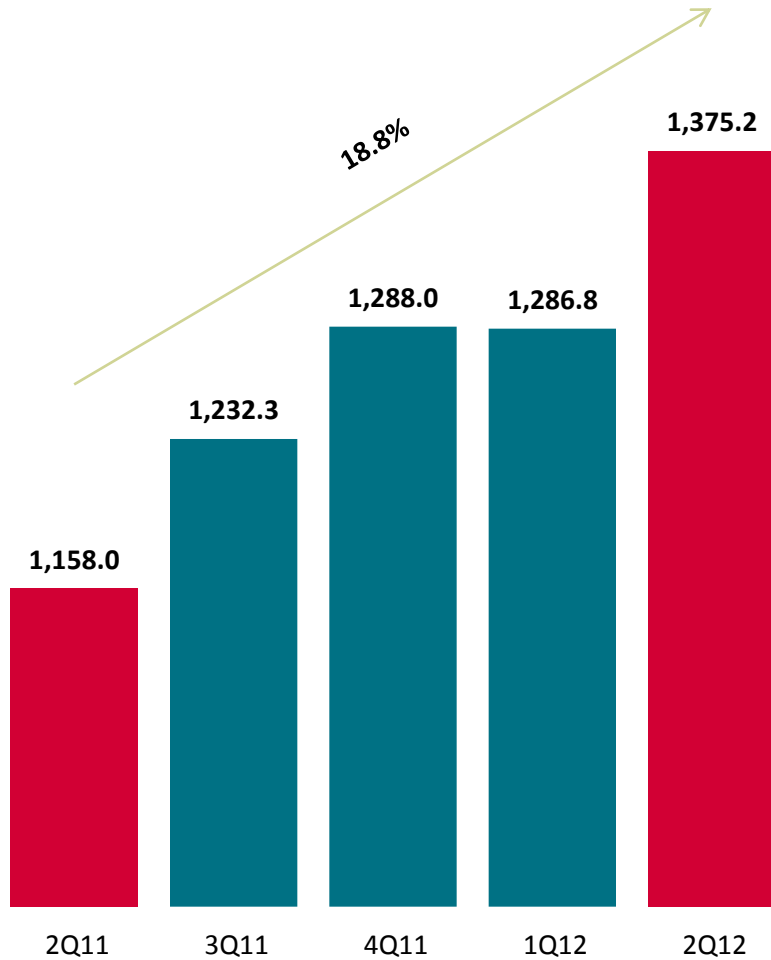




Generics participation grew by 0.9 percentage point, due to new launches and improvements in store execution. OTC was affected by a milder winter climate in June.

Gross Revenues  
(R\$ million)

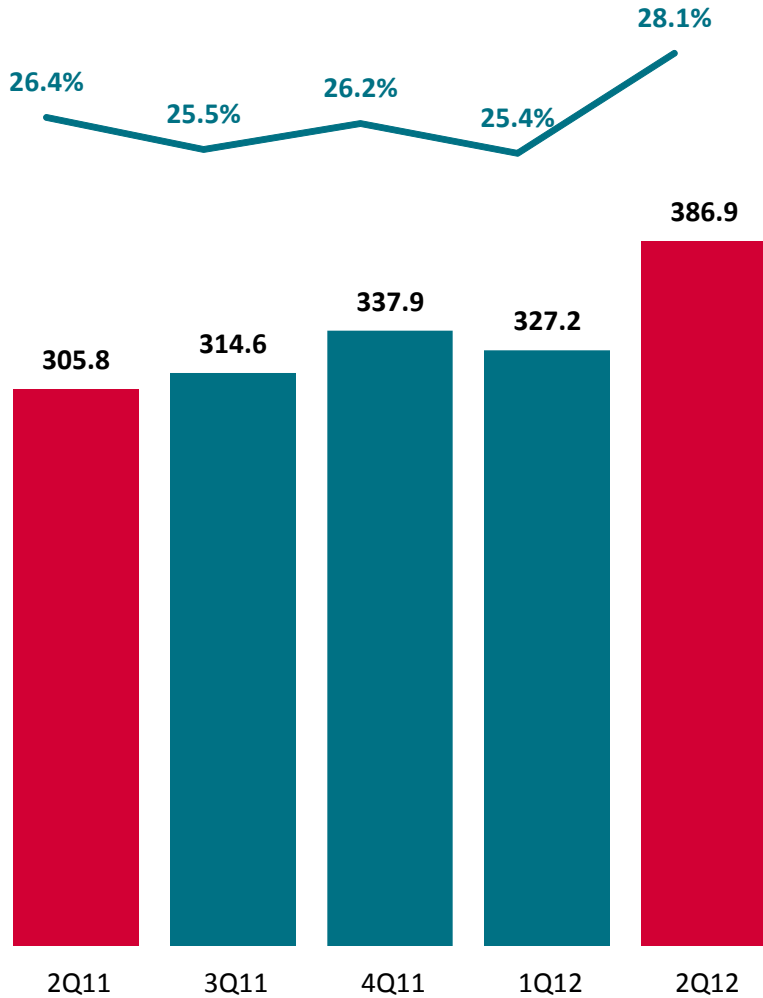
Sales Mix



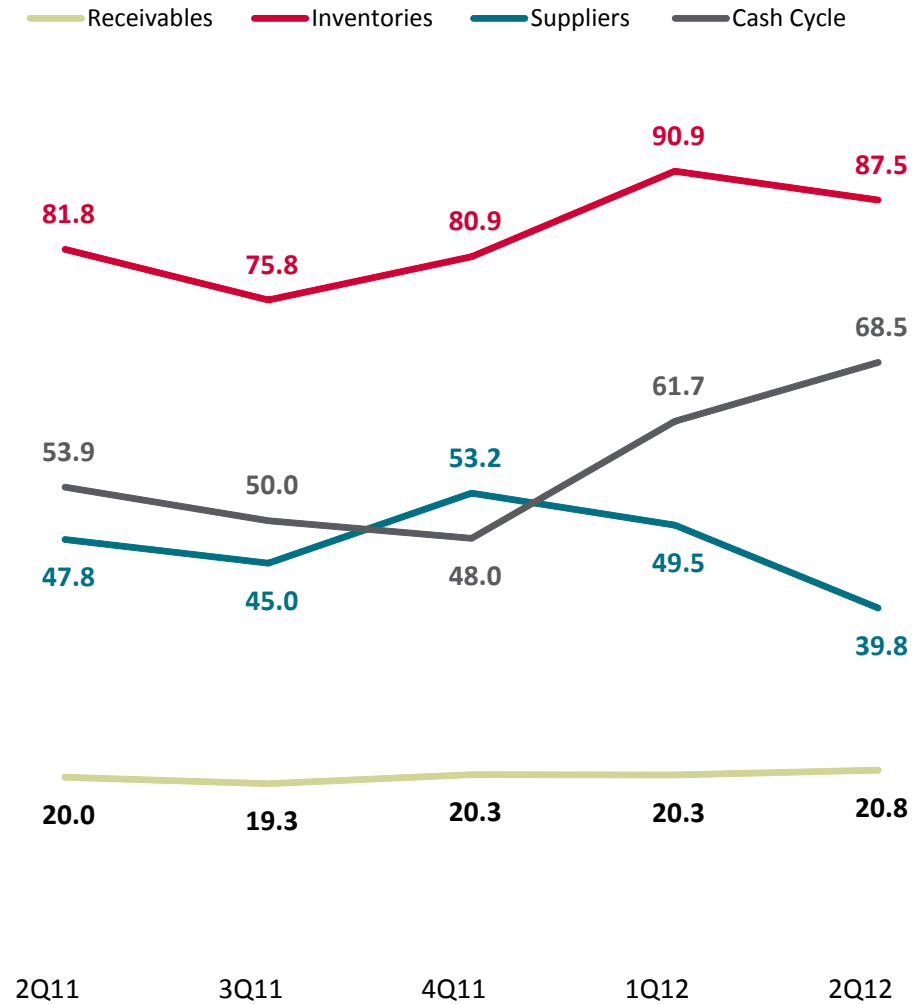


We reached a gross margin of 28.1% (+1.7 pp) due to the cost synergies achieved. Cash cycle still pressured by inventory unbalances across DCs and by renegotiation of specific purchase terms.

Adjusted Gross Profit  
(R\$ million, % of gross revenues)



Cash Cycle



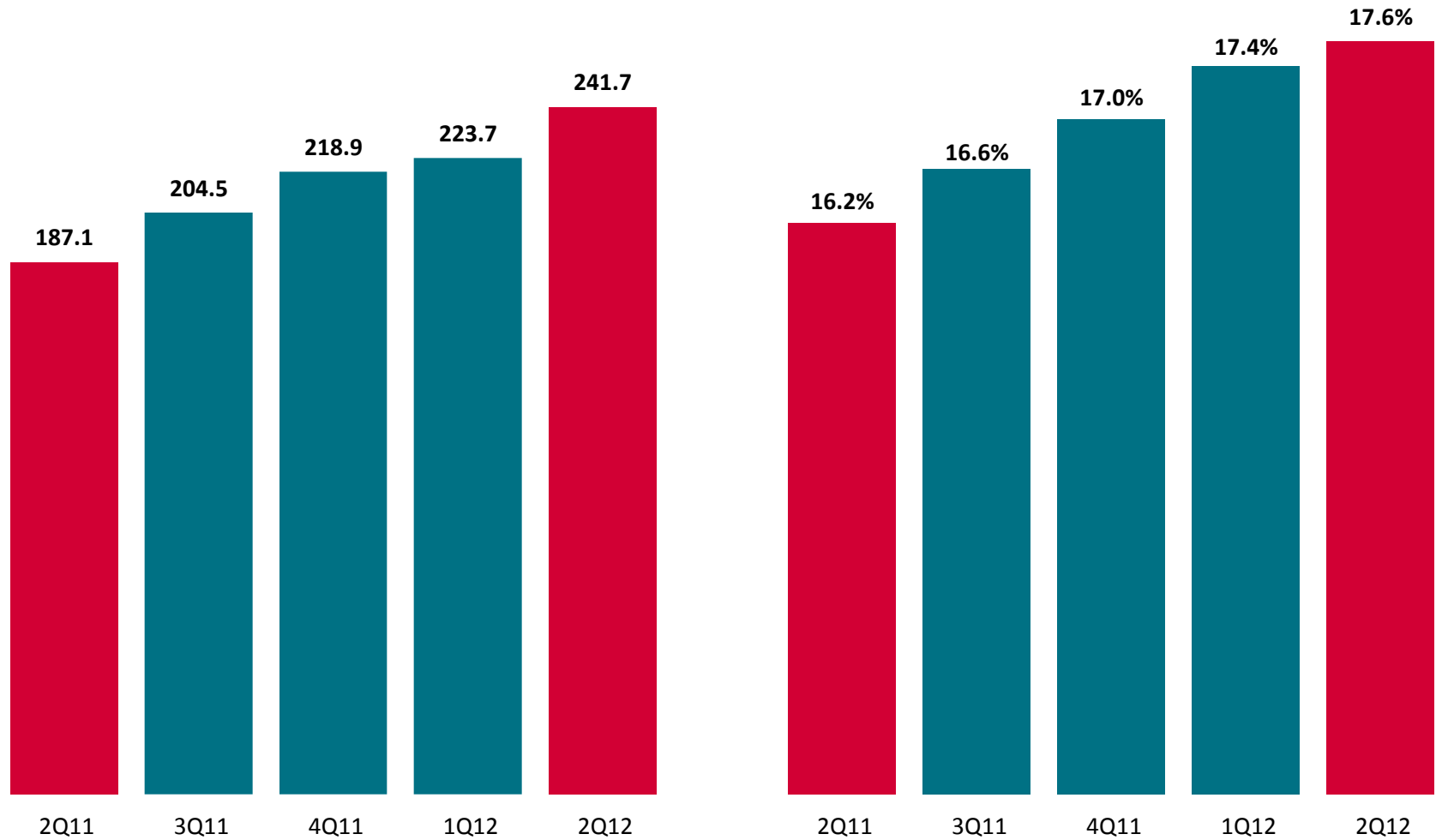
\* Adjusted Gross Profit excludes the R\$ 1.6 million amortization of the PPA on inventories in the 1Q12 and the R\$ 7.1 million amortization in 2011, as well as the effects of the accounting practice alignment between Raia and Drogasil, which amounted to another R\$ 23.3 million in 2011.



Our sales expenses increased from inflationary pressures, store staff enhancement started in 3Q11, two new DCs, and from the stores already opened or at the pre-operational stage at 2Q12.

Sales Expenses  
(R\$ million)

Sales Expenses  
(% of gross revenues)

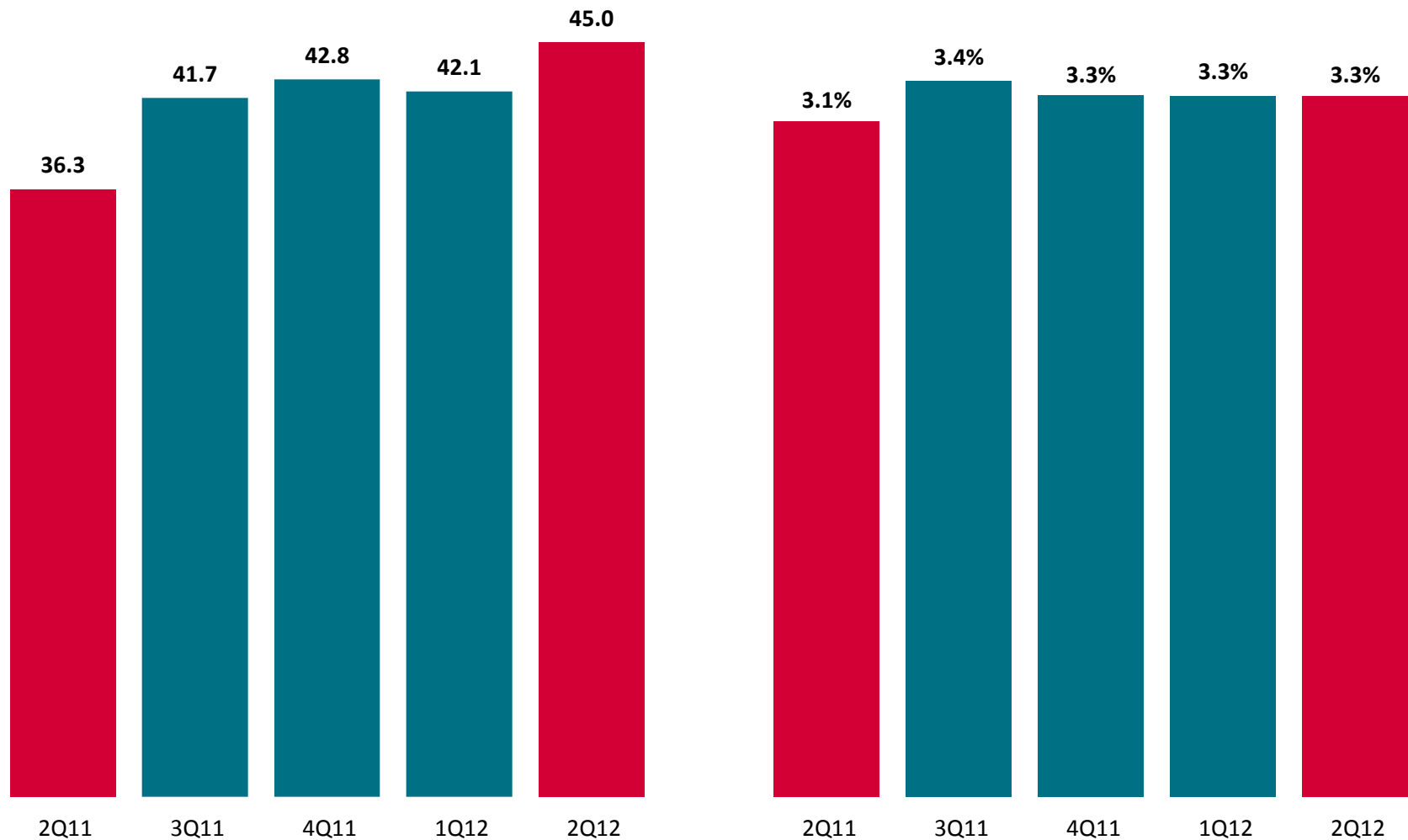


We kept our corporate structure in the same levels as of the 3Q11 and recorded R\$ 1.7 million, or 0.1 percentage point, in expenses due to a reassessment of the labor contingency provision.



Adjusted General and Administrative Expenses  
(R\$ million)

Adjusted General and Administrative Expenses  
(% of gross revenues)

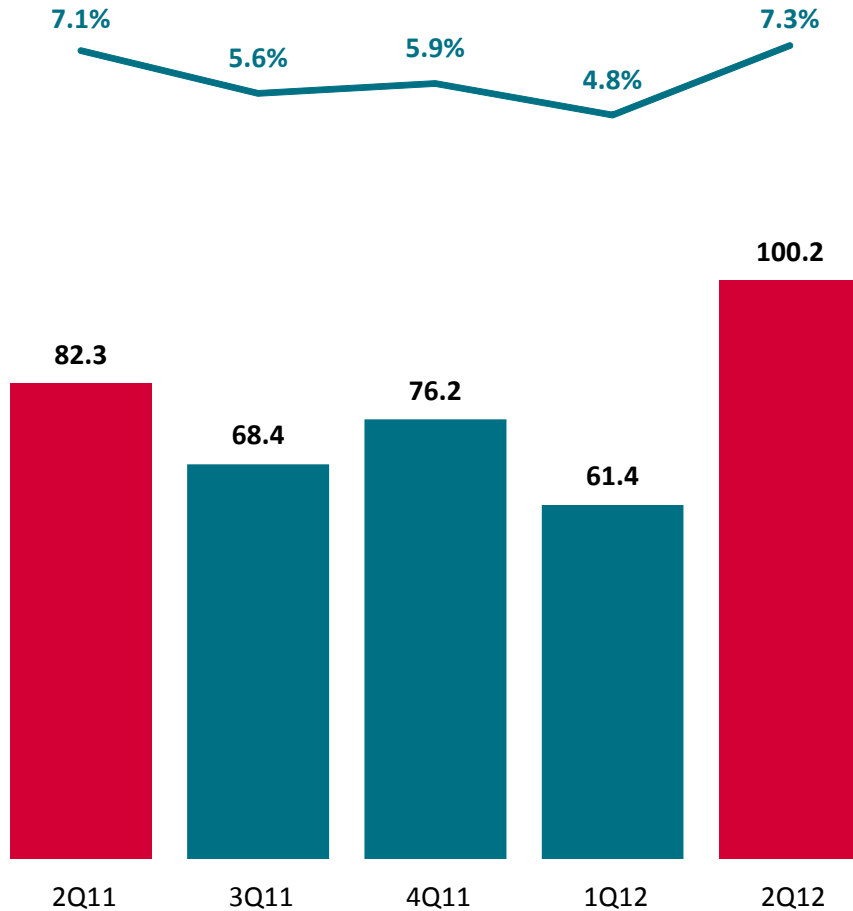


\* Excludes R\$ 2.7 million of non-recurring expenses recorded in the 2Q12 (R\$ 1.8 million in consultancy and R\$ 0.9 million in store closures), R\$ 6.6 million in the 1Q12 (consulting and severance expenses) and R\$ 35.3 million recorded in 2011 (general transaction expenses, including bank fees, consulting expenses and alignment of accounting practices).



We reached R\$ 100.2 MM of EBITDA, a margin increase of 0.2 percentage point. The stores already opened or at the pre-operational stage at the 2Q12 penalized the EBITDA by R\$ 7.3 MM.

Adjusted EBITDA  
(R\$ million)



**776 Stores Operating at Year End:**  
*(performance at the 2Q12)*

- R\$ 1.4 billion in Gross Revenues
- 107.5 MM of EBITDA
- EBITDA margin of 7.9%

\* Excludes R\$ 2.7 million of non-recurring expenses (R\$ 1.8 million in consultancy and R\$ 0.9 million in store closures), R\$ 8.2 million of non-recurring expenses (R\$ 6.6 million in consulting and R\$ 1.6 million in PPA amortization over inventories) incurred in the 1Q12 and R\$ 57.9 million of non-recurring expenses (general transaction expenses, including investment bank fees, consulting expenses, alignment of accounting practices and amortization of the PPA over inventories) recorded in 2011.

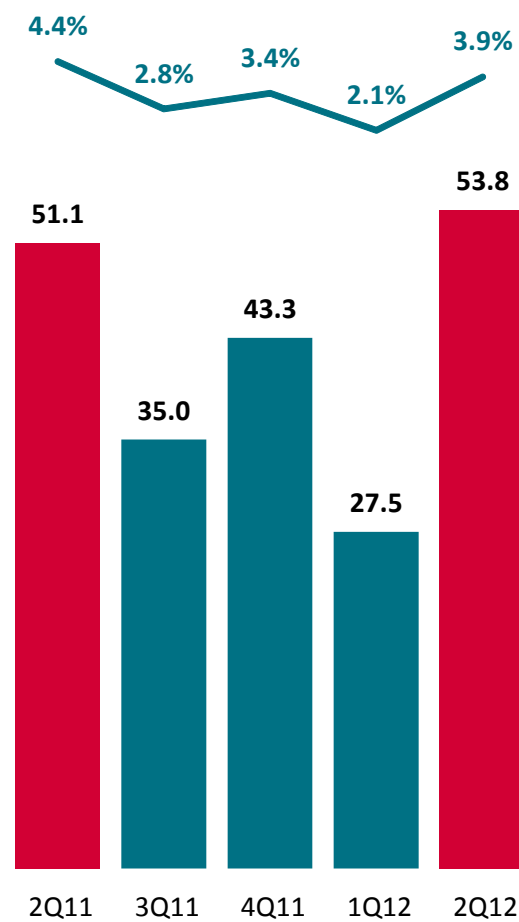
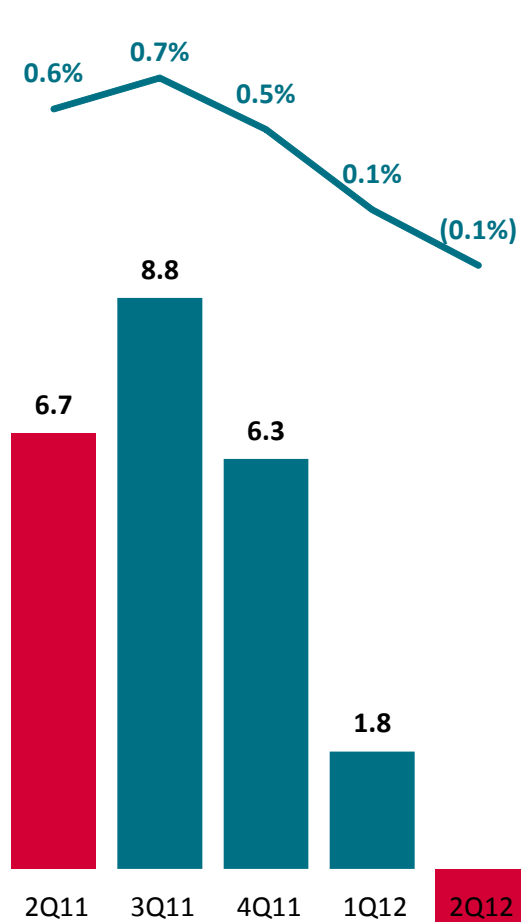
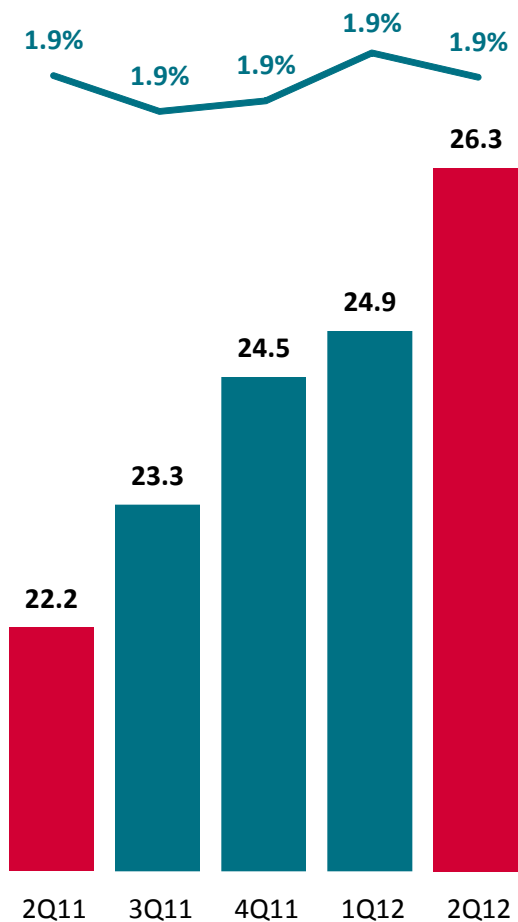
# We recorded a net margin of 3.9% due to an increase in cash consumption.



Depreciation  
(R\$ million, % of gross revenues)

Net Financial Revenues/(Expenses)  
(R\$ million, % of gross revenues)

Adjusted Net Income  
(R\$ million, % of gross revenues)



\* Excludes R\$ 4.5 million of non-recurring expenses incurred in the 2Q12 (R\$ 1.8 million in consulting expenses and R\$ 2.7 million of PPA amortization, including income taxes), R\$ 8.2 million of non-recurring expenses in the 1Q12 (net effect of R\$ 4.1 million in consulting and severance, and R\$ 4.1 million of PPA amortization over inventories, commercial properties, PBM and loyalty card customer base) and R\$ 45.7 million in 2011. 14

We generated R\$ 101.6 million in resources from operations, which were invested in working capital and in CAPEX as part of our store development program.



<b>Cash Flow</b>	<b>2Q12</b>	<b>2Q11</b>	<b>6M12</b>	<b>6M11</b>
<i>(R\$ million)</i>				
<b>EBT</b>	<b>72.5</b>	<b>66.8</b>	<b>110.8</b>	<b>95.6</b>
(-) Income Tax	(3.5)	(2.2)	(6.2)	(9.5)
(+) Depreciation	26.3	22.2	51.2	43.9
(-) Other Adjustments	6.3	3.5	12.2	9.6
<b>Resources from Operations</b>	<b>101.6</b>	<b>90.4</b>	<b>168.0</b>	<b>139.7</b>
Cash Cycle*	(112.8)	(102.2)	(263.5)	(307.2)
Others	28.2	0.8	(2.9)	8.1
<b>Operations</b>	<b>17.0</b>	<b>(11.0)</b>	<b>(98.4)</b>	<b>(159.4)</b>
<b>Investments</b>	<b>(49.8)</b>	<b>(29.6)</b>	<b>(88.3)</b>	<b>(54.7)</b>
<b>Total Cash Flow</b>	<b>(32.8)</b>	<b>(40.6)</b>	<b>(186.7)</b>	<b>(214.1)</b>

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

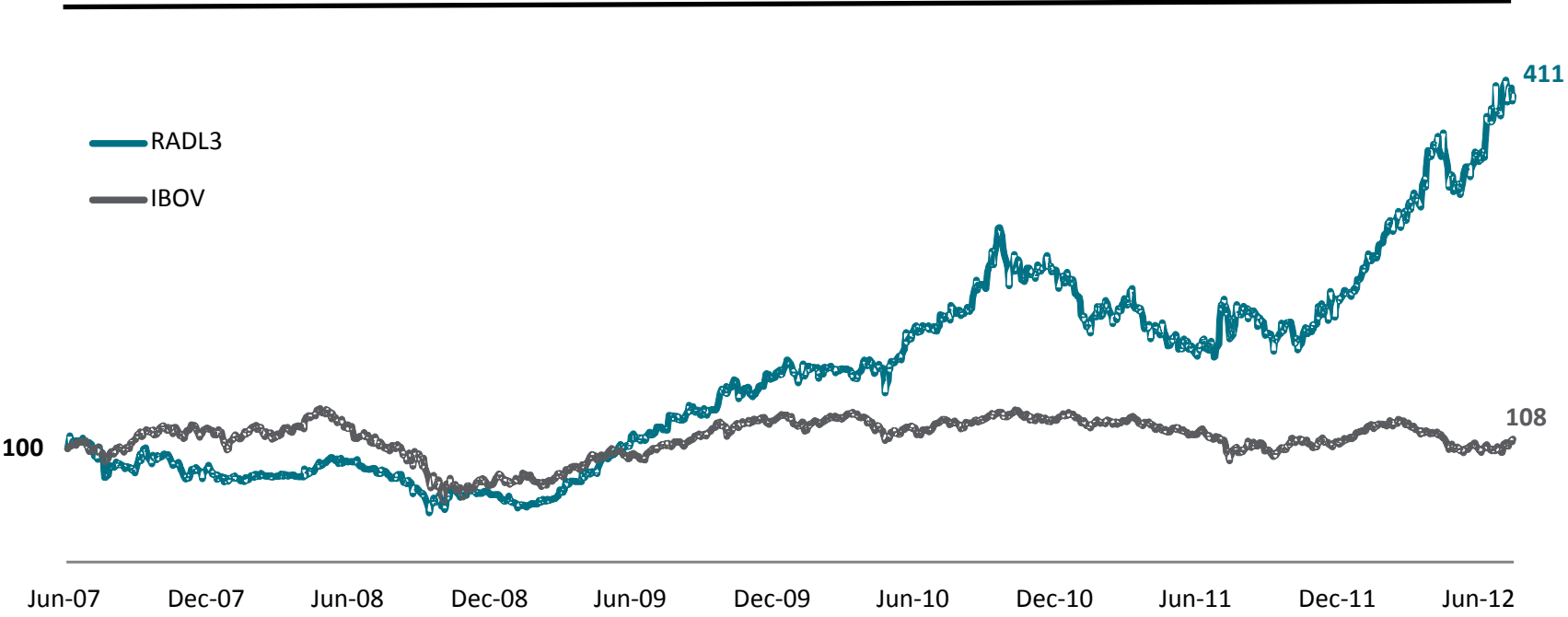
\*\* Does not include financing cash flow





Our shares reflects our performance, the trust bestowed on us by our investors and the increasing understanding that the pharmaceutical retail is a defensive sector that remains relatively immune from adverse macroeconomic conditions.

Share Evolution  
(Base 100)



Number of Shares (thousand)	330,386
Stock Quote - August 8th (R\$)	23.00
Market Cap (R\$ billion)	7.6
Average Trading Volume 2Q12 (R\$ million)	30.9