Earnings Presentation – 2012

March 28th, 2013

RaiaDrogasil

Disclaimer

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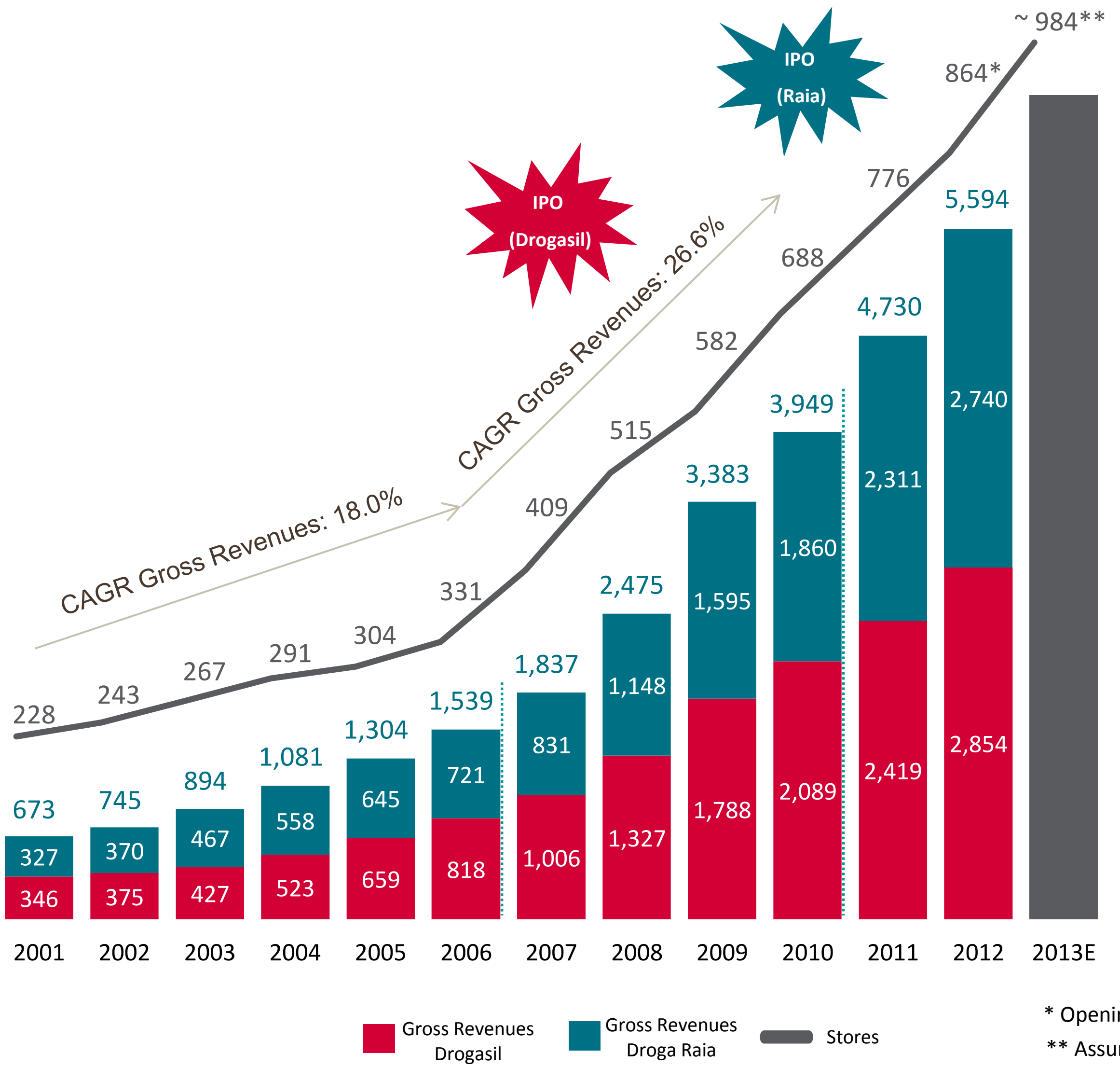
Highlights

- **Drugstores:** 864 stores in operation (101 new store openings and 13 closings in 2012)
- **Gross Revenues:** R$ 5.6 billion, 18.3% of growth (11.6% for same-store sales)
- **Gross Margin:** 26.7% of gross revenues, a 1.1 percentage point margin increase
- **Adjusted EBITDA:** R$ 325.8 million, an increase of 20.0%
- **Adjusted EBITDA Margin:** 5.8%, a 0.1 percentage point increase
- **Adjusted Net Income:** R$ 154.0 million, 2.8% of net margin

RaiaDrogasil posted in 2012 another year of strong growth with margin expansion

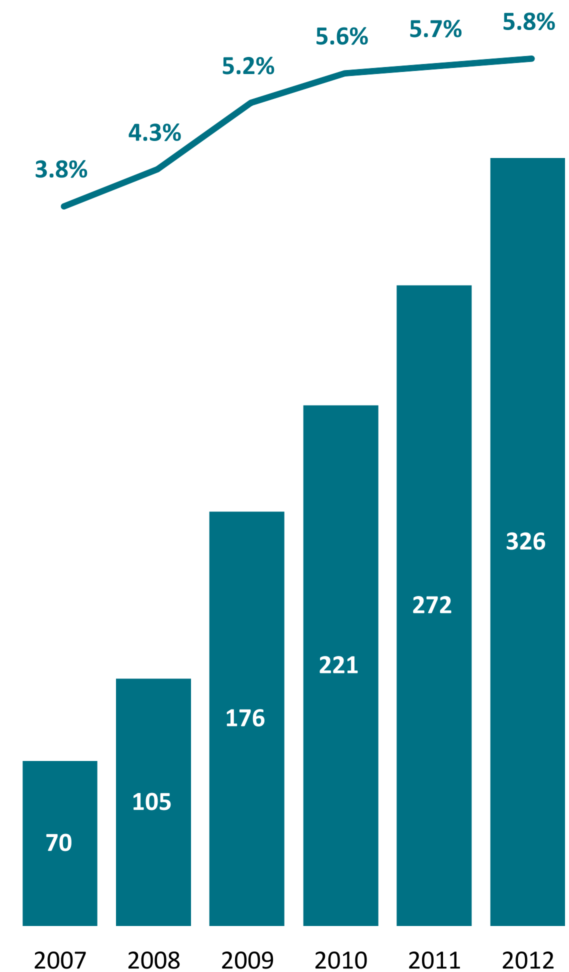
Gross Revenues & Store Count

(R$ million, Units)



Adjusted EBITDA

(R$ million, % of Gross Revenues)



* Opening of 101 new stores and closure of 13 stores in the year

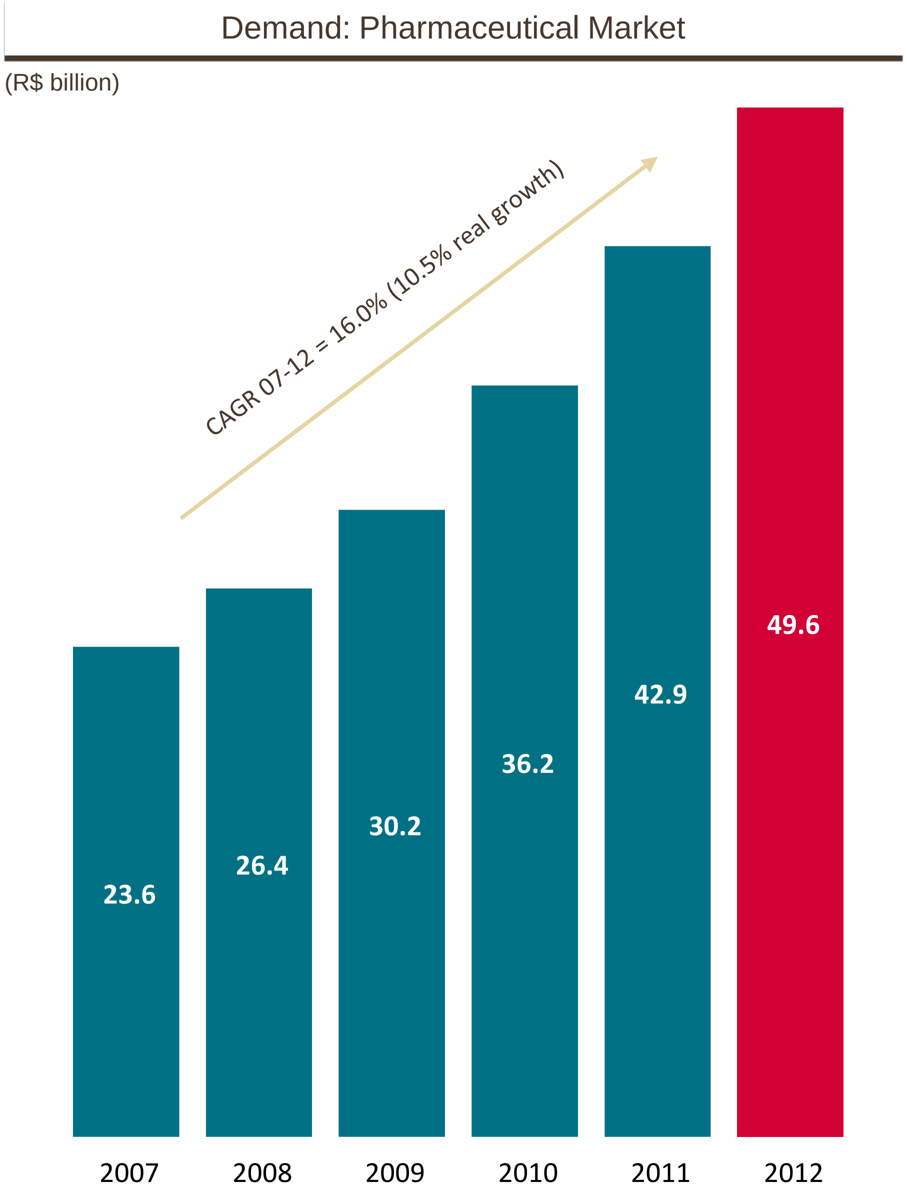
** Assumes 130 new store openings and 10 closures in 2013

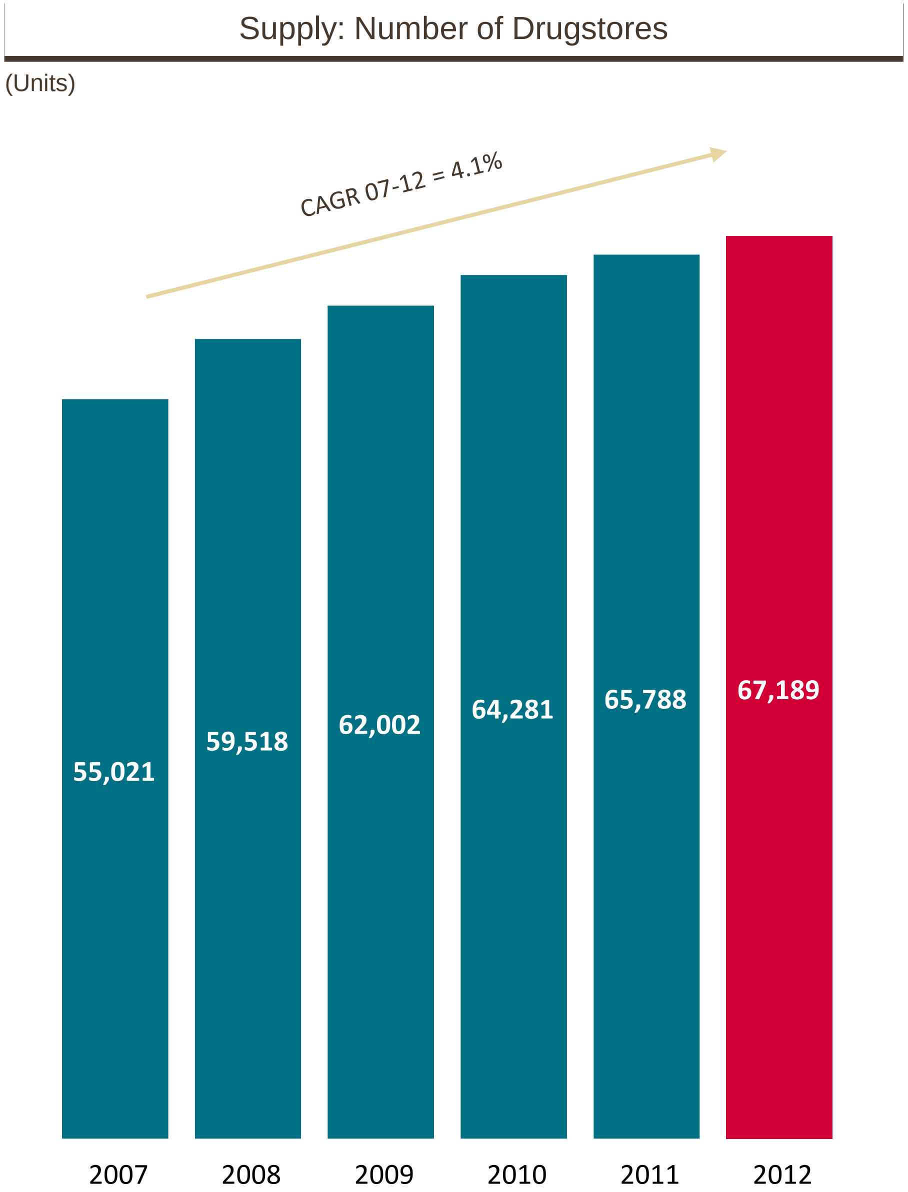
According to Abrafarma, we sustained our industry leadership both in revenues and in store count

	Revenues	Store Count
1st	RaiaDrogasil	RaiaDrogasil
2nd	DPSPsa	DPSPsa
3rd	Farmácias Pague Menos Drugstore	brazil pharma
4th	brazil pharma	Farmácias Pague Menos Drugstore

Source: ABRAFARMA Ranking. 2012

The pharmaceutical market has grown 16% per year since 2007, and real demand in the drugstore industry has far outgrown supply …

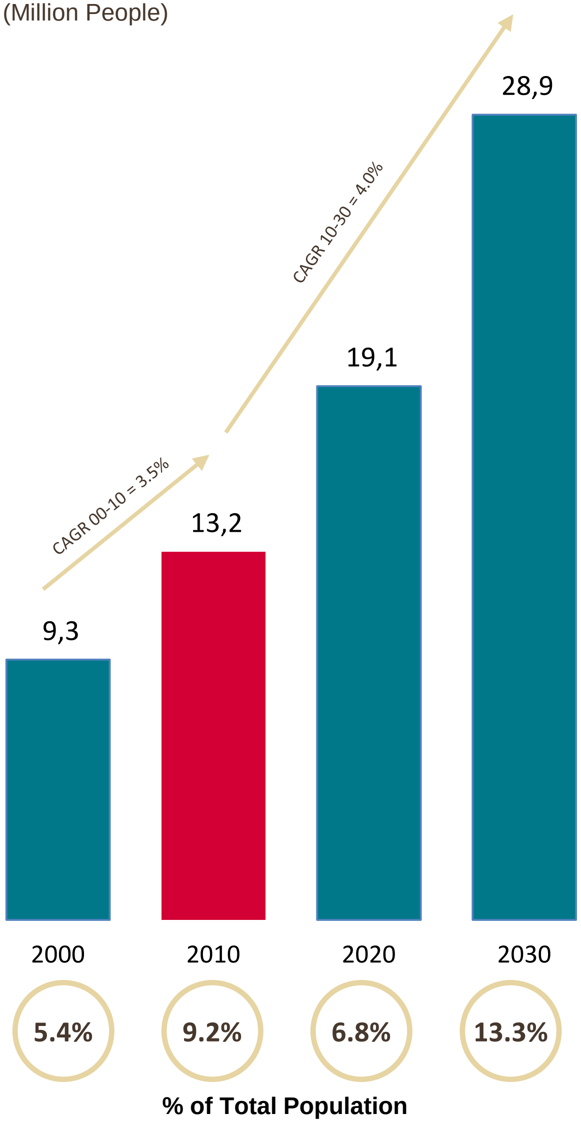




… powered by the aging of the Brazilian population, a trend that is expected to endure for another two decades

Brazilian Population above 65 years old

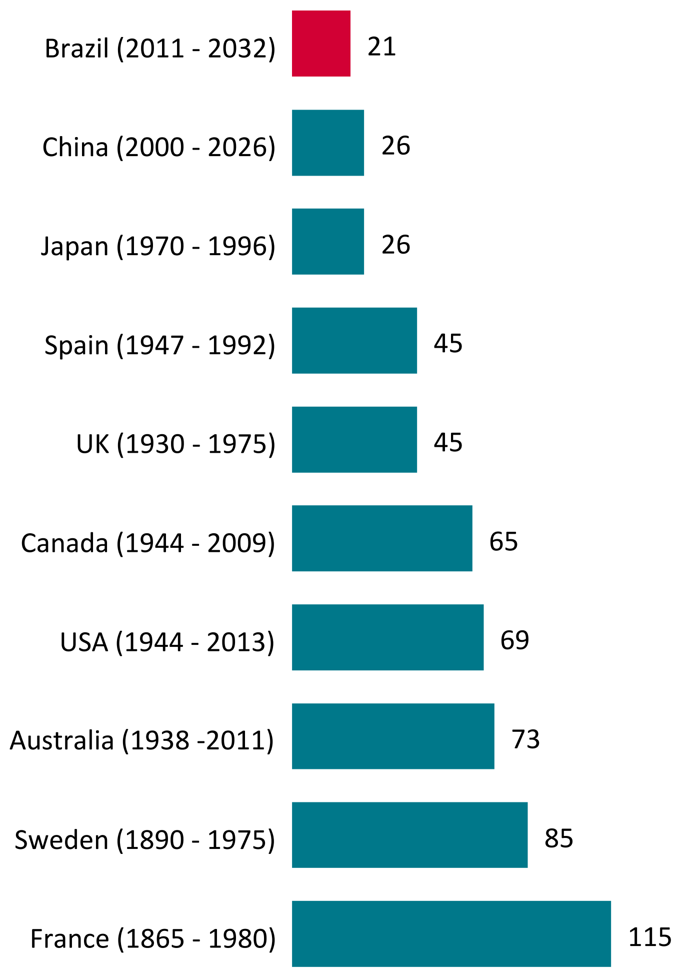
(Million People)



Source: IBGE

Speed of Population Aging

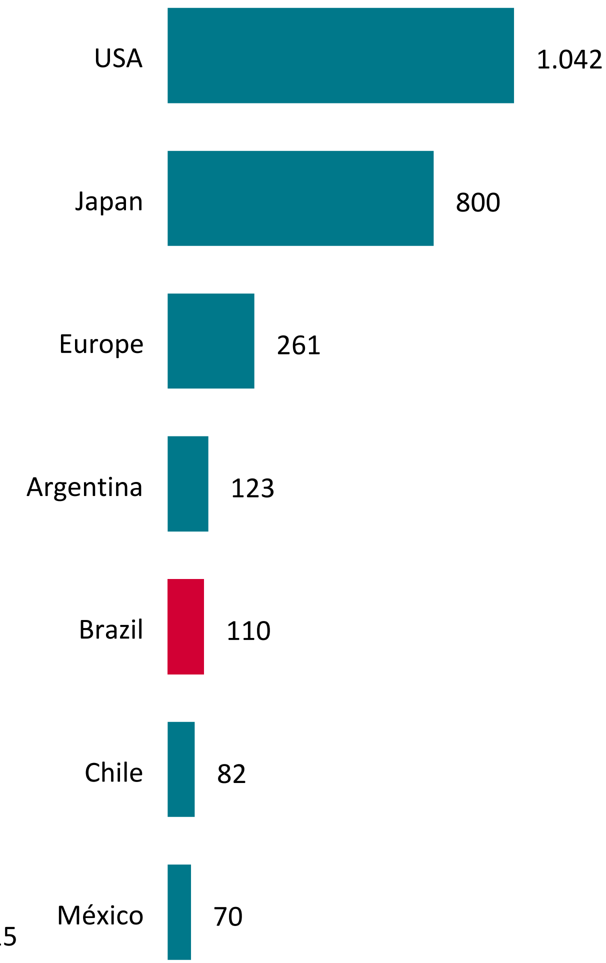
(Years for population 65+ to increase from 7% to 14% of total)



Source: World Bank. 2011: Growing Old in an Older Brazil

Annual per Capita Pharma Spending

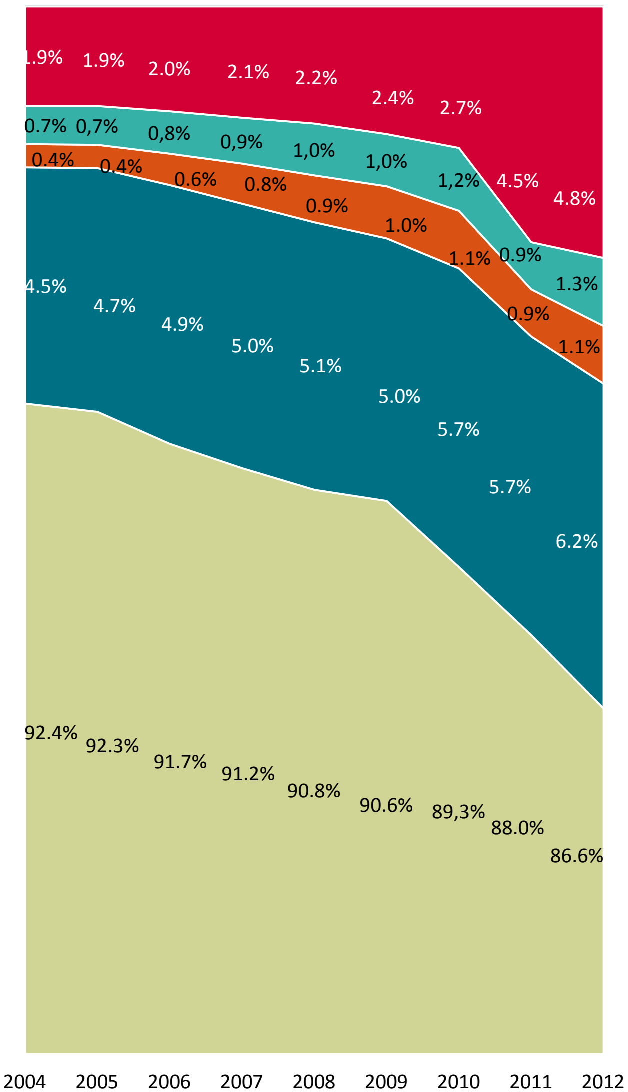
(US$ LTM Mar 2012)



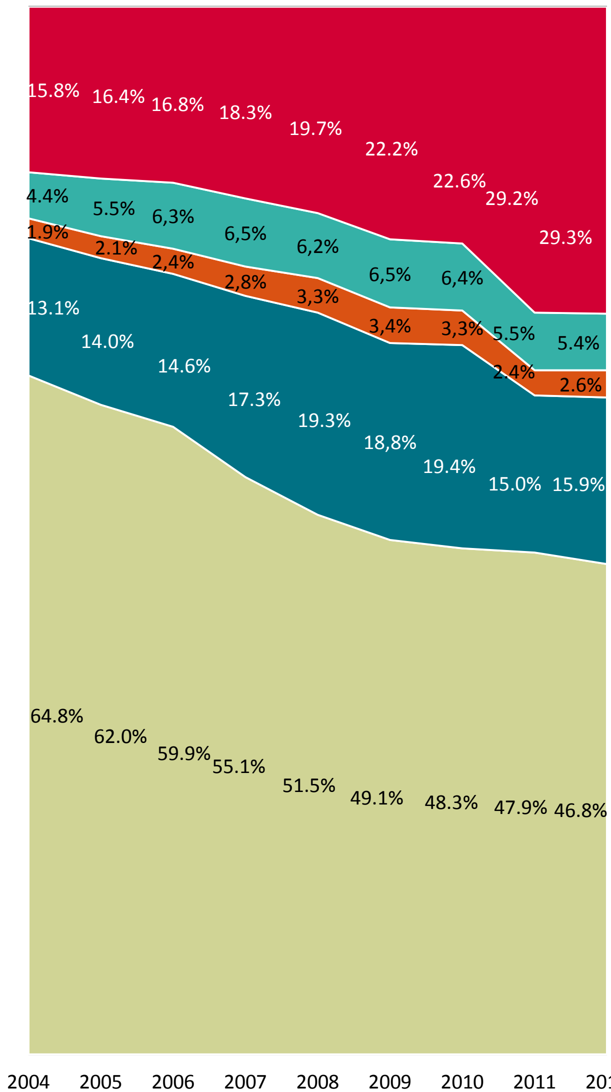
Source: IMS Health

The top 5 drugstore chains have captured the lion´s share of the industry growth over the years, and have managed increase both their total scale and the revenues per store

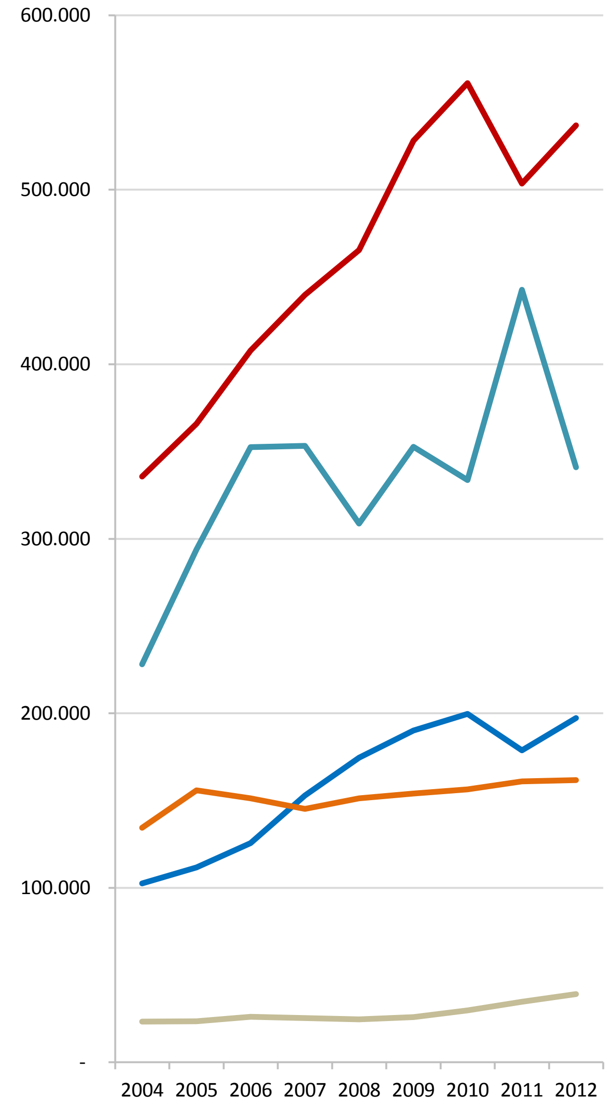
% of Stores



% of Pharma Revenues



Pharma Revenues per Store (R$/Month)



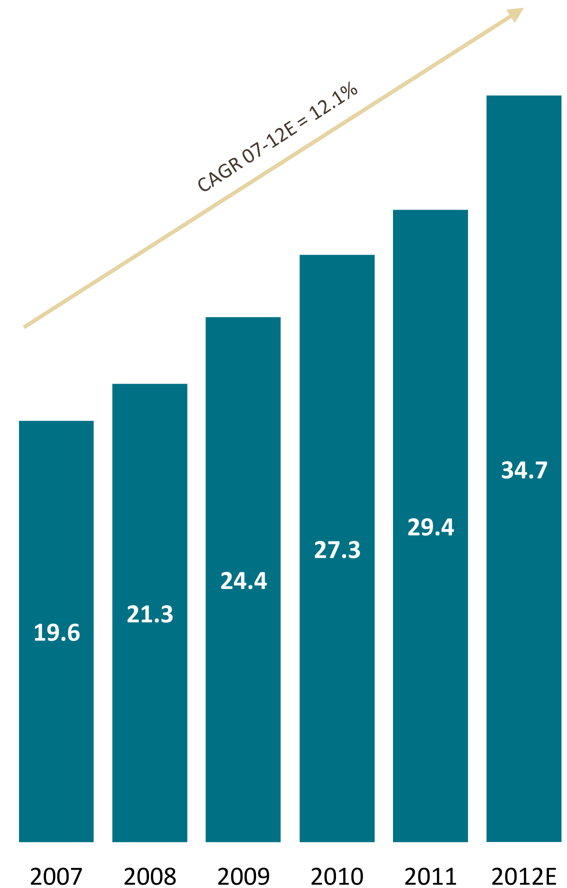
ABRAFARMA TOP 5 | ABRAFARMA TOP 6 - 10 | SUPERMARKETS | OTHER CHAINS | INDEPENDENTS

Source: IMS Health and Abrafarma

The HPC market saw another year of shifting market share from supermarkets to drugstore chains due to our superior convenience and shopping experience

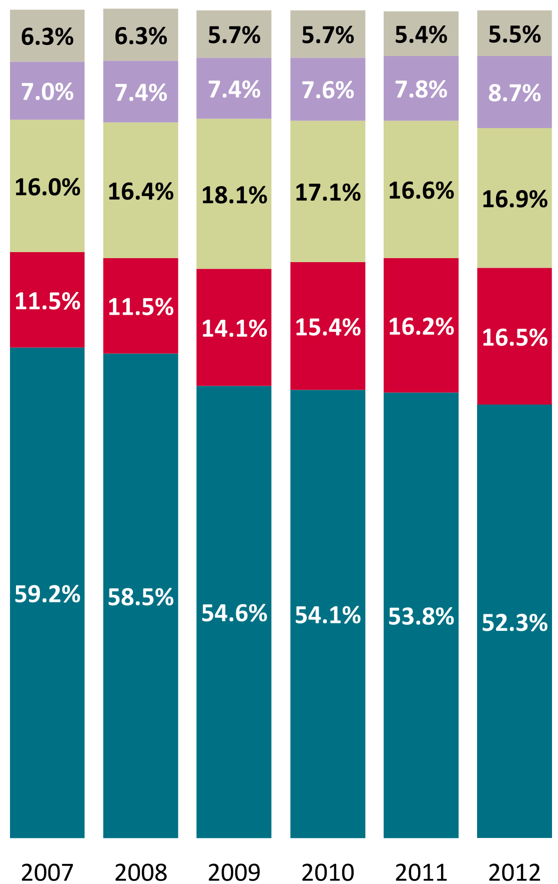
HPC Market

(R$ billion)



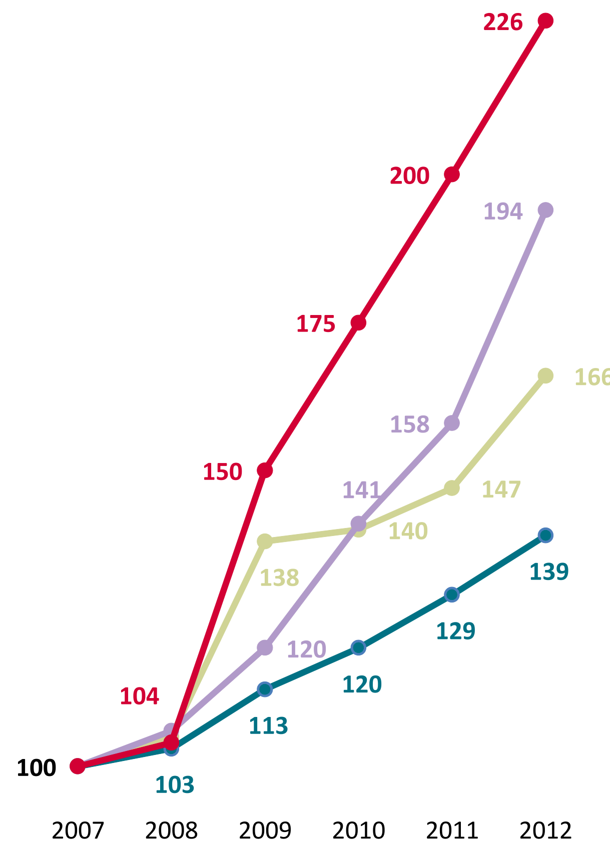
Market Share by Channel

(R$ %)



Cumulative HPC Growth by Channel – R$

(Index: 2007 = 100)



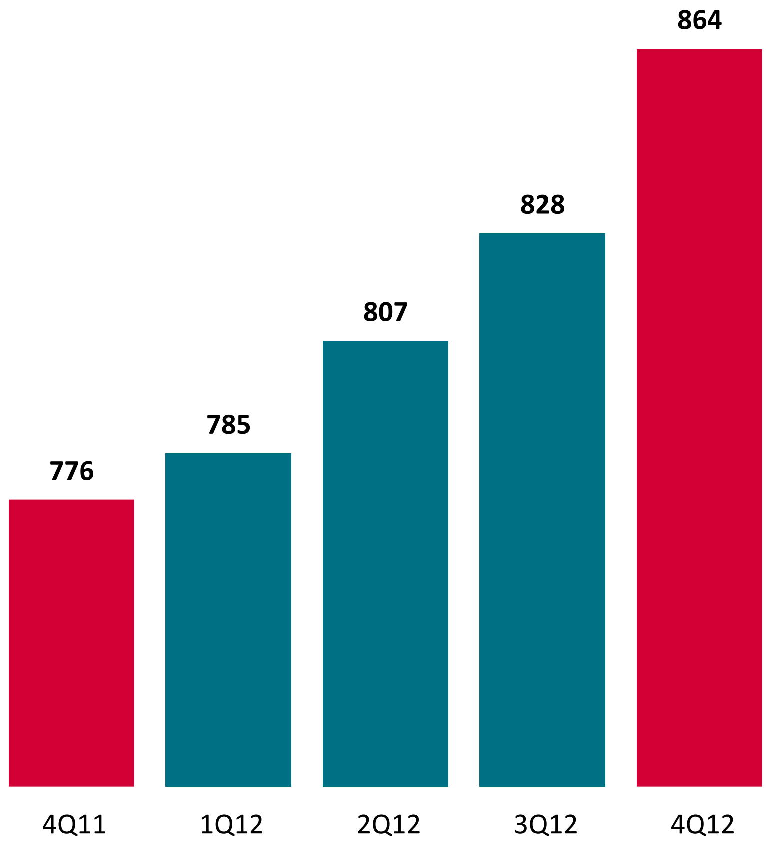
■ Supermarkets ■ Drugstore Chains ■ Independent Pharmacies ■ Beauty Stores ■ Traditional

Source: ABIHPEC

Source: AC Nielsen.

We opened 101 new stores and closed 13 in the year. Only 65% of our stores are fully matured

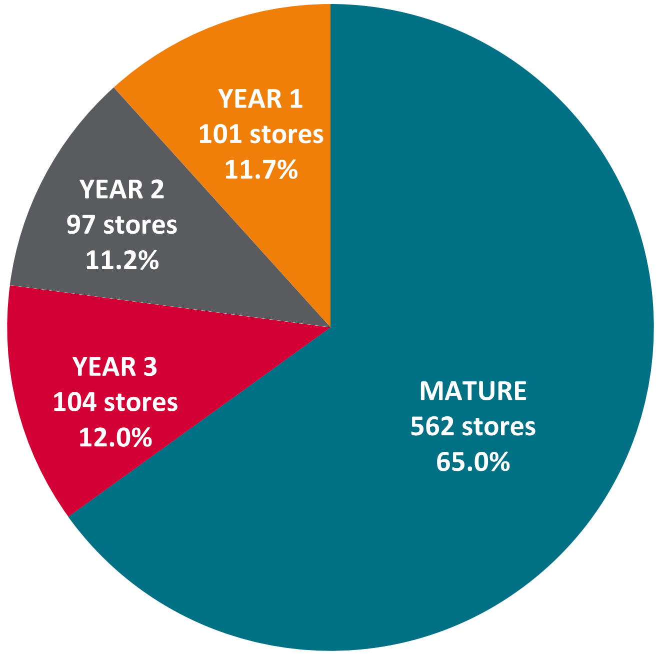
Store Count



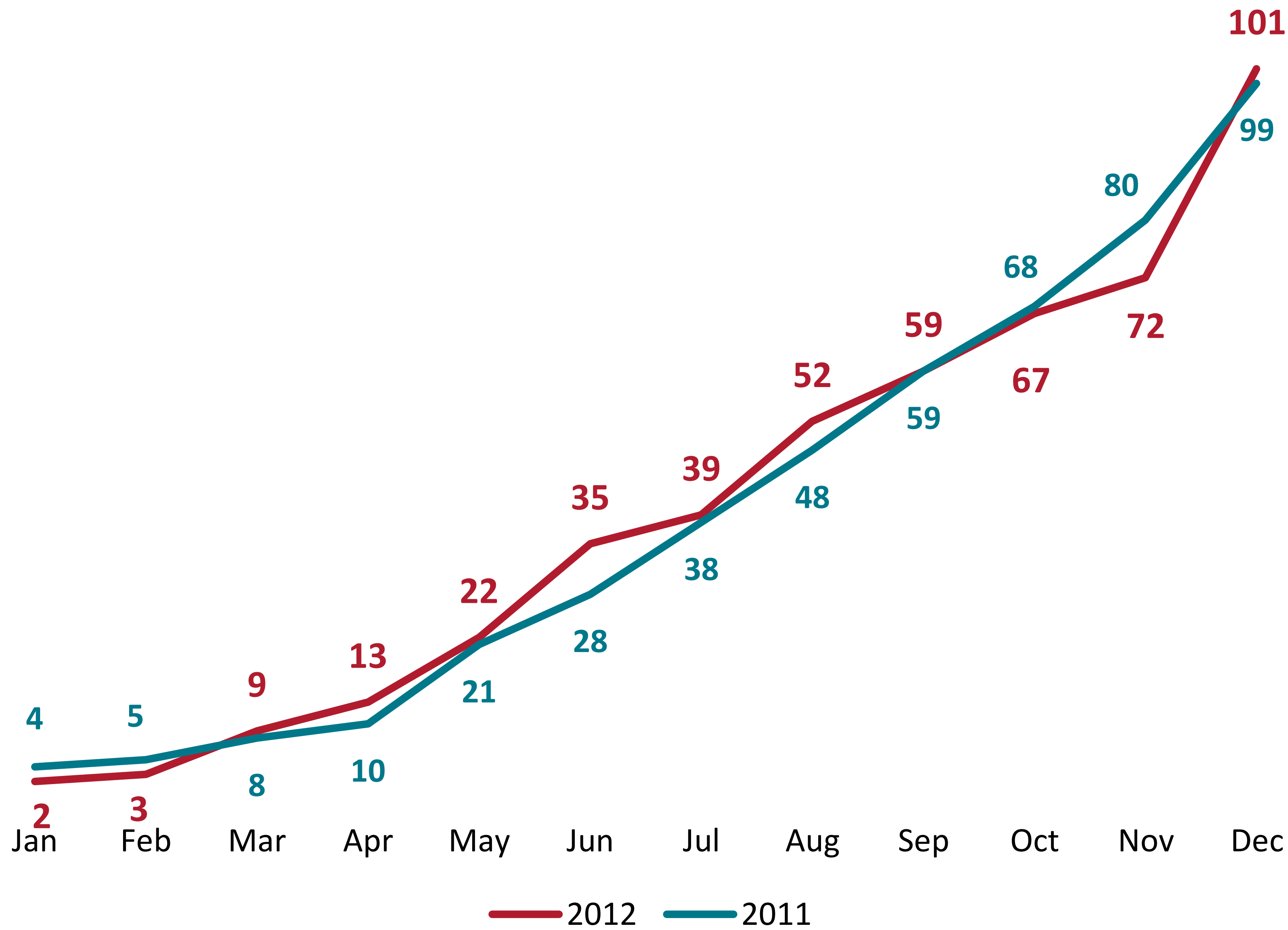
	4Q11	1Q12	2Q12	3Q12	4Q12
Opened	40	9	26	24	42
Closed	7	0	4	3	6

Age Structure of Store Portfolio

(Store Count, % of Existing Stores)

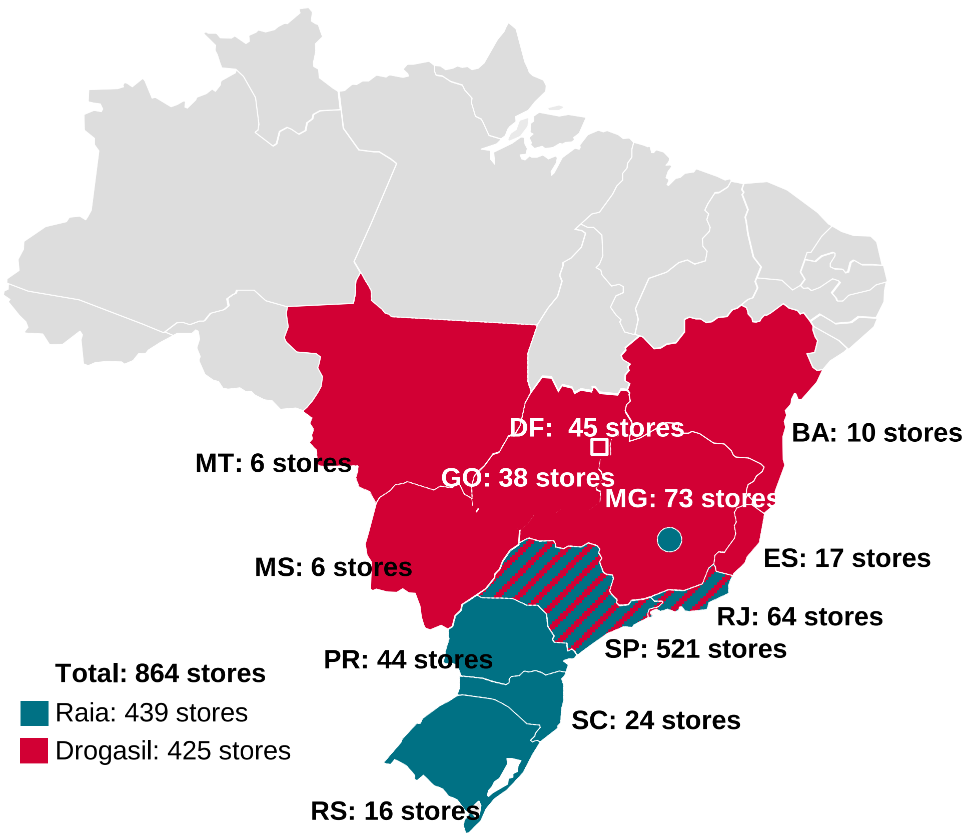


Due to the incorporation of Raia, the opening schedule was highly concentrated in the end of the year, with 42 stores in the 4Q12 and 29 in December alone

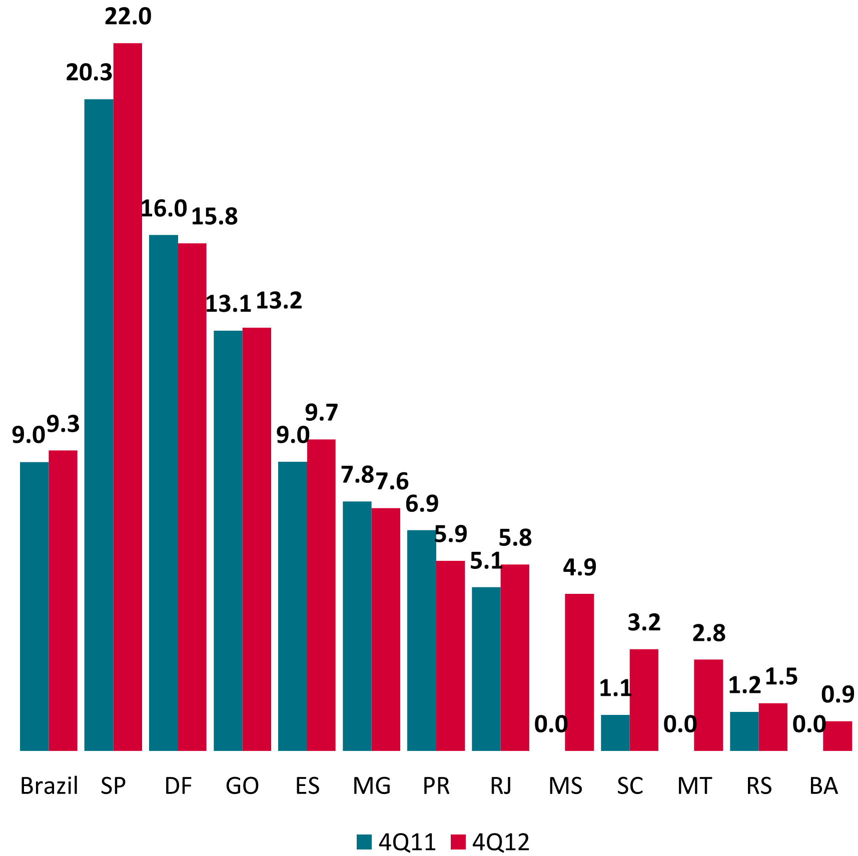


We entered 3 new states in the year: BA, MS e MT. We increased market share in most markets, with São Paulo and Rio de Janeiro as our main highlights

Geographic Presence



Market Share (December ‘12)

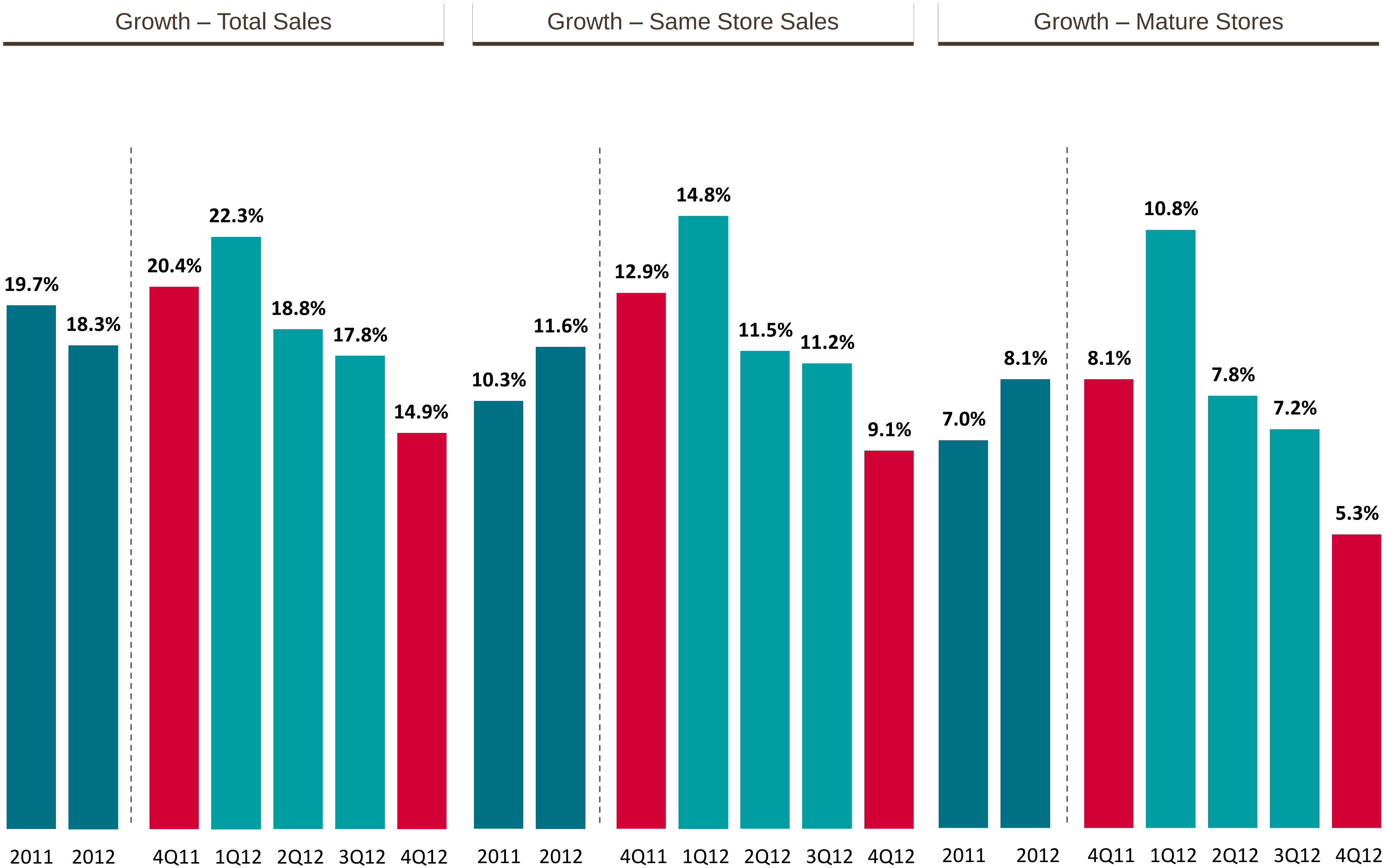


PHARMACEUTICAL MARKET DISTRIBUTION BY STATE (LAST 12 MONTHS)

Brazil	SP	DF	GO	ES	MG	PR	RJ	MS	SC	MT	RS	BA
100.0%	27.7%	2.7%	3.4%	2.0%	10.3%	6.0%	13.1%	1.1%	3.8%	1.1%	7.3%	4.6%

Source: IMS Health

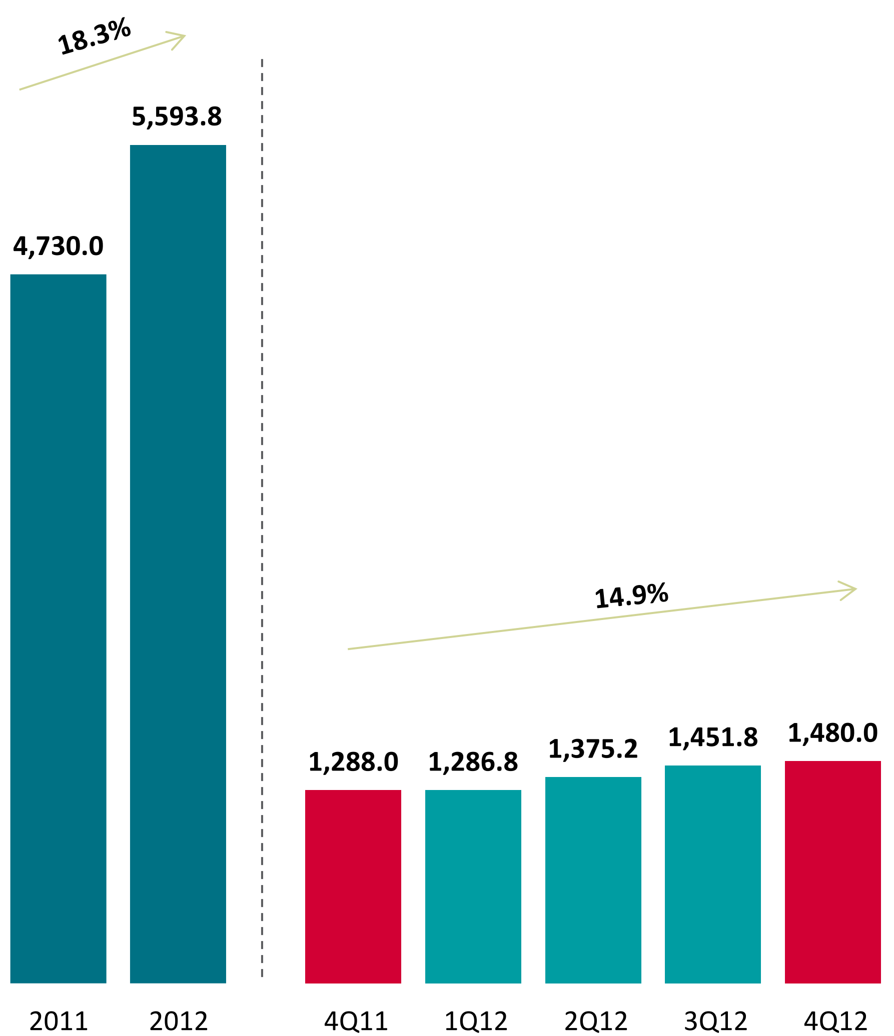
Gross Revenues increased by 18.3%. Same stores grew 11.6% and mature stores grew 8.1% (14.9%, 9.1% and 5.3% in the 4Q12 with an adverse calendar effect of 1.0%)



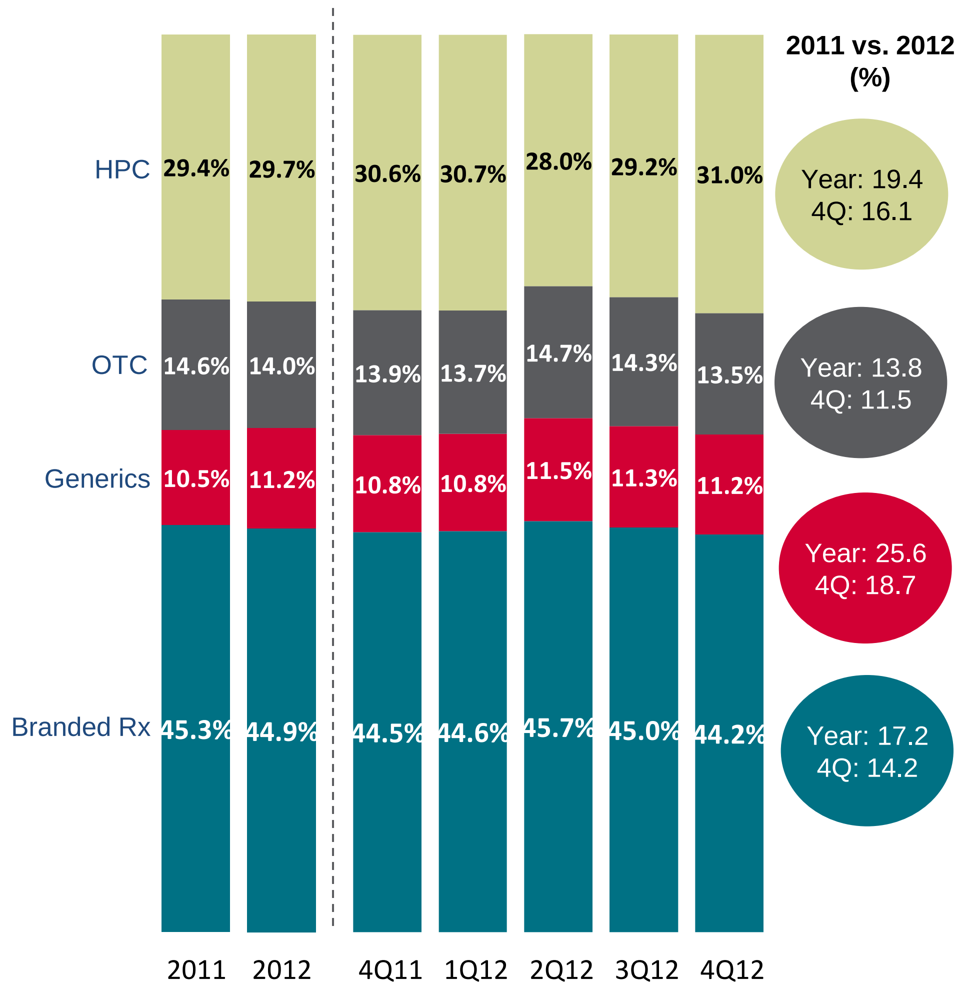
Generics grew 25.6% in the year (18.7% in the 4Q12), and enhanced their participation in the revenue mix by 0.7 percentage point (0.4 percentage point in the 4Q12)

Gross Revenues

(R$ million)



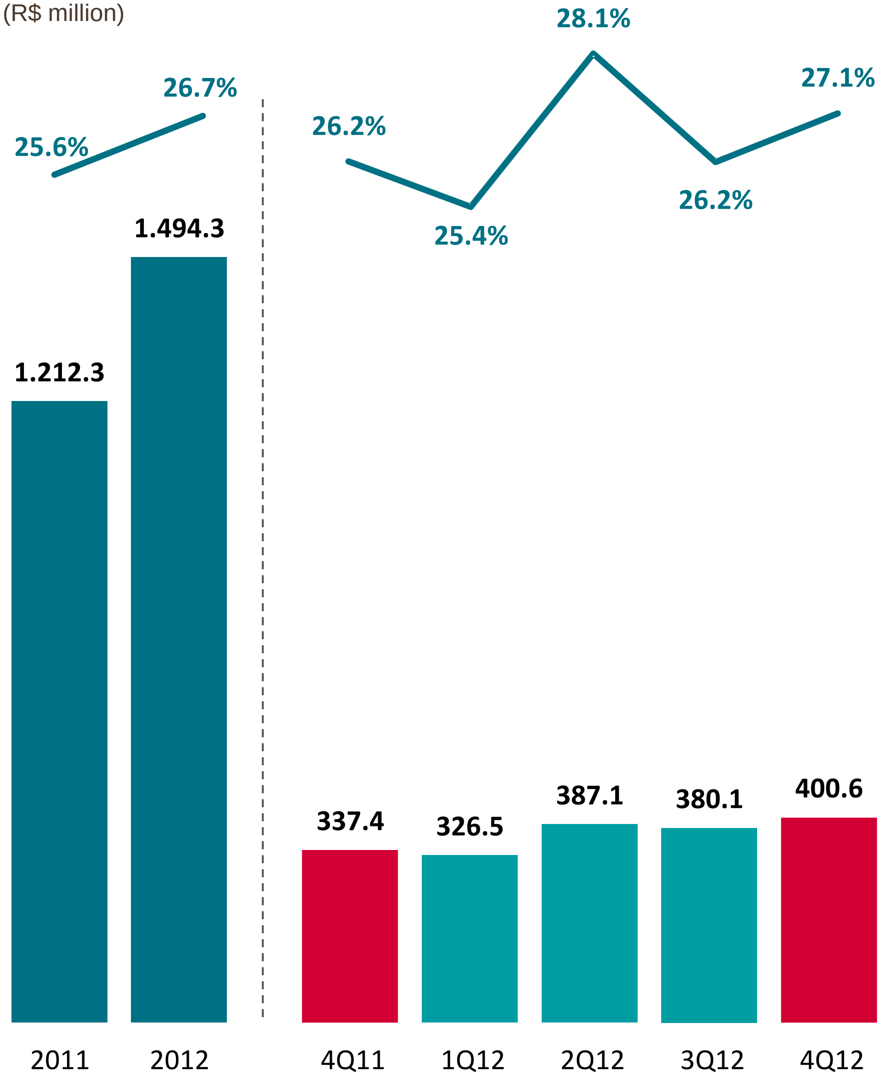
Sales Mix



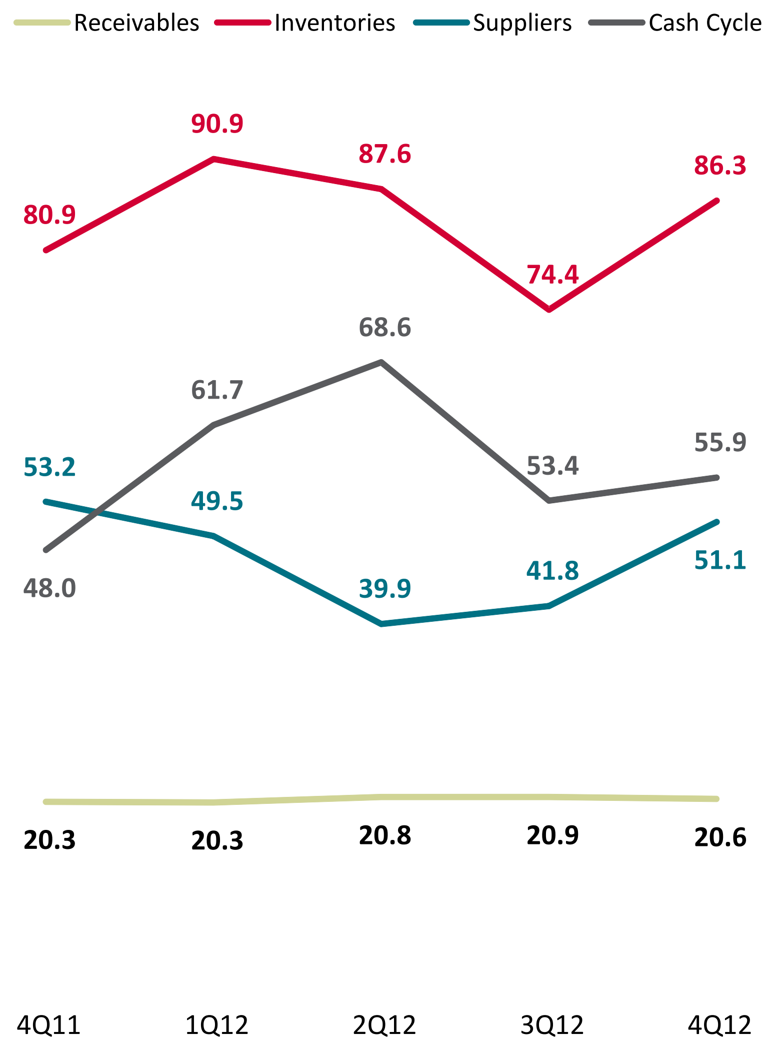
Gross margins increased 1.1 in 2012 (0.9 in 4Q12), in spite of a tax pressure of 0.3 in the year (0.4 in 4Q12) due to a new regime. Cash cycle increase of 7.9 days in 2012

Adjusted Gross Profit*

(R$ million)



Cash Cycle

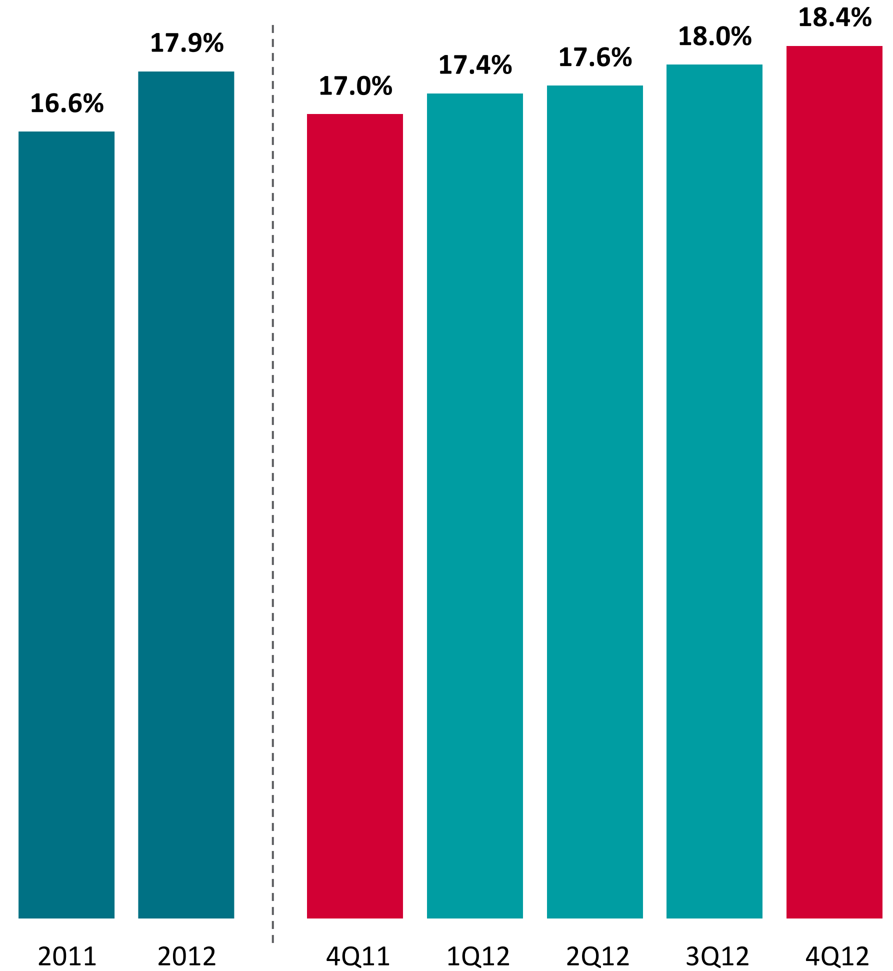


* Excludes R$ 1.6 million of PPA amortization on inventories in the 2012 and R$ 22.8 million of adjustments in 2011 (alignment of accounting practices and PPA amortization)

Sales expenses increased by 1.3 percentage point (1.4 in the 4Q12) due to structural payroll and rental pressures and to transitory logistics and new store pressures

Sales Expenses

(% of Gross Revenues)



Main Expense Pressures

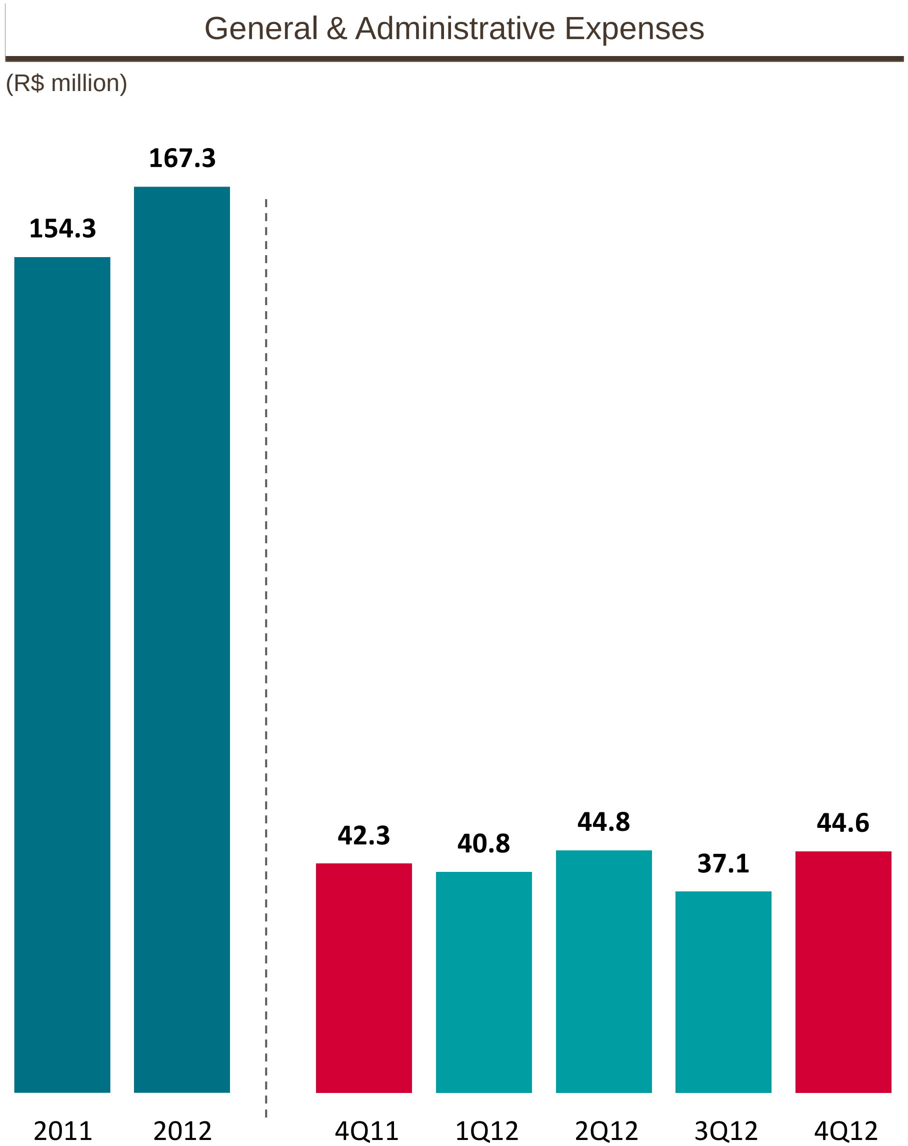
Percentage variation over Gross Revenues versus the previous period)

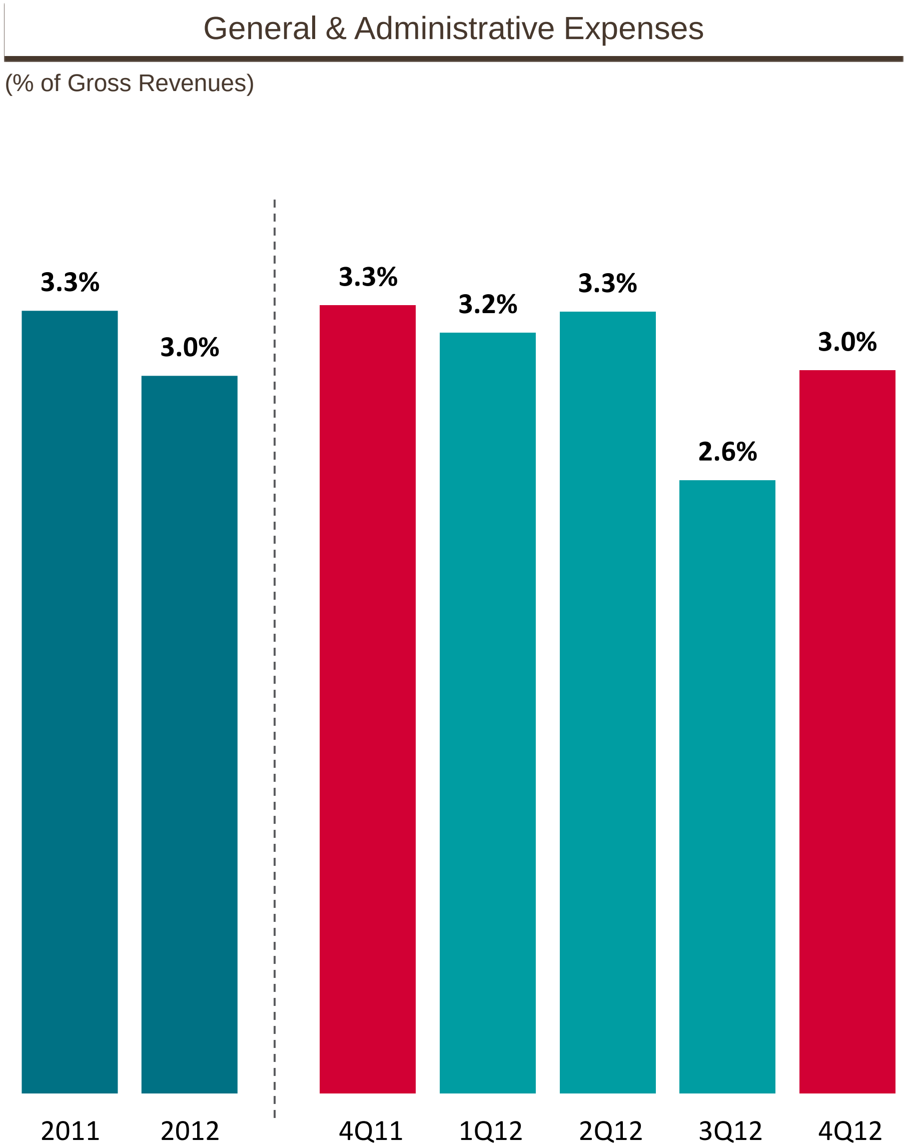
	2012	4Q12
Payroll*	0.6	0.6
Rental*	0.1	0.2
Logistics	0.2	0.3
New Stores**	0.2	0.2
Other	0.2	0.1
Total	**1.3**	**1.4**

* Refers to the pre-existing stores in the end of 2011

** Operational and pre operational expenses incurred at the stores opened in 2012 or yet to be opened

Administrative expenses were diluted by 0.3 percentage point due to the unification of the management structure and to a limitation in new corporate admissions



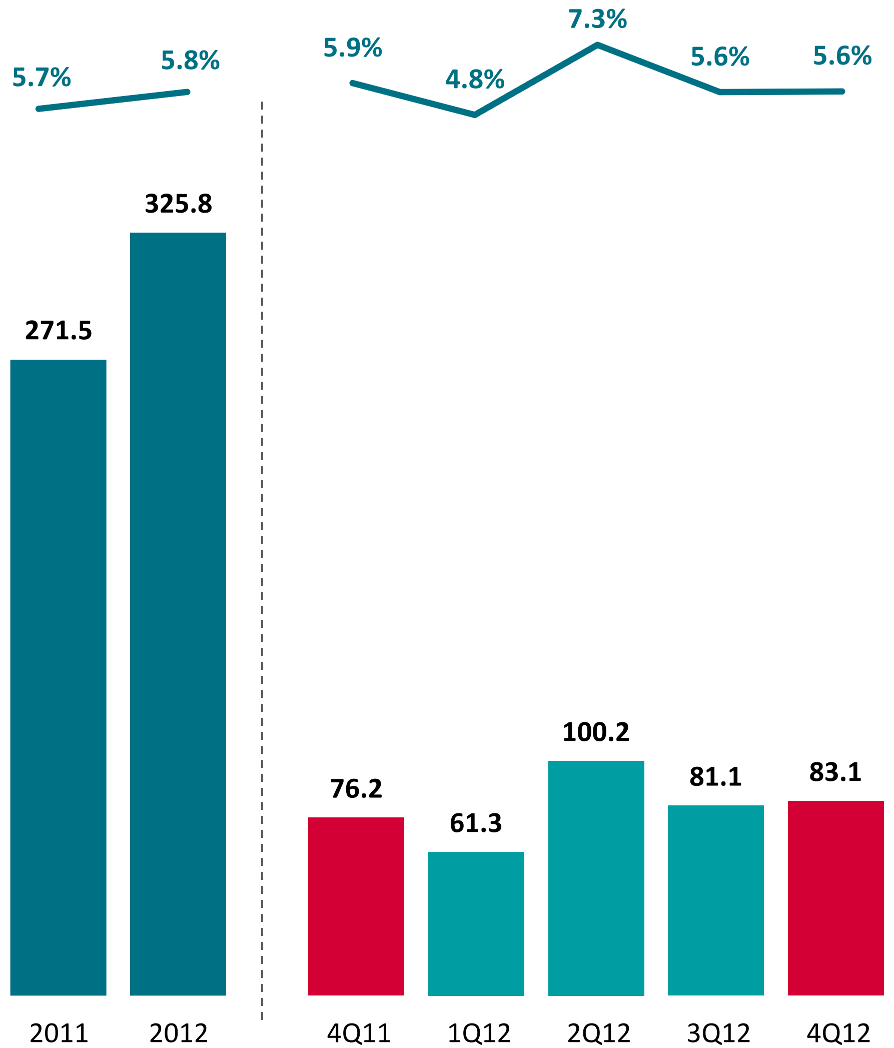


* Excludes R$ 39.3 million of non-recurring expenses recorded in 2012 (consulting and severance expenses, store closures, incorporation of Raia into RaiaDrogasil), and R$ 35.3 million recorded in 2011 (general transaction expenses, including banking fees, consulting expenses and alignment of accounting practices)

EBITDA margin increased 0.1 in 2012 and (0.3) in the 4Q12. Transitory pressures in gross margins* (0.3 in 2012 and 0.4 in 4Q12) and in expenses** (0.4 in 2012 and 0.5 in 4Q12)

Adjusted EBITDA

(R$ million, % of Gross Revenues)



776 stores operating at 4Q11:
(performance in 2012)

- R$ 5.5 billion in Gross Revenues
- R$ 351.0 million of EBITDA
- EBITDA Margin of 6.3%

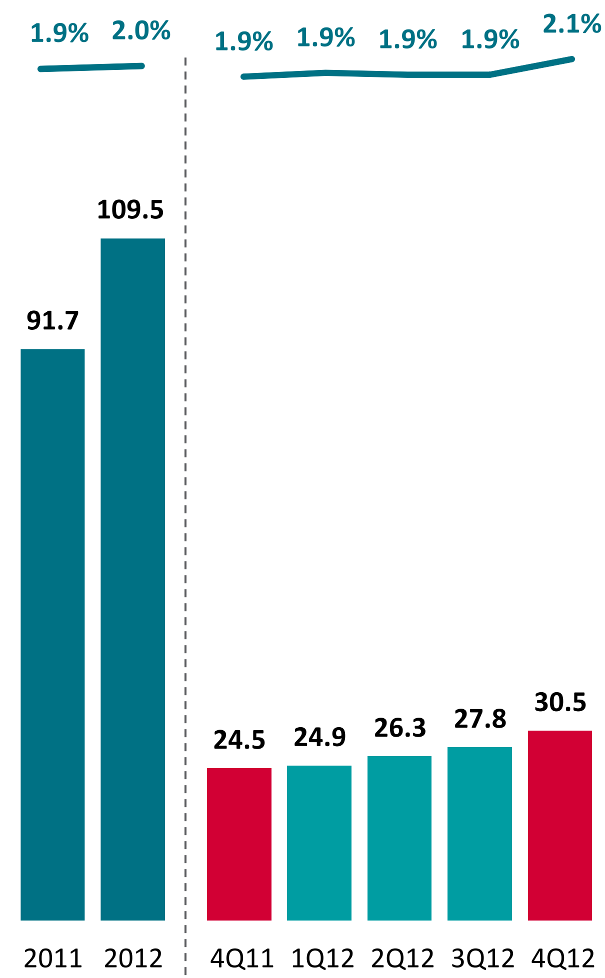
* Excludes R$ 40.8 million of non-recurring expenses in 2012 and R$ 57.9 million in 2011

* Transitory gross margin loss due to the new tax regime
** Logistics and new stores expenses dilutable in the future

We posted a net margin of 2.8% in the year and of 2.2% in the 4Q12. The smaller net cash position versus 2011 generated a significant increase in financial expenses

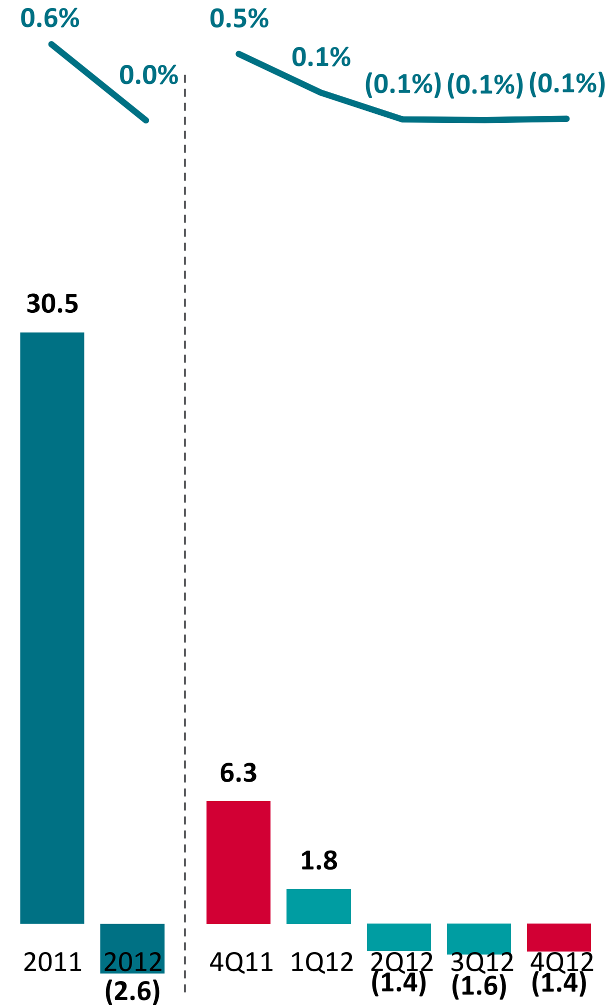
Depreciation

(R$ million, % of Gross Revenues)



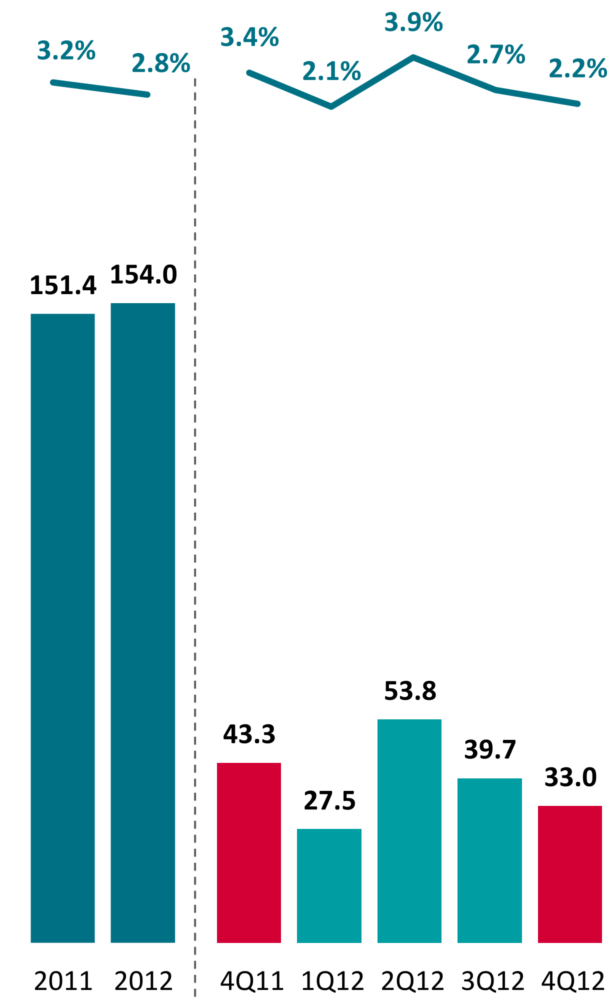
Net Financial Income/(Expenses)

(R$ million, % of Gross Revenues)



Adjusted Net Income*

(R$ million, % of Gross Revenues)



* Excludes R$ 49.1 million of non-recurring expenses incurred in the 2012 and R$ 45.7 million in 2011

The integration process resulted in R$ 40.8 million in non-recurring expenses in 2012. The goodwill amortization will provide R$ 235 million in tax shield from 2013 to 2018

Non-Recurring Expenses *(R$ million)*	**Gross Profit**	**SG&A**	**EBITDA**	**D&A and Income Tax**	**Net Profit**
Transaction Expenses		**(25.9)**	**(25.9)**	**8.8**	**(17.1)**
Consulting		(10.0)	(10.0)	3.4	(6.6)
Legal and Accounting		(8.8)	(8.8)	3.0	(5.8)
Severance Expenses		(3.7)	(3.7)	1.3	(2.4)
Farmácia Popular Program		(3.4)	(3.4)	1.2	(2.2)
Alignment of Accounting Practices		**(8.8)**	**(8.8)**	**3.0**	**(5.8)**
Store/Raia Office Closures		**(4.5)**	**(4.5)**	**1.5**	**(3.0)**
PPA Amortization	**(1.6)**		**(1.6)**	**(9.1)**	**(10.7)**
Inventories	(1.6)		(1.6)	0.5	(1.1)
Intangible				(9.7)	(9.7)
Income Tax and Social Charges over Raia's Fiscal Loss				**(12.4)**	**(12.4)**
Total	**(1.6)**	**(39.2)**	**(40.8)**	**(8.2)**	**(49.0)**

Goodwill Amortization *(R$ million)*	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2013 - 18**
Tax Shield (Cash Effect)	**35.7**	**42.8**	**42.8**	**42.8**	**42.8**	**28.5**	**235.4**

* Goodwill will be amortized over 66 months. Cash effect will be R$ 3.6 million in the Q1, 2013 and R$ 10.7 million for the following quarters, except for last quarter of amortization (3Q, 2018 - R$ 7.1 million)

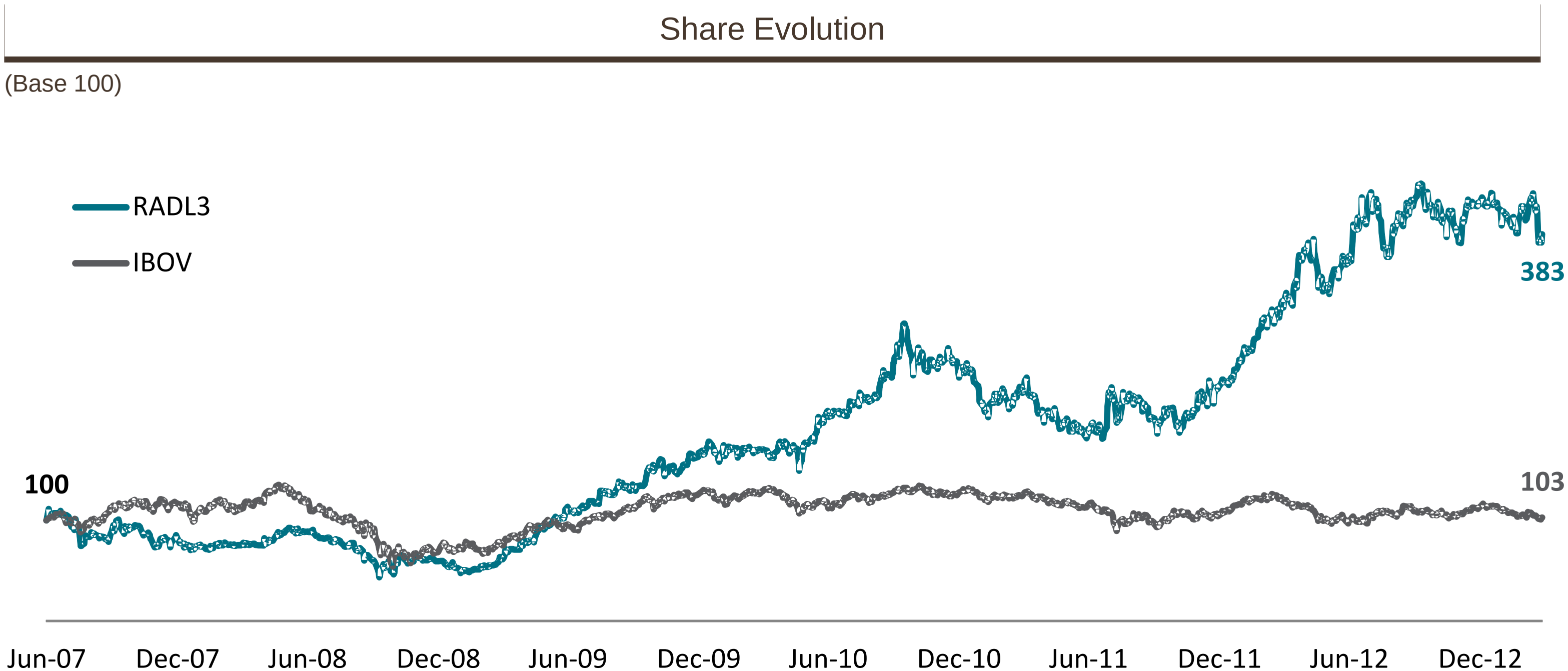
We had a total cash consumption of R$ 168.8 million. We generated R$ 278.3 million and invested R$ 189.1 million in working capital and R$ 258.0 million in CAPEX

Cash Flow *(R$ million)*	4Q12	4Q11	2012	2011
EBT	**22.1**	**3.4**	**158.1**	**144.2**
(-) Income Tax	(12.0)	(13.4)	(30.3)	(43.4)
(+) Depreciation	33.2	27.2	124.3	94.4
(-) Other Adjustments	18.2	(1.8)	26.2	0.2
Resources from Operations	**61.4**	**15.4**	**278.3**	**195.4**
Cash Cycle*	(57.2)	(5.0)	(216.1)	(289.1)
ICMS Recovery	23.1	-	66.3	-
Others	12.5	19.3	(39.3)	8.6
Operations	**39.8**	**29.6**	**89.2**	**(85.2)**
Investments	**(113.0)**	**(53.3)**	**(258.0)**	**(151.0)**
Total Cash Flow	**(73.3)**	**(23.7)**	**(168.8)**	**(236.2)**

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

** Does not include financing cash flow

Our share price implies in an average annual return of 26.3% since Drogasil´s IPO in 2007 and of 37.0% since Raia´s IPO in 2010



Number of Shares (thousand)	330,386
Stock Quote - March 27th (R$)	21.46
Market Cap (R$ billion)	7.1
Average Trading Volume 4Q12 (R$ million)	20.5