(A free translation of the original in Portuguese)

Raia Drogasil S.A.

Individual and
Consolidated Financial Statements
at December 31, 2021

Contents

Comments on company performance

São Paulo, February 22, 2021. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 4th quarter of 2021 (4Q21). The Company's parent company and consolidated interim financial statements for the periods ended December 31, 2021 and 2020 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM), the Brazilian Accounting Standards - General Technical (NBC TG) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and provide all the significant information related solely to the interim financial statements, which is consistent with the information used by management. The financial statements were prepared in Reais and all growth rates, unless otherwise stated, relate to the same period of 2020..

Since 2019, our financial statements have been prepared in accordance with IFRS 16. In order to better represent the economics of the business, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard. Reconciliation with IFRS 16 can be found on pages 18 and 19.

ANNUAL CONSOLIDATED HIGHLIGHTS:

- **PHARMACIES:** 2,490 units in operation (240 openings and 49 closures)
- **MARKET SHARE:** 0.3 p.p. increase to 14.2% national market share
- **GROSS REVENUE:** R$ 25.6 billion, a 20.9% increase and 12.4% growth in mature stores
- **CONTRIBUTION MARGIN*:** 10.2%, a 0.7 p.p. margin expansion and 29% growth
- **ADJUSTED EBITDA:** R$ 1.807.2 million, a 7.1% EBITDA margin and 26% growth
- **ADJUSTED NET INCOME:** R$ 788.2 million, with a 3.1% net margin and 31% growth
- **CASH FLOW:** R$ 26.3 million negative free cash flow, R$ 573.4 million total cash consumption

* *Margin before corporate overhead (gross profit – selling expenses)*

RADL3
R$ 23.31/share

NUMBER OF SHARES
1,651,930,000

MARKET CAP
R$ 38.5 billion

CLOSING
February 21st, 2021

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Summary *(R$ thousand)*	2020	2021	4Q20	1Q21	2Q21	3Q21	4Q21
# of Pharmacies	2,299	2,490	2,299	2,319	2,374	2,414	2,490
Organic Openings	240	240	82	40	62	52	86
Closures	(11)	(49)	(3)	(20)	(7)	(12)	(10)
4Bio	4	4	4	4	4	4	4
# of Pharmacies + 4Bio	2,303	2,494	2,303	2,323	2,378	2,418	2,494
Headcount (EoP)	44,631	50,573	44,631	45,532	47,208	48,481	50,573
Pharmacist Count (EoP)	8,788	10,052	8,788	9,088	9,346	9,676	10,052
# of Tickets (000)	246,876	280,193	67,098	65,660	66,911	71,115	76,508
Gross Revenue	21,180,475	25,605,685	5,868,052	5,979,508	6,245,163	6,527,875	6,853,140
Gross Profit	5,891,182	7,206,170	1,634,213	1,641,852	1,797,052	1,815,460	1,951,805
% of Gross Revenues	27.8%	28.1%	27.8%	27.5%	28.8%	27.8%	28.5%
Adjusted EBITDA	1,429,169	1,807,245	430,843	415,855	497,115	446,165	448,110
% of Gross Revenues	6.7%	7.1%	7.3%	7.0%	8.0%	6.8%	6.5%
Adjusted Net Income	600,984	788,175	213,672	177,947	232,022	173,567	204,639
% of Gross Revenues	2.8%	3.1%	3.6%	3.0%	3.7%	2.7%	3.0%
Net Income	579,259	815,152	198,492	188,789	266,443	172,765	187,155
% of Gross Revenues	2.7%	3.2%	3.4%	3.2%	4.3%	2.6%	2.7%
Free Cash Flow	288,214	(26,260)	420,288	(105,008)	(259,357)	68,879	269,226

MANAGEMENT LETTER

Fiscal 2022 marked the tenth anniversary of the creation of Raia Drogasil. Founded in 2011 through the merger between Drogasil and Droga Raia, RD begins its second decade in the middle of one of the most ambitious and challenging transformations that the Company has ever seen over the course of its more than 200 years of combined history.

In its first decade, RD became the absolute market leader in both revenues and pharmacies. We have multiplied by 3 times the number of locations, evolving from a regional company with 776 units in 9 states to a national chain of over 2.5 thousand pharmacies across all 27 Brazilian states. Our gross revenues increased by 5 times, going from R$ 4.7 billion to R$ 25.6 billion, while our market share expanded from 9.0% to 14.2%. Lastly, this growth was obtained with an increase in profitability: over the decade, our adjusted EBITDA was multiplied by 7 times, escalating from R$ 272 million to R$ 1.8 billion.

Upon starting the second decade of our history, RD has set the Ambition to become, by 2030, the company that contributes the most towards a healthier society in Brazil. In an event promoted in May 2021, we unveiled our **Walking Together** plan, an executive program with 35 goals to be achieved by 2030, aligned with UN's Sustainable Development Goals (SDGs) and organized in three dimensions: *Healthier People*, by aiming to improve the health of 50 million people, *Healthier Businesses*, by seeking to economically empower 350 thousand people, and *Healthier Planet*, focusing on becoming a *net zero* and *zero landfill* company.

This Ambition positions us as an ally of our customers for health promotion and disease prevention, a profound transformation in our business. It is also aligned with our Purpose of taking close care of people's health and well-being during all times of their lives, which evolves from an inspiration to become a business objective. To pursue it, we have set a new business strategy and have started to transform our organizational structure, our management model and our corporate culture.

In order to prepare the Company for this new cycle, we've also undertaken important changes in our corporate governance. Our Board of Directors was increased from 9 to 11 members, and the representation of independent directors was expanded from 3 to 5 seats. We've also oxygenated the board´s composition through the election of four new directors in 2021 aiming at reinforcing our digital and healthcare expertise, which will be paramount for this new cycle. Of the 11 directors, 3 are women, enhancing the board's diversity. Lastly, a new Shareholder's Agreement was signed for another 10 years, reaffirming the long-term commitment of the controlling shareholders with the Company.

RD's business strategy is based on 3 pillars: the New Pharmacy, the Marketplace and the Health Platform. The New Pharmacy consists in the repurposing of the traditional pharmacy into a Health Hub, offering in-store health services, tied to a digital and omnichannel experience. With the Marketplace, we are significantly broadening the assortment for our customers, deepening the mix in current categories and enhancing our offering with new health and well-being verticals. Lastly, with the Health Platform, we are developing digital solutions to support our customers in their health journeys, including adherence to the treatment and the promotion of healthy habits, such as nutrition, exercising and sleeping, as well as providing access to a health services marketplace that includes diagnostics and teleconsultations.

These pillars are highly complementary and reinforce one another, starting with the customer acquisition and digital onboarding, which happen mostly in-store with a low marginal customer acquisition cost (CAC), and culminating in the increase in customer frequency and overall spending driven both by the enhanced loyalty due to the digitalization of the customer relationship and by the broader array of products and services offered through the marketplace and the health platform. By increasing customer spending and loyalty, the combination of these assets has the potential of multiplying the Customer Lifetime Value (CLV) and boost the Company's value creation.

This is a transformational journey: it widens our served market, challenges our business model and demands the development of new assets and capabilities, allowing us to help improving the health of the Brazilian population, which today is harmed by a complex and inefficient system that is limited to treating diseases rather than promoting health.

If on the one hand we have clarity regarding the scale of the challenge we are embracing and the humility of recognizing that this is a long-term process for which we do not yet have yet all the answers, on the other hand we are convinced that the unique assets that we possess provide us with the necessary credentials to be successful. With 2.5 thousand pharmacies located in the best corners of Brazil, we are the player in the healthcare value chain with the greatest capillarity and proximity to the population. As an example, we serve 91% of the Brazilian A class within a 1.5 km radius of our pharmacies. We also have 42 million active customers, of which 5.5 million are classified as loyal, representing 58% of the Company's total revenue but 85% of our digital sales. The loyal customers who also use our digital channels engage with us, in average, 38 times per year, a frequency that is unmatched either in healthcare or in retailing. These customers also spend 20% to 25% more than what they spent before adopting the digital channels, a testament to the importance of digitalizing the relationship with our customers.

We are proud to note that the New Pharmacy already became a reality in 2021: digital revenues totaled R$ 2.1 billion (R$ 596 million in the 4Q21), reaching in the fourth quarter a penetration of 9.2% of our sales. The pharmacies are the cornerstone of the digital strategy: they are responsible for the customer acquisition (increase in the number of loyal customers from 4.7 million to 5.5 million in 2021), for their digital onboarding (15.9 million cumulative app downloads since 2019, mainly in-store) as well as for the digital fulfillment (89% of digital orders were served through our pharmacies in a fast and economically efficient way, with Click & Collect orders amounting to 49% of the total). Lastly, we advanced in the digitalization of the in-store experience, with digital coupons already representing 29% of Exclusive Offer sales, and with Stix, our loyalty coalition in partnership with GPA and Itaú, reaching 2.5 million active customers, of which 48% have already redeemed points in 2021.

In addition to providing an increasingly omnichannel experience, our pharmacies are also expanding their role in supporting Brazilians in taking better care of their health. Since the beginning of the pandemic, we performed 4 million COVID-19 rapid tests in more than one thousand different locations, while offering the unmatched convenience and proximity of our pharmacies, online scheduling and a rigorous attention to sanitary protocols. We also performed 198 thousand COVID-19 immunizations, which were provided free of charge at our pharmacies in partnership with several municipalities. Finally, we expanded the number of pharmacies that provide general immunization services from 66 in 2020 to 208 in 2021.

The development of the Marketplace also advanced significantly. The operation, which began exclusively on Raia's website in October 2020, was extended to the Raia and Drogasil apps in 2021. Also, the number of 3P SKUs on offer increased to 80 thousand, which are offered by more than 300 sellers. Lastly, in December 2021, we announced the investment in **Conecta Lá** and the acquisition of the rights to use its code, which will allow RD to accelerate the development of its Seller Center, thus improving the quality of the services we provide to our sellers while at the same time reducing our transactional costs.

As for the Health Platform, we launched in August both the brand and the app for **Vitat**, our physical and digital network which connects people, services and products to promote healthy habits and transform people's health day by day. Built upon the acquisition of **Tech.fit**, announced in February 2021, **Vitat** achieved significant digital milestones in its first year, with circa 25 million unique visits to its portal, over 2 million unique users in the apps, who have taken advantage of the more than 150 free programs on offer, and with over 120 thousand visualizations of its weekly podcast. Meanwhile, on the physical front, 21 *Vitat Spaces,* which are connected to the app*,* were opened in the states of SP, RJ, MG and CE, performing nearly 30 thousand pharmaceutical services in the year.

Vitat will also be the orchestrator of our full healthcare ecosystem, which includes **Drogasil** and **Raia**, which are respectively Brazil´s first and second largest Brazilian pharmacy brands, **Univers**, our PBM that serves 86 million employees and beneficiaries of over 1.4 thousand companies and 296 health operators, **4Bio**, Brazil´s leading specialty pharmacy, serving the patients of major health operators, and also 5 startups recently invested by **RD Ventures**, RD's Corporate Venture Capital platform: **Amplimed**, a leading electronic health record and practice management platform, connecting over 20 thousand healthcare professionals, which will become the data repository of the whole Health Platform as well as the base for the medical consultations marketplace, **Labi Exames**, a healthtech focused on diagnostics, tests, check-ups and immunization, with 26 units in 10 cities which also provides residential services, complementing our Health Hubs and positioning RD in a new health vertical, **Cuco Health**, a digital platform focused on adherence to treatment, **Healthbit**, a data science and health promotion company, focused on medical claims reduction and outcomes improvement, and **Manipulaê**, a digital apothecary pharmacy platform. **RD Ventures** has already invested around R$ 200 million (R$ 140.6 million already paid) in startups, aiming to accelerate RD's digital healthcare transformation.

The effects of the digitalization of the business have already materialized in 2021. We ended the year with R$ 25.6 billion in consolidated gross revenues, a 20.9% annual growth. We recorded a 15.3% same-store sales growth, with 12.4% for mature-stores, 2.3 percentage points above the 10.1% CPI recorded in the period, a strong growth driven by digital. Our adjusted EBITDA reached R$ 1.8 billion, a 26% increase. We recorded an adjusted EBITDA margin of 7.1%, a 0.4 percentage point increase. While the contribution margin expanded by 0.7 percentage point, we recorded a G&A pressure of 0.3 percentage point stemming from the investments in our corporate structure to support the new strategy. Lastly, our adjusted net income totaled R$ 788.2 million, a 31% increase with an adjusted net margin of 3.1%, a 0.3 percentage point expansion. We opened a total of 240 new pharmacies, ending the year with 2,490 units in operation.

Finally, we are proud to share that in January 2022, RD's shares were included into the **ISE**, B3's sustainability index, which includes Brazil's top 46 companies evaluated for corporate sustainability based on economic efficiency, environmental equilibrium, social justice and governance criteria. The inclusion of RD into ISE was an important achievement for the Company, and is the result of 3 years of collaborative work that included a broad consultation with stakeholders, the mobilization of the entire organization and the definition of a long-term agenda, with objective goals and numerous action plans, with aligned business and sustainability strategies.

Within the context of all the uncertainties we faced in 2021, we would like to thank our shareholders for the support and trust bestowed upon us, our customers, who entrusted us their health and rewarded us with their loyalty, and our employees, true healthcare heroes who dedicate themselves every day to take care of our customers.

CHALLENGES AND OPPORTUNITIES FOR 2022

Accelerate the digitalization of our relationship with the customer: We consolidated the New Pharmacy in 2021, achieving double-digit digital channels penetration. In 2022, we will continue to expand its penetration, which is central to our strategy due to the fact that the digitalization of the customer relationship increases their engagement, loyalty and spending. To that end, the improvement of the customer's experience will be paramount, requiring a constant monitoring of our digital NPS, understanding and addressing the customer pain points similarly to what we have done for years with the NPS of our pharmacies. We will also advance in reducing delivery times to one hour in denser regions of major urban centers, either through regular ship-from-store or through dark stores. Lastly, we will evolve our customer loyalty and retention models, including the strengthening of our loyalty programs as well as enhanced subscription programs and treatment adherence mechanisms.

Strengthen and scale-up the Marketplace: The marketplace started operating in 2021. Launched initially through Raia's website, it was later expanded to be incorporated in both Raia´s and Drogasil's apps. We have already added a significant number of sellers as well as of listed items in the marketplace, and sales have started to gain traction. In 2022 we will focus on scaling-up the marketplace while improving seller engagement and SKUs turnover through the integration with the *Conecta Lá* Seller Center, a start-up invested in the end of 2021 in a transaction which also included the acquisition of the rights to its code. Finally, we will conclude our logistics master plan, which will allow us to fulfill 3P orders through our own DCs and pharmacies in the near future, including the in-store collection of 3P items by customers, which will leverage our unmatched capillarity also for the marketplace.

Advance with Vitat: Both Vitat's brand and app were launched in 2021. Vitat was born from the acquisition of Tech.fit, a startup that already operated apps related to healthy nutrition and exercising. At launch, Vitat's app offered a set of programs focused on a healthy living, leveraging the pre-existing solutions and providing integration with the Vitat Spaces, which are 21 health hubs created within RD's pharmacies. In 2022, the focus will be on the development of programs focused on chronic patients, who endure more complex healthcare journeys and boast a higher Customer Lifetime Value. We plan on creating solutions for these customers which will include adherence to treatment, drug purchasing benefits, health journey support through the app, including exercise, nutrition and sleep, as well as the offering of the pharmaceutical services available at RD's 1.5 thousand health hubs, which are expected to be fully connected to the app by the end of the year.

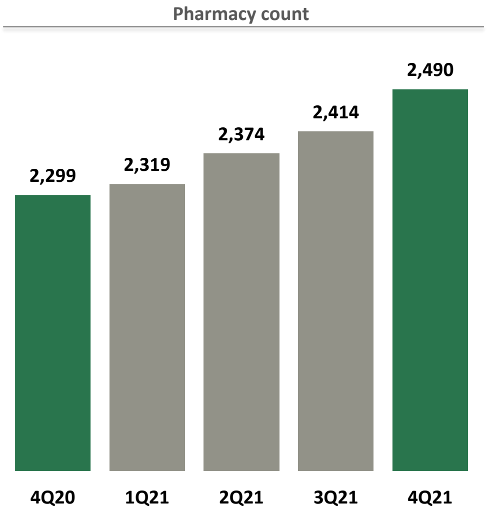
Transform our technology infrastructure: We will advance in the transformation of the Company's IT infrastructure. One of the major priorities is the conversion of our systems to microservices. This conversion began in 2020, will continue in 2022 and is expected to be completed by the end of 2023. In parallel, we are also migrating our IT infrastructure to the cloud. We will also focus on eliminating bottlenecks in code testing and homologation in order to allow for more frequent releases. This transformation is necessary to increase squad productivity and to improve the experience provided by our apps. Finally, we will continue to advance in data science, increasing the use of AI in our operations.

Evolve to a Digital Culture: The evolution of RD's business model, with an increased focus on the digitalization of healthcare, demands a profound cultural and organizational transformation. This transformation, which began in 2019 with the adoption of agile methods, needs to be intensified. This involves increasing the focus on the customer, enhancing the use of data, a broader dissemination of agile within the organization, improving the governance of the squads, as well as a less hierarchical and more flexible, collaborative and innovative culture, fostering entrepreneurship, risk taking and continuous learning by our executives.

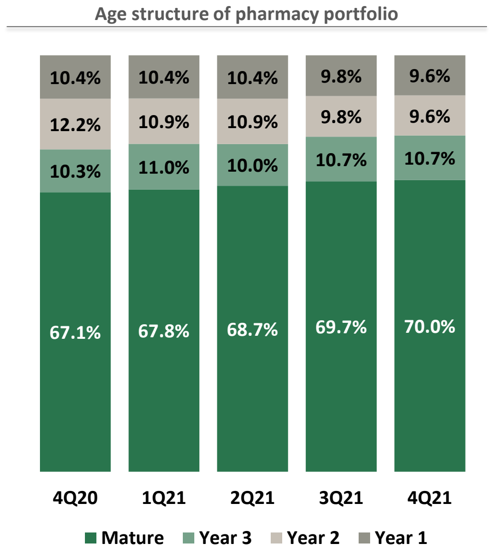
PHARMACY DEVELOPMENT

We opened 240 new pharmacies in 2021 and closed 49 (86 openings and 10 closures in the 4Q21), ending the year with 2,490 units in operation, in addition to 4 4Bio locations. We reiterate our gross openings guidance of 260 new pharmacies for 2022.

At the end of the period, 30.0% of our pharmacies were still in the process of maturation and had not yet reached their full potential both in terms of revenue and profitability.

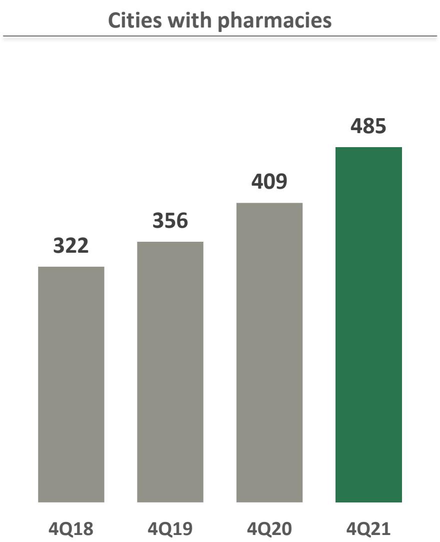


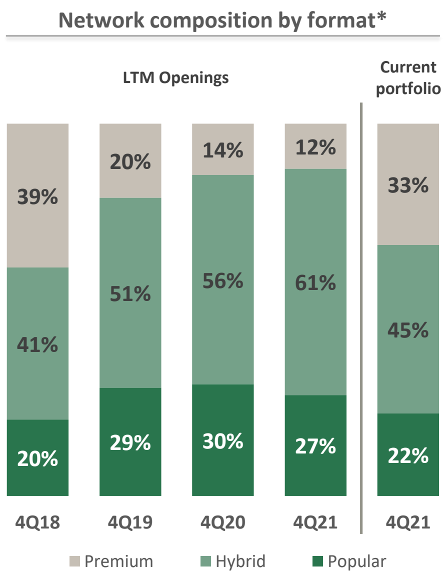
	4Q20	1Q21	2Q21	3Q21	4Q21
Openings	+82	+40	+62	+52	+86
Closures	-3	-20	-7	-12	-10
Net	**+79**	**+20**	**+55**	**+40**	**+76**



Of the 49 pharmacies closed in 2021 (10 in the 4Q21), 15 were still in the maturation process (1 in the 4Q21) and represent corrections of mistakes that are to be expected in a large-scale expansion such as RD''s. The remaining 34 closures (9 in the 4Q21) were mature units driven by the optimization of our pharmacy portfolio with positive return expectations associated to them.

We highlight that the quantity of pharmacy closures was unusually high, since we had severely limited such closures in 2020 due to the uncertainties created by the pandemic. Over these 2 years, we closed a total of 60 pharmacies, corresponding to an average of 30 closures per year, in line with the Company's historical level.



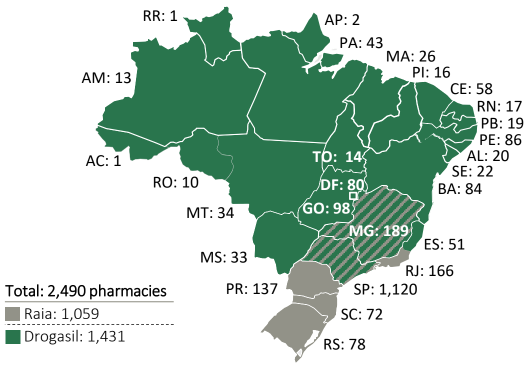


* Openings exclude the Onofre acquisition.

We continued diversifying our pharmacy network in the quarter, both geographically and demographically, with 80% of our openings in the last twelve months outside of the state of São Paulo, our native market (and 95% out of the city of São Paulo). We also increased our capillarity, extending our presence to 485 cities, 76 more than in the 4Q20. And while 67% of our units have popular or hybrid formats, 88% of the openings in the last twelve months belong to these clusters, increasing our reach into the expanded middle class.

Lastly, we entered the states of Acre, Roraima and Amapá, expanding RD's presence to all 27 Brazilian states.

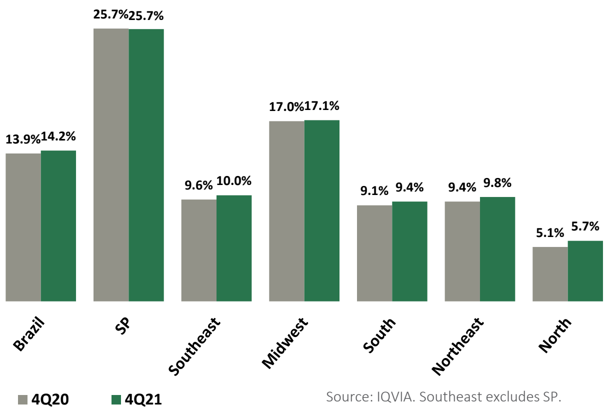
Pharmacy geographic presence



LTM organic openings*	4Q17	4Q18	4Q19	4Q20	4Q21
São Paulo state	82	73	76	66	49
Total	210	240	240	240	240
% São Paulo state	**39%**	**30%**	**32%**	**28%**	**20%**

* Does not consider the 42 pharmacies acquired from Onofre

Pharmacy market share



Source: IQVIA. Southeast excludes SP.

Our national market share totaled 14.2% in the quarter, a 0.3 percentage point increase when compared to the 4Q20.

We recorded a 5.7% market share in the North, a 0.6 percentage point increase when compared to the 4Q20, a market share of 10.0% in the Southeast (excluding São Paulo), a 0.4 percentage point increment, and a market share of 9.8% in the Northeast, an increase of 0.4 percentage point.

In the South, we recorded a 9.4% market share, a 0.3 percentage point increase versus the same period of the previous year, a market share of 17.1% in the Midwest with a 0.1 percentage point gain, and a 25.7% market share in São Paulo, stable in comparison to the 4Q20.

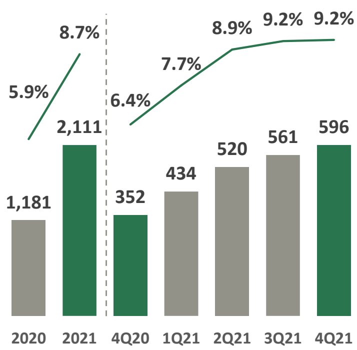
In order to assure the comparability with the previous year, we considered the market data for 2020 updated by IQVIA to incorporate the historic information of the new informants added to the panel.

DIGITAL HEALTH TRANSFORMATION

Our digital health transformation is based on 3 complementary pillars: the New Pharmacy, which combines a health hub with a digital and omnichannel experience, the Marketplace, and the Integral Health Platform. Together, these three businesses will allow us to support our more than 42 million active customers in taking care of their health and well-being and, at the same time, increase their customer lifetime value through a greater frequency of interaction and overall spending.

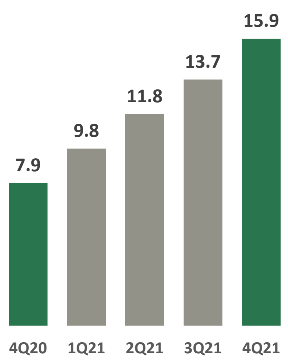
Digital sales and penetration

R$ millions, % of retail sales

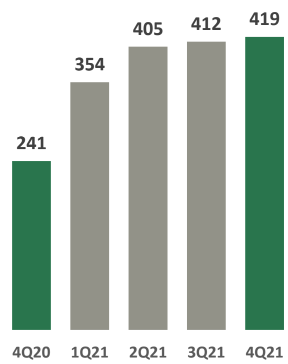


Cumulative app downloads

Millions



Cities with motorized ship-from-store deliveries



The digitalization of the pharmacy significantly accelerated in 2021. We recorded R$ 2.1 billion in revenues through digital channels (R$ 596 million in the 4Q21), representing an average retail penetration of 8.7% (9.2% in the quarter) and growth of 79% over the previous year (69% in the 4Q21).

We highlight the importance of the pharmacies for the digital sales, as 89% of such transactions in the 4Q21 were fulfilled by the physical stores, with both quick delivery times and high economic efficiency. Click & Collect represented 49% of digital orders, while neighborhood deliveries amounted to another 11%, demonstrating the power of the capillarity and convenience of our pharmacies, which cover 91% of Brazil's A class population within a 1.5 km radius. Lastly, motorized ship-from-store deliveries were available in 419 cities by the end of the quarter, 86% of the municipalities in which RD operates pharmacies and complementing *Click & Collect and* the *Neighborhood Deliveries* and, which are available in 100% of our stores.

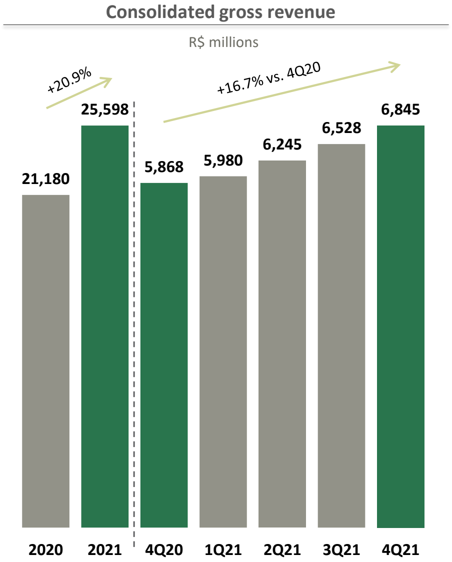
We recorded a total of 15.9 million cumulative app downloads since the 1Q19, a significant amount when compared to the universe of 42 million active customers which is paramount for the digitalization of our relationship with the customers. Such digitalization is essential to our long-term strategy, since customers who use our digital channels increase their loyalty, engagement and purchasing frequency, spending, on average, 20% to 25% more than before digital adoption, thus becoming a fundamental driver for value creation. Also, it will allow us to connect our customers to all the three pillars of our strategy: the New Pharmacy, the Marketplace and the Health Platform.

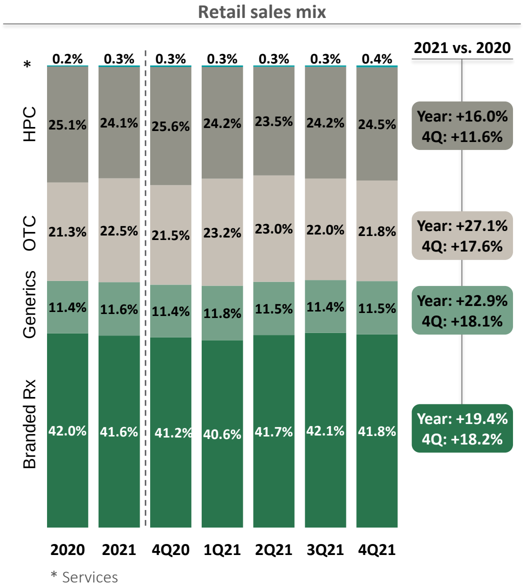
With the marketplace, we reached 80 thousand SKUs offered by more than 300 sellers. Additionally, in December, we invested in *Conecta Lá*, a Seller Center platform focused on vertical marketplaces which will improve the integration with our sellers, including product cataloging, order workflow, payment splitting, logistical solutions and business intelligence.

The investment in *Conecta Lá* and the acquisition of the rights to use its code will allow us to accelerate the development of RD's marketplace, improving the service to our sellers while reducing our transactional costs, thus contributing towards our aspiration of offering the most complete and robust health and well-being products assortment with a high level of satisfaction of both customers and sellers.

Lastly, Vitat reached 25 million unique visits in its digital channels, with over 2 million unique users in its apps and more than 120 thousand visualizations of its weekly podcast. We ended the year with 21 *Vitat Spaces* in RD's pharmacies, which offer a wide variety of services in connection with the app.

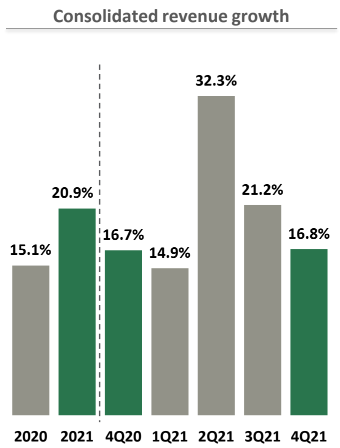
GROSS REVENUES

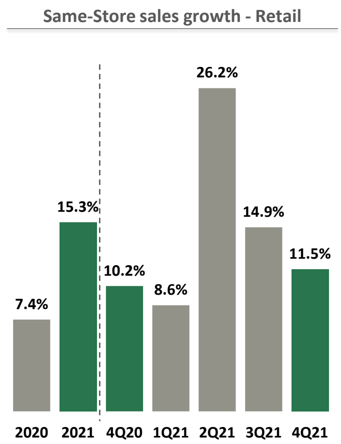


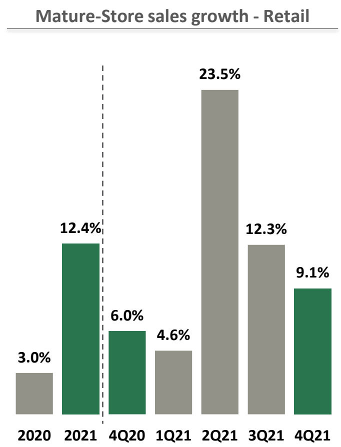


We ended 2021 with a consolidated revenue of R$ 25,606 million (R$ 6,853 million in the 4Q21), a 20.9% growth over 2020 (16.8% over the 4Q20).

OTC was the highlight of the year by growing 27.1% (17.6% in the 4Q21) and gaining 1.2 percentage point in the mix (0.3 p.p. in the quarter). The increase of OTC in the sales mix continues to be driven mainly by products related to the pandemic, such as masks, vitamins, anti-flu drugs and COVID-19 tests. In addition, Generics grew 22.9% (18.1% in the 4Q21) and gained 0.2 p.p. in the mix (0.1 p.p. in the quarter). Lastly, Branded Rx grew 19.4% in the year (18.2% in the 4Q21), with its participation in the sales mix decreasing by 0.4 p.p. (0.6 p.p. increase in the quarter), and HPC grew 16.0% in the year (11.6% in the 4Q21) and lost 1.0 p.p. in the mix (1.1 p.p. in the quarter).



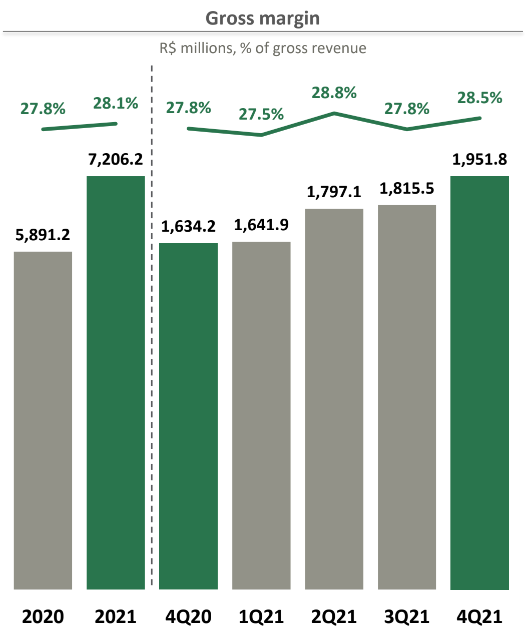




We recorded a same-store sales growth of 15.3% at our pharmacies in 2021 (11.5% in the 4Q21), with 12.4% for mature stores (9.1% in the 4Q21). This represents a real mature store growth 2.3 percentage points above the inflation of 10.1% in the year as measured by the IPCA index.

GROSS PROFIT

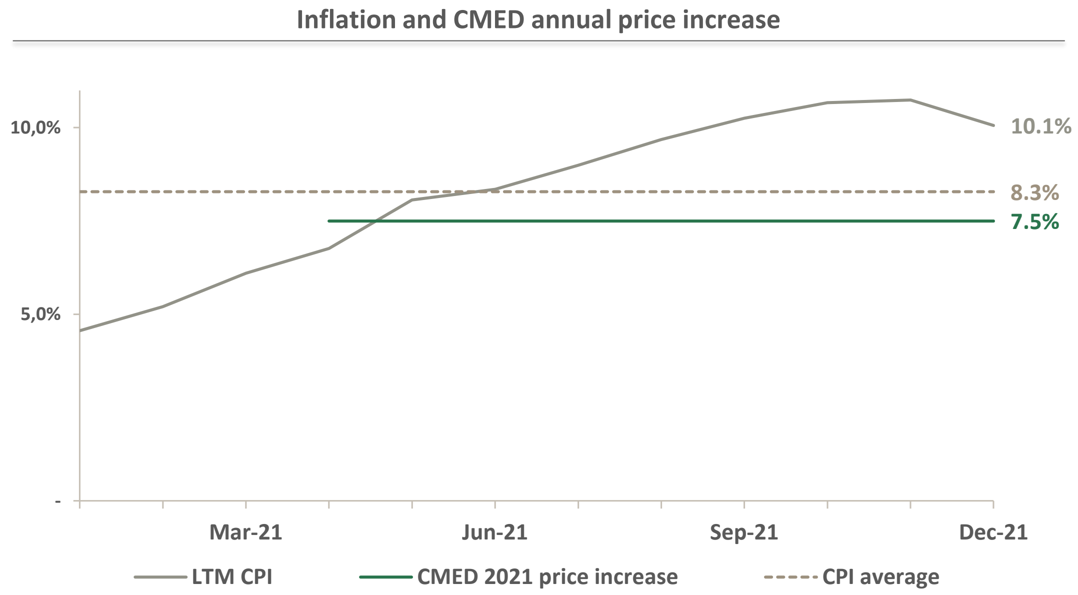
Our gross profit totaled R$ 7,206.2 million in 2021 (R$ 1,951.8 million in the 4Q21), with a gross margin of 28.1% (28.5% in the 4Q21), a 0.3 percentage point expansion in comparison to 2020. The year's gross margin benefitted from the inflationary gains on inventories due to the year's price increase, which was above the historical average, from the Net Present Value (NPV) adjustment increase, due to the higher interest rates, and from other commercial gains.



SELLING EXPENSES

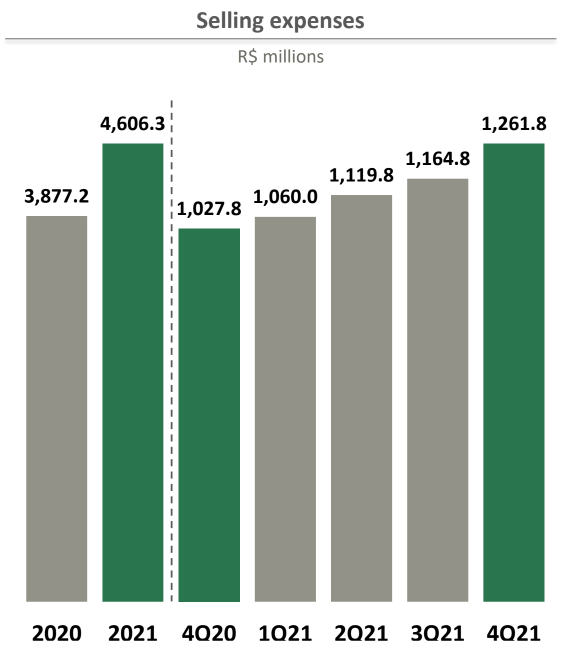
Selling expenses totaled R$ 4,603.3 million in 2021, equivalent to 18.0% of gross revenue, a 0.3 percentage point dilution in comparison to 2020. This dilution comes mainly from the recovery of operating leverage, which decreased during the initial phase of the COVID-19 pandemic, including a dilution of 0.4 percentage point in personnel expenses, 0.1 p.p. in electricity and 0.1 p.p. in freight costs to pharmacies, partly offset by a 0.1 p.p. pressure in delivery costs, 0.1 p.p. in digital marketing and 0.1 p.p. in other selling expenses.

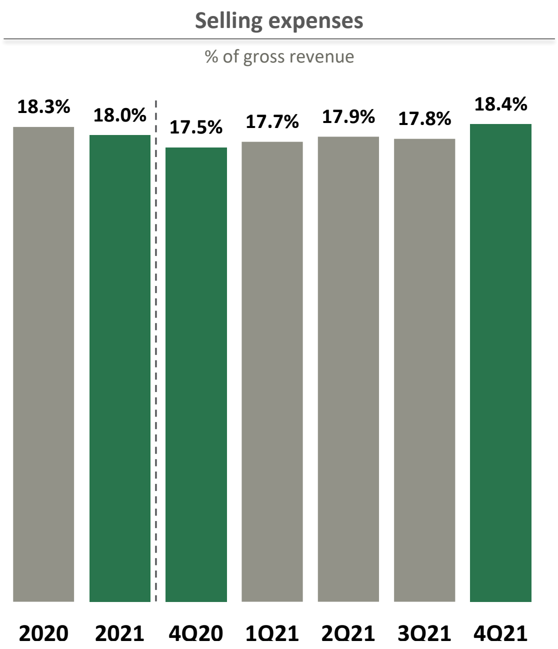
The CMED average drug price increase in 2021 totaled 7.5%, not far of the monthly average CPI inflation of 8.3%. However, we saw a significant inflationary acceleration through the year. In the 1H21, the CMED price increase exceeded the average inflation by 1.0 percentage point, thus favoring operating leverage gains. However, in the 2H21 the CMED price adjustment trailed the average CPI by 2.6 percentage points, which significantly pressured our expenses in the second half of the year and generated a loss in operating leverage, as illustrated in the chart below.



In the 4Q21, selling expenses totaled R$ 1,261.8 million, equivalent to 18.4% of gross revenue, a 0.9 percentage point increase in comparison to the 4Q20 due to inflationary pressures in the period, which generated a loss of operating leverage. We recorded pressures of 0.3 percentage point in personnel, 0.2 p.p. in rentals, 0.1 p.p. in electricity, 0.1 p.p. in delivery expenses and 0.2 p.p. in other selling expenses.

This inflationary pressure is expected to endure until the 1Q22, as in the end of March we will have the 2022 drug price increase, allowing for an inflationary recomposition starting in the 2Q22.

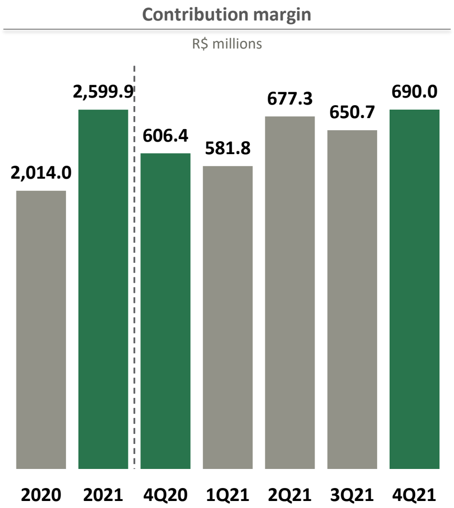


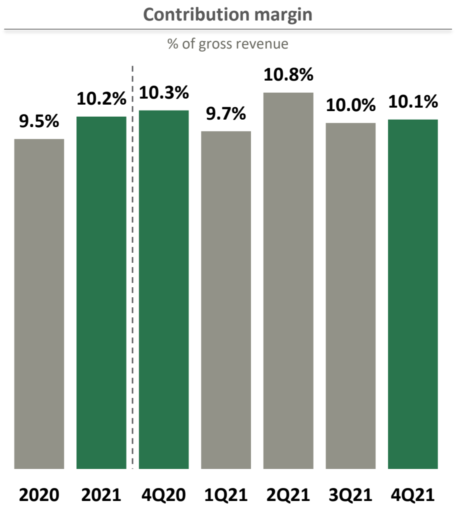


CONTRIBUTION MARGIN

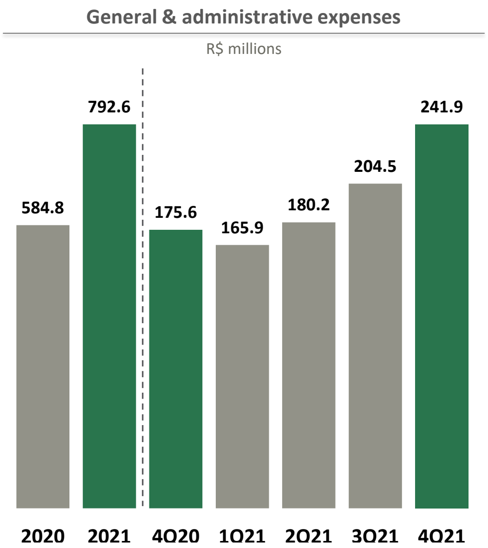
We recorded a contribution margin of R$ 2,599.9 million in 2021, a 29% growth over 2020. This represented 10.2% of gross revenue, a 0.7 percentage point margin increase.

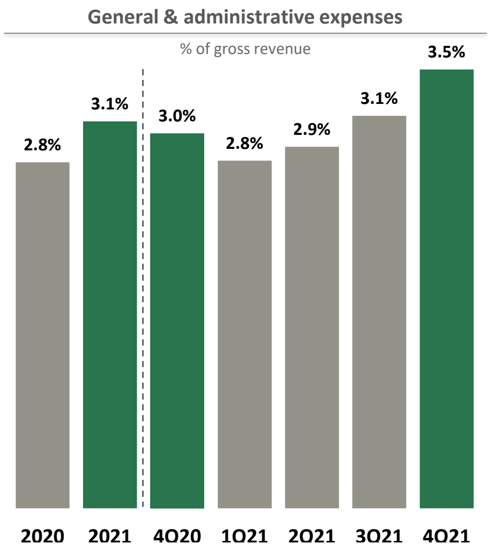
Our contribution margin in the 4Q21 totaled R$ 690.0 million, an increase of 14% versus the 4Q20. This represented 10.1% of gross revenue, a margin pressure of 0.2 percentage point over the 4Q20 stemming from inflationary pressures.





GENERAL & ADMINISTRATIVE EXPENSES





We recorded pressures of 0.3 percentage point in personnel expenses, 0.1 with consulting services and 0.1 with software licenses, all of them related to our digital transformation and partly offset by a reduction of 0.2 percentage point in labor contingencies.

In the 4Q21, general and administrative expenses amounted to R$ 241.9 million, equivalent to 3.5% of gross revenue, a 0.5 percentage point increase when compared to the same period of last year.

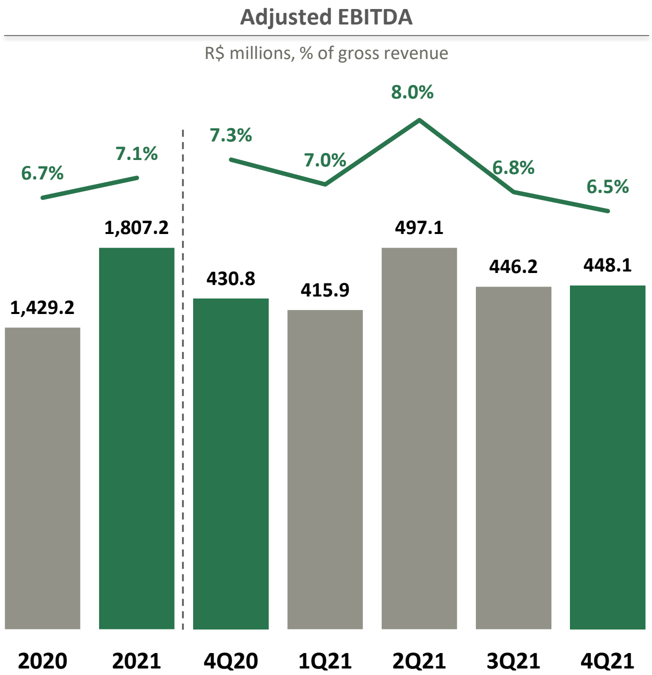
The investments into RD's digital transformation, which include squads, software licenses, support teams, infrastructure and third-party services, generated a 0.4 percentage point pressure in comparison to the 4Q20.

The steep increase in the quarter's expenses was intensified by the strong inflationary pressure, as the average CPI in the 4Q21 was 3.0 percentage points above the drug price increase authorized by CMED in 2021, reducing the Company's operating leverage. This pressure is expected to last until the 1Q22, reducing from 2Q22 onwards due to the expected inflationary recomposition stemming from CMED's 2022 price increase at the end of March, and contributing to a better absorption of these expenses.

EBITDA

Our adjusted EBITDA totaled R$ 1.807.2 million in 2021, a 26% increase when compared to 2020. We recorded an adjusted EBITDA margin of 7.1%, a 0.4 percentage point expansion. While the New Pharmacy expanded its contribution margin in 0.7 percentage point, we recorded a 0.3 percentage point pressure in G&A from the investments into our corporate structure to support our new strategy.

In the 4Q21, the adjusted EBITDA amounted to R$ 448.1 million. The adjusted EBITDA margin was of 6.5% in the quarter, a 0.8 percentage point contraction when compared to the same period of the previous year. The New Pharmacy's contribution margin decreased by 0.2 percentage point, while G&A expenses pressured results by 0.5 percentage point. These pressures stemmed mostly from the intense inflationary pressure recorded in the quarter. This trend is expected to revert starting in the 2Q22 due to the inflationary recomposition expected at the end of March due to CMED's 2022 drug price increase.



EBITDA RECONCILIATION AND NON-RECURRING EXPENSES

We recorded in 2021 R$ 40.9 million in non-recurring expenses. This includes R$ 23.0 million in non-recurring expenses from asset write-offs, mostly from store closures, and R$ 15.9 million in donations, more than offset by R$ 73.9 million in non-recurring gains from fiscal credits related to previous years, of R$ 3.4 million from the change in the monetary restatement rate of labor contingencies and of R$ 2.4 million in other non-recurring gains.

In the 4Q21, we recorded R$ 26.5 million in net non-recurring expenses. This includes expenses of R$ 20.3 million from asset write-offs, mostly from store closures, and of R$ 8.4 million in donations, partly offset by R$ 2.2 million in fiscal credits from previous years, besides another R$ 0.1 million in other non-recurring expenses.

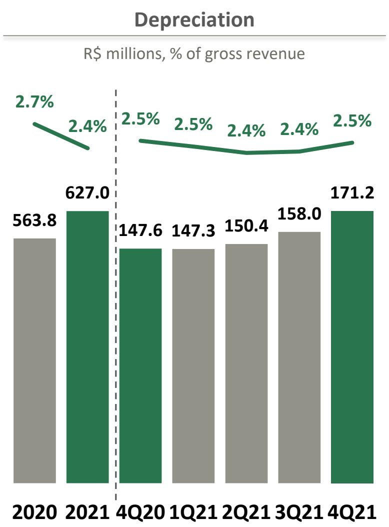
EBITDA reconciliation - R$ millions	1Q21	2Q21	3Q21	4Q21	2021
Net income	**188.8**	**266.4**	**172.8**	**187.2**	**815.2**
Income tax	75.8	104.0	74.4	(4.8)	249.4
Equity equivalence	1.5	1.5	(0.2)	(1.7)	1.1
Financial result	18.8	26.9	39.9	69.8	155.4
EBIT	**284.9**	**398.8**	**286.9**	**250.4**	**1,221.1**
Depreciation and amortization	147.3	150.4	158.0	171.2	627.0
EBITDA	**432.3**	**549.3**	**444.9**	**421.6**	**1,848.1**
Asset write-offs	(1.1)	6.1	(2.3)	20.3	23.0
Donations	3.3	0.3	3.9	8.4	15.9
Labor contingencies	(3.4)	-	-	-	(3.4)
INSS, PIS and COFINS credits from previous years	(13.6)	(58.0)	-	(2.2)	(73.9)
Other non-recurring/non-operating effects	(1.6)	(0.5)	(0.4)	0.1	(2.4)
Non-recurring/non-operating expenses	**(16.4)**	**(52.2)**	**1.2**	**26.5**	**(40.9)**
Adjusted EBITDA	**415.9**	**497.1**	**446.2**	**448.1**	**1,807.2**

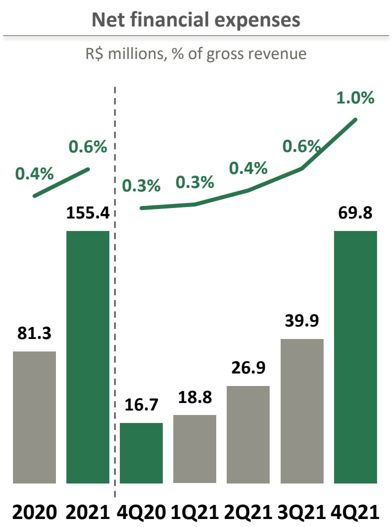
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

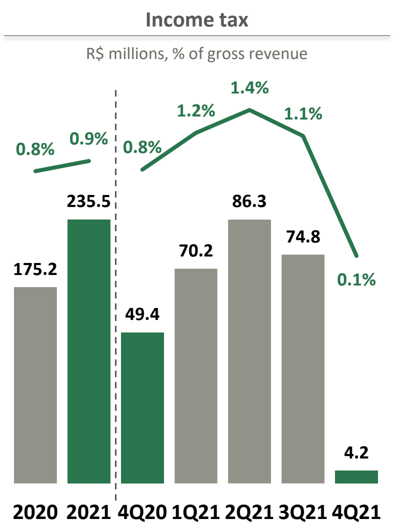
Depreciation expenses amounted to R$ 627.0 million in 2021 (R$ 171.2 million in the 4Q21), equivalent to 2.4% of gross revenues (2.5% in the quarter), a 0.3 percentage point dilution when compared to 2020 (stable in the 4Q21).

Net financial expenses represented 0.6% of gross revenue in 2021 (1.0% in the 4Q21), a 0.2 percentage point increase when compared to 2020 (0.7 percentage point in comparison with the 4Q20). Of the R$ 155.4 million recorded in 2021 (R$ 69.8 million in the 4Q21), R$ 84.8 million refer to the actual financial interest accrued on financial liabilities (R$ 31.8 million in the 4Q21), equivalent to 0.3% of gross revenue (0.5% in the 4Q21), a 0.1 percentage point increase when compared to 2020 (0.3 percentage point in the quarter). We've also recorded R$ 67.8 million in financial expenses which refer to the NPV adjustment (R$ 37.2 million in the 4Q21) and R$ 2.8 million which refers to the interest on the option to acquire the remaining 15% of 4Bio (R$ 0.7 million in the 4Q21).

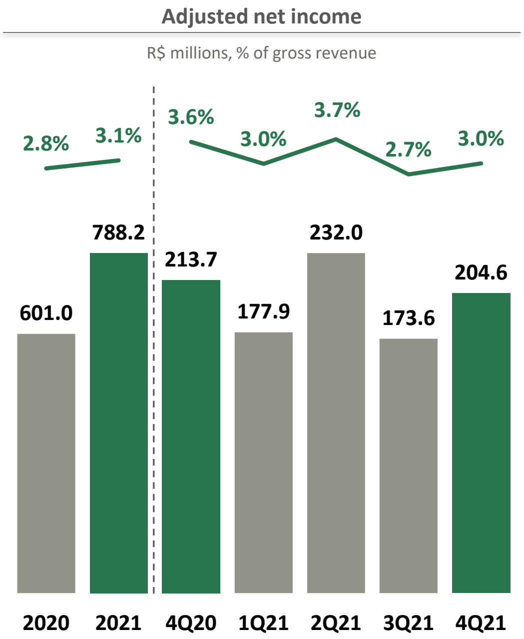
Lastly, we booked R$ 235.5 million in income taxes in the year (R$ 4.2 million in the 4Q21), equivalent to 0.9% of gross revenue (0.1% in the quarter), a 0.1 percentage point increase (0.7 percentage point reduction in the 4Q21). The 4Q21 included a favorable effect of R$ 21.8 million from the greater appropriation of interest on equity when compared to the 4Q20, a R$ 9.2 million gain from technology incentives and a R$ 5.4 million credit from the recovery of payments on monetary restatements of undue payments and withdrawal of judicial deposits. Without these effects, the income taxes would be 1.1% of gross revenue in 2021 (0.6% in the 4Q21).







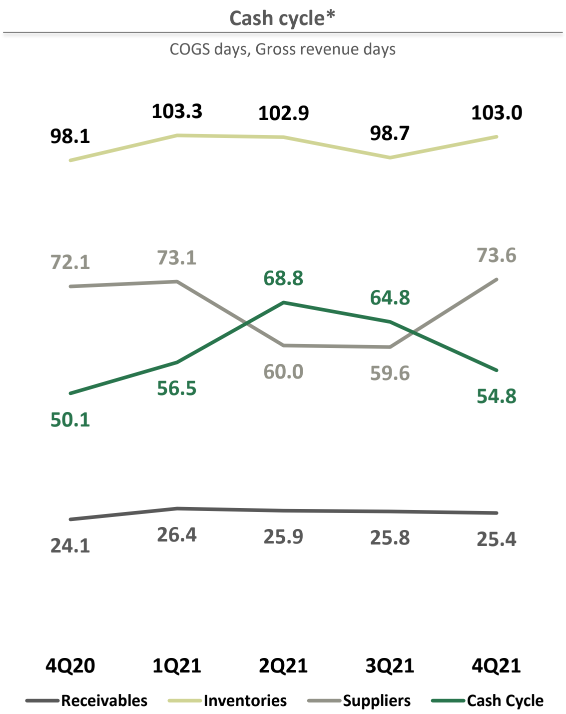
NET INCOME



Our adjusted net income totaled R$ 788.2 million in 2021 (R$ 204.6 million in the 4Q21), a 31% growth in comparison with 2020 (reduction of 4% in the 4Q21). The adjusted net margin was of 3.1% in the year (3.0% in the 4Q21), a 0.3 percentage point increase versus 2020 (0.6 p.p. contraction in the quarter).

CASH CYCLE

Our cash cycle in the 4Q21 was of 54.8 days, a sequential reduction of 10 days and 4.7 days increase when compared to the same period of the previous year, when we had a record-low cash cycle. When compared to the 4Q20, our inventories increased by 4.9 days, accounts payable increased by 1.5 day and receivables increased by 1.3 day.



* Adjusted for discounted receivables.

CASH FLOW

Cash flow	2021	2020	4Q21	4Q20
(R$ million)				
Adjusted EBIT	**1,180.3**	**865.3**	**276.9**	**283.3**
NPV adjustment	(72.1)	(24.4)	(44.9)	(7.9)
Non-recurring expenses	40.9	(32.9)	(26.5)	(23.0)
Income tax (34%)	(390.7)	(274.7)	(69.9)	(85.8)
Depreciation	626.8	563.8	171.1	147.6
Others	65.3	142.9	48.1	95.2
Resources from operations	**1,450.5**	**1,240.0**	**354.8**	**409.3**
Cash cycle*	(770.9)	(256.9)	279.1	378.5
Other assets (liabilities)**	142.0	(25.1)	(77.4)	(171.2)
Operating cash flow	**821.6**	**958.0**	**556.5**	**616.7**
Investments	**(847.8)**	**(669.8)**	**(287.2)**	**(196.4)**
Free cash flow	**(26.3)**	**288.2**	**269.2**	**420.3**
M&A and other investments	(137.3)	(3.3)	(84.6)	(1.5)
Interest on equity and dividends	(314.8)	(190.5)	(231.1)	(63.4)
Income tax paid over interest on equity	(33.6)	(18.7)	(8.0)	(6.7)
Net financial expenses***	(87.7)	(56.7)	(32.5)	(9.9)
Share buyback	(73.2)	-	-	-
Tax benefit (fin. exp., IoE, dividends)	99.5	84.9	48.8	19.4
Total Cash Flow	**(573.4)**	**103.9**	**(38.2)**	**358.0**

*Includes adjustments to discounted receivables.
**Includes NPV adjustments.
***Excludes NPV adjustments.

In 2020, we recorded a negative free cash flow of R$ 26.3 million and a total cash consumption of R$ 573.4 million. Despite the cash cycle pressure due to the record-low comparison base of the 4Q20 and the CAPEX increase in the year, the strong operational performance led to an almost neutral free cash flow.

Resources from operations totaled R$ 1,450.5 million, equivalent to 5.7% of gross revenue. We recorded a working capital increase of R$ 628.9 million, resulting in an operating cash flow of R$ 821.6 million that partially financed the CAPEX of R$ 847.8 million.

In the 4Q21, we recorded a positive free cash flow of R$ 269.2 million, with a total cash consumption of R$ 38.2 million.

Of the R$ 847.8 million invested in 2021 (R$ 287.2 million in the 4Q21), R$ 377.5 million were used for the opening of new pharmacies (R$ 126.4 million in the 4Q21), R$ 155.3 million for the renovation or expansion of existing locations, R$ 218.6 million for IT (R$ 71.3 million in the 4Q21), R$ 77.1 million in logistics (R$ 39.2 million in the 4Q21) and R$ 19.3 million in other initiatives (R$ 6.6 million in the 4Q21).

2021 also included important investments by RD Ventures into the construction of our health ecosystem. With a total of 6 investments in startups announced throughout the year, including Tech.fit, Healthbit, Cuco Health, Conecta Lá, Amplimed and Labi Exames, we recorded a total disbursement of R$ 137.4 million in acquisitions, investments and capital increases in 2021 (R$ 84.6 million in the 4Q21).

Payments related to net financial expenses totaled R$ 87.7 million in 2021 (R$ 32.5 million in the 4Q21). These payments were offset by R$ 99.5 million in tax benefits related to interest on equity (R$ 48.8 million in the 4Q21).

Lastly, we provisioned R$ 366.0 million in proceeds in 2021, of which R$ 205.0 million were in interest on equity and R$ 161.0 million in dividends, representing a payout of 45% of the year's adjusted net income.

INDEBTEDNESS

We ended 2021 with an adjusted net debt of R$ 1,393.0 million, versus R$ 819.5 million in 2020. This equals an adjusted net debt to EBITDA ratio of 0.8x, 0.2x higher the previous year.

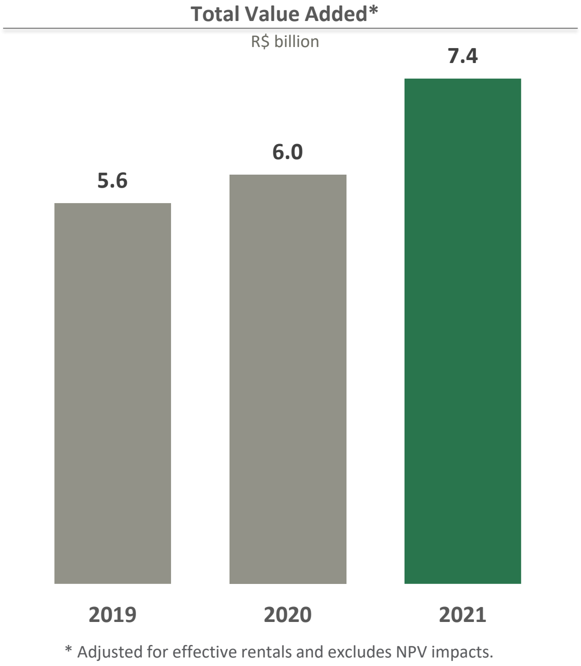
Our adjusted net debt includes R$ 37.9 million in liabilities related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 15% minority stake of 4Bio.

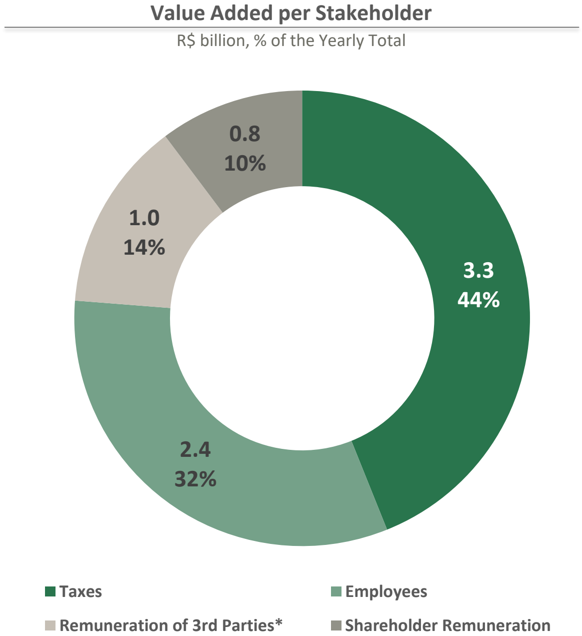
Net Debt (R$ millions)	4Q21	3Q21	2Q21	1Q21	4Q20
Short-term Debt	613.8	630.1	622.7	206.7	531.2
Long-term Debt	891.4	934.7	934.3	1,426.2	1,122.2
Total Gross Debt	**1,505.2**	**1,564.8**	**1,557.0**	**1,632.8**	**1,653.5**
(-) Cash and Equivalents	356.1	247.2	266.7	734.4	880.4
Net Debt	**1,149.1**	**1,317.6**	**1,290.4**	**898.4**	**773.1**
Discounted Receivables	205.9	0.5	6.6	-	-
Put/Call options to acquire 4Bio (estimated)	37.9	36.6	35.9	47.1	46.4
Adjusted Net Debt	**1,393.0**	**1,354.8**	**1,332.8**	**945.5**	**819.5**
Adjusted Net Debt / EBITDA	**0.8x**	**0.8x**	**0.8x**	**0.6x**	**0.6x**

Our gross debt totaled R$ 1,505.2 million, of which 70.1% corresponds to the debentures issued in 2017, 2018 and 2019, to the Certificate of Real Estate Receivables issued in 2019 and to the commercial papers issued in 2020 and 29.9% corresponds to other credit lines. Of our total debt, 59% is long-term, while 41% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R$ 356.1 million.

SHARED VALUE CREATION

In 2021, we shared R$ 7.4 billion in added value, an increase of 23% over the previous year, split as follows: R$ 3.3 billion was shared with our government, in the federal, state and municipal levels in the form of taxes and fees, R$ 2.4 billion with our employees, R$ 1.0 billion with the landlords of properties we rent and with financial institutions and R$ 0.8 billion with our shareholders.



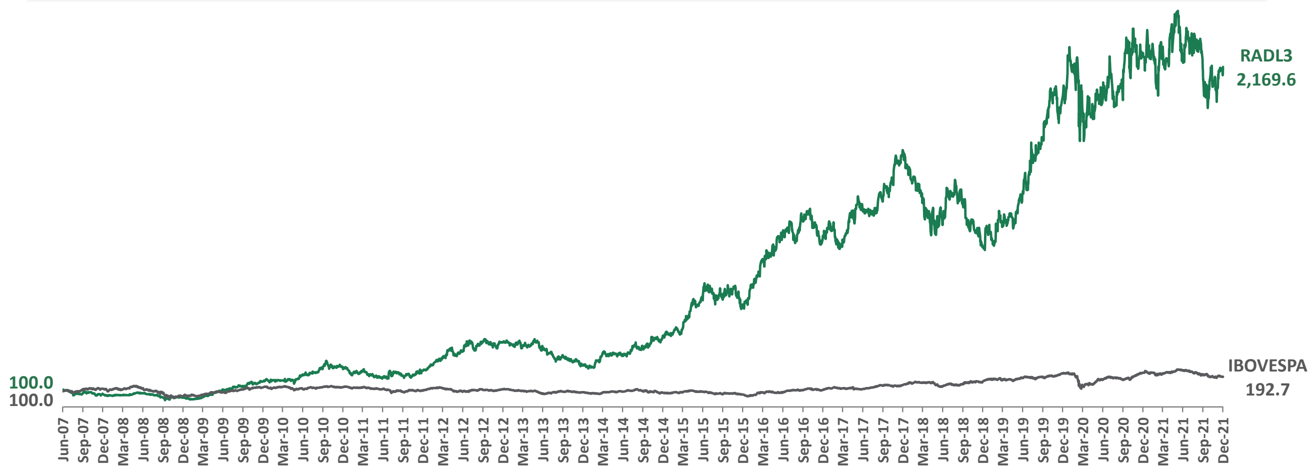


TOTAL SHAREHOLDER RETURNS

Our share price decreased by 3.0% in 2021, 9.2 percentage points better than the IBOVESPA, which decreased by 12.1%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 2,070% versus a return of only 93% for the IBOVESPA. Including the payment of interest on equity and dividends, we generated an average annual total return to shareholders of 24.0%.

Considering the IPO of Raia in December of 2010, the cumulative return amounted to 734% versus an increase of only 54% of the IBOVESPA. Considering the payment of interest on equity and dividends, this resulted in an average annual total return to shareholders of 21.6%. Lastly, our shares recorded an average daily trading volume of R$ 146 million in the year.

Share appreciation



SUSTAINABILITY

In May 2021, we unveiled our sustainability strategy, **Walking Together**, a pragmatic plan to bring into fruition our Ambition to become, by 2030, the group that contributes the most towards a healthier society in Brazil. Within this plan, we disclosed 35 commitments in eight thematic fields, grouped in three dimensions that guide our ESG efforts for years: *Healthier People*, *Healthier Businesses* and *Healthier Planet*. To reach the objectives laid out in Walking Together, we developed initiatives and projects of impact within each pillar.

In 2021, we focused on monitoring 5 commitments and 7 indicators, with goals for the current year that would set the Company into the direction of the goals set for 2030. The progress with these indicators is detailed in the table below.

Pillar	Goal	2030 target	2021 target	2021 result
People	% Risk factor reduction	50%	10%	23.5%
	% Chronic employees in health programs	100%	20%	31.3%
Businesses	**Gender equality**			
	% Women in executive leadership	50%	19.6%	26.3%
	% Women in functional leadership	50%	47.8%	42.5%
	% Women in operational leadership	50%	66%	68.5%
	Supply chain			
	% Evaluated suppliers in critical categories	100%	50%	100%
Planet	% Conscious discarding coverage (cities)	100%	100%	94.4%

Within this context, the Company highlights the results achieved in each of the three pillars of the Sustainability Strategy:

Healthier People: The commitment of transforming ourselves into a platform for integral health urges us to become a reference player in *taking care of our employees*. In 2021, we consolidated several initiatives for the engagement of our own people to incentivize habit change, named *The Better Version of Myself*. In six months, 31.3% of employees with chronic diseases were enrolled into health programs, surpassing our goal of 20% for the year. Of all the employees who completed their health profile, 23.5% had their risk factors reduced, another result that went beyond the goal set for the end of 2021. Also, in a context of the pandemic, we made telemedicine consultations by Albert Einstein Hospital available to our employees, with over 49 thousand consultations made in the year.

In *taking care of our customers*, our pharmacies have taken on an increasing role in prevention and health promotion. With the expansion of our pharmaceutical services at our locations, including 1,5 thousand health hubs, we performed 3 million COVID-19 quick tests in 2021, and provided 198 thousand immunizations against COVID-19 in our pharmacies, in partnership with several municipalities.

In *taking care of our communities*, we increased our social investments. With the challenges brought by nearly two years of the COVID-19 pandemic, RD sustained its efforts to support the society in programs in fighting the virus. In 2021, we participated in the *United by the Vaccine* movement, with the donation of approximately R$ 5 million in equipment and supplies to healthcare institutions in 98 municipalities. Additionally, we invested R$ 5 million in integral health initiatives across Brazil. The involvement of our customers was another highlight, with 48% of growth in donations to healthcare institutions backed by the sales of the social magazines *Sorria* and *Todos* in our pharmacies.

Healthier Businesses: The establishment of a diverse and inclusive working environment is one of the most important goals for RD. In 2021, we advanced in our *diversity and inclusion* strategy, organizing several initiatives that seek to educate and inform our executive leadership. And, to that end, we count on the expertise of renown external consultants, specialized in their fields. We structured governance for the topic, defining responsibilities and inviting our executives to become sponsors in the agendas of genders, LGBTI+, race, generations and people with deficiencies. We obtained the recognition from *Women on Board* (WOB), which highlights and values corporate environments with the presence of two or more women in the board of directors. Lastly, we advanced in the composition of our female leadership. In 2021, we reached the milestone of 26.3% of women in executive leadership positions (directors and C-level), above the target of 19.6% for 2021.

We reinforce our historical commitment towards the *career development of our employees*, starting at the pharmacy entry level and potentially progressing towards store manager in up to five years. Today, 100% of our pharmacy managers have been promoted from within the Company under our career program.

We have also invested in the development of our leaders by educating them with the new skills required to advance in their careers. In 2021, we developed and promoted 493 people to different management positions, who took on the responsibility of leading our pharmacies throughout the country. We signed partnerships with education institutions and doubled the number of scholarships for undergrad and graduate courses, ending the year with 752 benefitted employees.

Within our *supply chain*, we strengthened our commitment with developing positive relationships with our commercial partners through the improvement of our program *ESG in our Supply Chain*, which includes sustainability evaluations starting when suppliers are still potential partners. In 2021, 100% of the suppliers marked as critical under a socioenvironmental lens underwent an ESG evaluation led by our Supplier Governance team.

Healthier Planet: Under the topic of *waste management*, RD has pioneered the adoption of a program dedicated to the correct disposal of expired or damaged medicines and became a reference in the issue over the last 10 years. Year after year, we have increased the program's coverage, assuring the correct disposal of these materials and preventing them from damaging the environment or causing health problems to other people. The combination of a greater number of collecting stations in our pharmacies with the increasing engagement of our customers with the program resulted in the collection of 137 tons of material in 2021, a volume increase of 117% when compared to the previous year.

With *climate change*, we promoted an initiative in the city of Uberlândia (MG) in partnership with a startup which is piloting deliveries through bicycles. The pilot totaled 4.2 thousand deliveries, with 81% made using electric bicycles. In 2021, we compensated 70% of our greenhouse gas emissions of 2020 and tripled the number of pharmacies supplied by renewable sources of electricity, such as biomass, photovoltaic and small hydropower plants, reaching 735 units. Finally, 100% of our pharmacies use LED lighting and we continue advancing in the replacement of our air conditioning equipment to use models with inverter technology, which reduces electricity consumption by circa 15% in comparison to conventional models.

Finally, we are proud to share that in January 2022, RD's shares were included into the **ISE**, B3's sustainability index, which includes Brazil's top 46 companies evaluated for corporate sustainability based on economic efficiency, environmental equilibrium, social justice and governance criteria. The inclusion of RD into ISE was an important achievement for the Company, and is the result of 3 years of collaborative work that included a broad consultation with stakeholders, the mobilization of the entire organization and the definition of a long-term agenda, with objective goals and numerous action plans, with aligned business and sustainability strategies.

IFRS 16

Since 2019, our financial statements have been prepared in accordance with IFRS 16. In order to preserve historic comparability, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard, which we believe best represents the economic performance of our operations.

Financial statements in both IAS 17 and IFRS 16 are also available at our website ir.rd.com.br, under Interactive Spreadsheets.

	4Q21			2021		
Income Statement *(R$ millions)*	**IAS 17**	**IFRS 16**	**Change**	**IAS 17**	**IFRS 16**	**Change**
Gross Revenue	**6,853.1**	**6,853.1**	**0.0**	**25,605.7**	**25,605.7**	**0.0**
Gross Profit	**1,951.8**	**1,951.8**	**0.0**	**7,206.2**	**7,206.2**	**0.0**
Gross Margin	28.5%	28.5%	0.0%	28.1%	28.1%	0.0%
Selling Expenses	(1,261.8)	(1,043.4)	218.4	(4,606.3)	(3,796.1)	810.2
G&A	(241.9)	(241.5)	0.5	(792.6)	(790.8)	1.8
Total Expenses	**(1,503.7)**	**(1,284.8)**	**218.8**	**(5,398.9)**	**(4,586.9)**	**812.0**
as % of Gross Revenue	21.9%	18.7%	(3.2%)	21.1%	17.9%	(3.2%)
Adjusted EBITDA	**448.1**	**667.0**	**218.8**	**1,807.2**	**2,619.2**	**812.0**
as % of Gross Revenue	6.5%	9.7%	3.2%	7.1%	10.2%	3.2%
Non-Recurring Expenses / Revenues	(26.5)	(26.2)	0.3	40.9	40.7	(0.2)
Depreciation and Amortization	(171.2)	(349.8)	(178.6)	(627.0)	(1,292.3)	(665.3)
Financial Results	(69.8)	(127.7)	(58.0)	(155.4)	(379.2)	(223.8)
Equity Equivalence	1.7	1.7	0.0	(1.1)	(1.1)	0.0
Income Tax	4.8	10.7	5.9	(249.4)	(223.1)	26.3
Net Income	**187.2**	**175.6**	**(11.5)**	**815.2**	**764.1**	**(51.0)**
as % of Gross Revenue	2.7%	2.6%	(0.2%)	3.2%	3.0%	(0.2%)

	4Q21		Change
Balance Sheet *(R$ millions)*	**IAS 17**	**IFRS 16**	**Δ 4Q21**
Assets	**11,445.4**	**14,775.5**	**3,330.1**
Current Assets	**7,718.9**	**7,718.9**	**0.0**
Taxes Receivable	195.7	195.8	0.0
Non-Current Assets	**3,726.5**	**7,056.6**	**3,330.1**
Other Credits	28.5	28.0	(0.5)
Property, Plant and Equipment	1,999.0	5,329.6	3,330.6
Liabilities and Shareholder's Equity	**11,445.4**	**14,775.5**	**3,330.1**
Current Liabilities	**5,211.1**	**5,896.2**	**685.1**
Financial Leases	0.0	699.2	699.2
Other Accounts Payable	245.2	231.1	(14.1)
Non-Current Liabilities	**1,298.4**	**4,160.5**	**2,862.1**
Financial Leases	0.0	2,973.7	2,973.7
Provision for Lawsuits	52.9	53.1	0.2
Income Tax and Social Charges Deferred	200.7	89.0	(111.6)
Other Accounts Payable	153.5	153.3	(0.2)
Shareholder's Equity	**4,935.9**	**4,718.8**	**(217.1)**
Income Reserves	2,267.9	2,050.9	(217.0)
Non Controller Interest	41.2	41.1	(0.0)

Cash Flow *(R$ millions)*	4Q21 IAS 17	4Q21 IFRS 16	4Q21 Change	2021 IAS 17	2021 IFRS 16	2021 Change
Adjusted EBIT	**276.9**	**317.1**	**40.2**	**1,180.3**	**1,326.9**	**146.7**
NPV Adjustment	(44.9)	(44.9)	0.0	(72.1)	(72.1)	0.0
Non-Recurring Expenses	(26.5)	(26.2)	0.3	40.9	40.7	(0.2)
Income Tax (34%)	(69.9)	(83.6)	(13.8)	(390.7)	(440.5)	(49.8)
Depreciation	171.1	349.8	178.8	626.8	1,292.3	665.5
Rental Expenses	0.0	(219.2)	(219.2)	0.0	(811.8)	(811.8)
Others	48.1	61.8	13.7	65.3	114.9	49.6
Resources from Operations	**354.8**	**354.8**	**0.0**	**1,450.5**	**1,450.5**	**0.0**
Cash Cycle*	279.1	279.1	0.0	(770.9)	(770.9)	0.0
Other Assets (Liabilities)**	(77.4)	(77.4)	0.0	142.0	142.0	0.0
Operating Cash Flow	**556.5**	**556.5**	**0.0**	**821.6**	**821.6**	**0.0**
Investments	**(287.2)**	**(287.2)**	**0.0**	**(847.8)**	**(847.8)**	**0.0**
Free Cash Flow	**269.2**	**269.2**	**0.0**	**(26.3)**	**(26.3)**	**0.0**
M&A and other investments	(84.6)	(84.6)	0.0	(137.3)	(137.3)	0.0
Interest on equity and dividends	(231.1)	(231.1)	0.0	(314.8)	(314.8)	0.0
Income tax paid over interest on equity	(8.0)	(8.0)	0.0	(33.6)	(33.6)	0.0
Net financial expenses***	(32.5)	(32.5)	0.0	(87.7)	(87.7)	0.0
Share buyback	0.0	0.0	0.0	(73.2)	(73.2)	0.0
Tax benefit (fin. exp., IoE, dividends)	48.8	48.8	0.0	99.5	99.5	0.0
Total Cash Flow	**(38.2)**	**(38.2)**	**0.0**	**(573.4)**	**(573.4)**	**0.0**

*Includes adjustments to discounted receivables.

**Includes NPV adjustments

***Excludes NPV adjustments

4Q21 Results Conference Calls – February 23rd, 2022

Portuguese
at 10:00 am (BRT)

Link:
https://www.resultadosrd.com.br/

English
at 12:00 pm (BRT)

Link:
https://www.resultadosrd.com.br/

For more information, please contact our Investor Relations department.

E-mail: ri@rd.com.br

Consolidated Adjusted Income Statement *(R$ thousands)*	**4Q20**	**4Q21**	**2020**	**2021**
Gross Revenue	**5,868,052**	**6,853,140**	**21,180,475**	**25,605,685**
Taxes, Discounts and Returns	(314,311)	(379,315)	(1,113,637)	(1,478,680)
Net Revenue	**5,553,741**	**6,473,825**	**20,066,838**	**24,127,005**
Cost of Goods Sold	(3,919,528)	(4,522,021)	(14,175,656)	(16,920,835)
Gross Profit	**1,634,213**	**1,951,805**	**5,891,182**	**7,206,170**
Operational (Expenses) Revenues				
Sales	(1,027,786)	(1,261,758)	(3,877,221)	(4,606,314)
General and Administrative	(175,584)	(241,936)	(584,793)	(792,611)
Operational Expenses	**(1,203,370)**	**(1,503,695)**	**(4,462,014)**	**(5,398,925)**
EBITDA	**430,843**	**448,110**	**1,429,169**	**1,807,245**
Depreciation and Amortization	(147,571)	(171,187)	(563,847)	(626,995)
Operational Earnings before Financial Results	**283,271**	**276,923**	**865,322**	**1,180,251**
Financial Expenses	(30,289)	(102,557)	(135,480)	(235,445)
Financial Revenue	13,600	32,799	54,182	80,017
Financial Expenses/Revenue	**(16,689)**	**(69,758)**	**(81,298)**	**(155,427)**
Equity Equivalence	(3,551)	1,694	(7,867)	(1,128)
Earnings before Income Tax and Social Charges	**263,031**	**208,859**	**776,157**	**1,023,695**
Income Tax and Social Charges	(49,359)	(4,220)	(175,172)	(235,520)
Net Income	**213,672**	**204,639**	**600,984**	**788,175**

Consolidated Income Statement *(R$ thousands)*	**4Q20**	**4Q21**	**2020**	**2021**
Gross Revenue	**5,868,052**	**6,853,140**	**21.180.475**	**25,605,685**
Taxes, Discounts and Returns	(314,311)	(379,315)	(1.113.637)	(1,478,680)
Net Revenue	**5,553,741**	**6,473,825**	**20.066.838**	**24,127,005**
Cost of Goods Sold	(3,919,528)	(4,522,021)	(14.175.656)	(16,920,835)
Gross Profit	**1,634,213**	**1,951,805**	**5.891.182**	**7,206,170**
Operational (Expenses) Revenues				
Sales	(1,027,786)	(1,261,758)	(3.877.221)	(4,606,314)
General and Administrative	(175,584)	(241,936)	(584.793)	(792,611)
Other Operational Expenses, Net	(23,000)	(26,491)	(32.917)	40,874
Operational Expenses	**(1,226,370)**	**(1,530,186)**	**(4.494.931)**	**(5,358,051)**
EBITDA	**407,842**	**421,619**	**1.396.251**	**1,848,119**
Depreciation and Amortization	(147,571)	(171,187)	(563.847)	(626,995)
Operational Earnings before Financial Results	**260,271**	**250,431**	**832.405**	**1,221,124**
Financial Expenses	(30,289)	(102,557)	(135.480)	(235,445)
Financial Revenue	13,600	32,799	54.182	80,017
Financial Expenses/Revenue	**(16,689)**	**(69,758)**	**(81.298)**	**(155,427)**
Equity Equivalence	(3,551)	1,694	(7.867)	(1,128)
Earnings before Income Tax and Social Charges	**240,031**	**182,367**	**743.240**	**1,064,569**
Income Tax and Social Charges	(41,539)	4,788	(163.981)	(249,417)
Net Income	**198,492**	**187,155**	**579.259**	**815,152**

Assets	**4Q20**	**4Q21**
(R$ thousands)		
Current Assets		
Cash and Cash Equivalents	880,357	356,117
Accounts Receivable	1,555,434	1,710,057
Inventories	4,225,407	5,117,799
Taxes Receivable	61,491	195,730
Other Accounts Receivable	261,045	290,837
Anticipated Expenses	36,738	48,359
	7,020,472	7,718,899
Non-Current Assets		
Deposit in Court	25,753	29,952
Taxes Receivable	111,548	132,929
Income Tax and Social Charges deferred	34,605	49,047
Other Credits	352,350	28,454
Investments	0	830
Property, Plant and Equipment	1,859,220	1,999,020
Intangible	1,261,708	1,486,252
	3,645,184	3,726,484
ASSETS	**10,665,656**	**11,445,383**

Liabilities and Shareholder's Equity *(R$ thousands)*	**4Q20**	**4Q21**
Current Liabilities		
Suppliers	3,106,937	3,656,605
Loans and Financing	531,204	613,831
Salaries and Social Charges Payable	309,161	420,356
Taxes Payable	138,673	154,772
Dividend and Interest on Equity	66,295	76,787
Provision for Lawsuits	32,835	43,560
Other Accounts Payable	181,417	245,170
	4,366,522	5,211,081
Non-Current Liabilities		
Loans and Financing	1,122,250	891,393
Provision for Lawsuits	70,822	52,915
Income Tax and Social Charges deferred	158,141	200,660
Other Accounts Payable	406,058	153,466
	1,757,270	1,298,434
Shareholder's Equity		
Common Stock	2,500,000	2,500,000
Capital Reserves	148,029	89,914
Revaluation Reserve	11,677	11,514
Income Reserves	1,780,379	2,267,879
Accrued Income	-	-
Equity Adjustments	(30,230)	3,261
Non Controller Interest	62,531	41,170
Additional Dividend Proposed	69,478	22,129
	4,541,863	4,935,868
LIABILITIES AND SHAREHOLDERS' EQUITY	**10,665,656**	**11,445,383**

Cash Flow	4Q20	4Q21	2020	2021
(R$ thousands)				
Earnings before Income Tax and Social Charges	**237,468**	**188,109**	**743,240**	**1,043,196**
Adjustments				
Depreciation and Amortization	147,572	171,064	563,848	626,812
Compensation plan with restricted shares, net	5,107	5,470	18,090	15,113
Interest over additional stock option	657	734	4,335	2,819
P,P&E and Intangible Assets residual value	693	12,427	3,580	23,865
Provisioned Lawsuits	83,076	14,406	92,379	42,030
Provisioned Inventory Loss	(8,242)	(1,122)	15,080	4,418
Provision for Doubtful Accounts	9,646	3,871	11,480	7,732
Provisioned Store Closures	4,173	8,072	2,260	(105)
Interest Expenses	14,004	29,658	59,515	86,179
Debt Issuance Costs Amortization	1,296	968	4,576	4,321
Equity Equivalence Result	6,840	(1,694)	7,867	1,128
Gains from business combination	-	-	-	-
Provision for Estimated Losses on other Assets	-	-	-	-
Discount on rentals	-	(767)	-	(6,390)
	502,290	**431,196**	**1,526,250**	**1,851,118**
Assets and Liabilities variation				
Clients and Other Accounts Receivable	(94,660)	136,050	(377,894)	(158,093)
Inventories	(290,490)	(399,419)	(389,100)	(896,809)
Other Short Term Assets	(296)	17,378	57,395	(38,768)
Long Term Assets	(25,315)	(27,507)	(82,267)	(28,649)
Suppliers	763,645	747,893	456,032	489,893
Salaries and Social Charges	(100,110)	(65,688)	12,488	109,273
Taxes Payable	18,761	(13,247)	29,659	26,088
Other Liabilities	(46,555)	116,690	16,211	154,147
Rents Payable	3,404	(455)	2,943	10,065
Cash from Operations	**730,674**	**942,891**	**1,251,717**	**1,518,265**
Interest Paid	(10,044)	(17,175)	(40,084)	(64,861)
Income Tax and Social Charges Paid	(76,431)	(121,783)	(201,441)	(373,976)
Paid lawsuits	(18,901)	(13,522)	(68,417)	(51,072)
Net Cash from (invested) Operational Activities	**625,298**	**790,411**	**941,775**	**1,028,356**
Investment Activities Cash Flow				
Acquisition	-	-	-	-
Cash acquired from business combination	-	1,380	-	14,655
P,P&E and Intangible Acquisitions	(201,732)	(350,967)	(676,420)	(954,736)
P,P&E Sale Payments	5,348	134	6,648	809
Restricted Investments	-	-	-	-
Acquisitions and capital contributions in investments, net	(3,289)	(4,510)	(3,289)	(12,636)
Loans granted to subsidiaries	1,768	(17,350)	(36)	(18,450)
Cash from incorporated company	-	(479)	-	(14,771)
Net Cash from Investment Activities	**(197,905)**	**(371,792)**	**(673,097)**	**(985,129)**
Financing Activities Cash Flow				
Funding	8,416	(702)	728,216	338,235
Payments	(92,225)	(77,852)	(225,245)	(517,646)
Share Buyback	-	-	-	(73,228)
Interest on Equity and Dividends Paid	(63,433)	(231,106)	(190,518)	(314,828)
Rentals paid	-	-	-	-
Net Cash from Funding Activities	**(147,242)**	**(309,660)**	**312,453**	**(567,467)**
Cash and Cash Equivalents net increase	**280,151**	**108,959**	**581,131**	**(524,240)**
Cash and Cash Equivalents in the beggining of the period	**600,206**	**247,158**	**299,226**	**880,357**
Cash and Cash Equivalents in the end of the period	**880,357**	**356,117**	**880,357**	**356,117**

PROFIT ALLOCATION

Following legal and statutory provisions, we propose the following allocation for the retained earnings which amount to R$ 752,683 thousand:

Legal Reserve	R$ 37,597 thousand
Statutory Reserve	R$ 257,486 thousand
Interest on Capital (R$ 0.124353822 per share)	R$ 205,000 thousand
Tax Incentive Reserve	R$ 91,600 thousand
Additional dividend proposed	R$ 161,000 thousand

We also propose that the interest on capital be attributed to the mandatory dividend.

INDEPENDENT AUDITOR

In compliance with the CVM Instruction 381/2003 and Circular Letter 01/2007, the Company informs herein that, during 2021, Ernst & Young Auditores Independentes S.S. provided independent audit services related to the financial statements for 2021.

The Company's policy towards its independent auditors, with regard to the provision of services not related to the independent audit, is based on the principles that preserve the auditor's independence. These principles are based on the fact that the auditor should not audit his own work, nor perform managerial functions or advocate for his client. In the year ended **December 31, 2021**, Ernst & Young Auditores Independentes S.S. provided independent audit services to the Company. The amount of fees incurred with the independent auditors in fiscal year **2021** was R$ 1.299 thousand referring to independent audit services related to the financial statements.

Ernst & Young Auditores Independentes is not aware of any relationship between the parties that could be considered as conflicting as regards its independence.

Balance sheet
December 31, 2021
All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent Company Dec/2021	Parent Company Dec/2020	Consolidated Dec/2021	Consolidated Dec/2020
Current assets					
Cash and cash equivalents	5	316,654	855,257	356,118	880,357
Trade receivables	6	1,487,204	1,373,801	1,710,057	1,555,434
Inventories	7	4,990,021	4,112,842	5,117,799	4,225,408
Recoverable taxes	8	190,377	59,288	195,777	61,531
Other current assets	-	288,078	258,187	290,814	261,022
Prepaid expenses	-	47,996	36,482	48,359	36,738
		7,320,330	**6,695,857**	**7,718,924**	**7,020,490**
Non-current assets					
Long-term receivables					
Judicial deposits	15	25,872	25,753	29,951	25,753
Arbitration restricted asset	16	-	341,906	-	341,906
Recoverable taxes	8	120,669	96,035	132,929	111,548
Deferred income tax and social contribution	17b	-	-	49,047	36,261
Prepaid expenses		5,189	6,454	5,189	6,454
Related parties	-	34,936	57,806	22,227	-
Other non-current assets	-	533	504	571	3,502
		187,199	**528,458**	**239,914**	**525,424**
Investments	9	322,840	78,266	830	-
Property and equipment	10a	1,992,728	1,854,211	1,999,020	1,859,220
Right-of-use lease	14	3,327,624	3,158,394	3,330,567	3,161,245
Intangible assets	10b	1,290,414	1,228,783	1,486,251	1,261,709
		6,933,606	**6,319,654**	**6,816,668**	**6,282,174**
		7,120,805	**6,848,112**	**7,056,582**	**6,807,598**
Total assets		**14,441,135**	**13,543,969**	**14,775,506**	**13,828,088**

Liabilities and equity	Note	Parent Company Dec/2021	Parent Company Dec/2020	Consolidated Dec/2021	Consolidated Dec/2020
Current liabilities					
Trade payables	12	3,485,328	2,943,379	3,656,607	3,106,938
Borrowings	13	571,549	497,751	613,831	531,204
Leases payable	14	697,738	501,924	699,170	503,318
Salaries and social charges	-	405,782	302,833	420,356	309,160
Taxes and contributions	-	151,785	123,584	154,411	131,798
Dividends and interest on capital	-	76,787	16,492	76,787	16,492
Income tax and social contribution	-	-	6,873	362	6,873
Provision for legal claims	15	43,560	32,646	43,560	32,835
Other current liabilities	-	219,670	157,714	231,109	162,685
		5,652,199	**4,583,196**	**5,896,193**	**4,801,303**
Non-current liabilities					
Borrowings	13	890,613	1,122,250	891,391	1,122,250
Leases payable	14	2,972,087	2,926,026	2,973,728	2,927,607
Provision for legal claims	15	52,915	70,822	53,108	70,822
Deferred income tax and social contribution	17b	87,519	72,772	89,011	74,428
Payables to subsidiary's shareholder	9a	37,383	46,448	37,943	46,448
Arbitration liability	16	-	341,843	-	341,843
Provisions for losses on investments	9	-	4,578	432	4,578
Other non-current liabilities	-	70,746	12,908	114,898	13,188
		4,111,263	**4,597,647**	**4,160,511**	**4,601,164**
Total liabilities		**9,763,462**	**9,180,843**	**10,056,704**	**9,402,467**
Equity	19				
Attributable to owners of the Company					
Share capital	-	2,500,000	2,500,000	2,500,000	2,500,000
Capital reserves	-	89,914	148,029	89,914	148,029
Revenue reserves	-	2,050,855	1,664,172	2,050,855	1,664,172
Proposed additional dividend	-	22,129	69,478	22,129	69,478
Carrying value adjustments	-	14,775	(18,553)	14,775	(18,553)
		4,677,673	**4,363,126**	**4,677,673**	**4,363,126**
Noncontrolling interests	-	-	-	41,129	62,495
Total equity		**4,677,673**	**4,363,126**	**4,718,802**	**4,425,621**
Total liabilities and equity		**14,441,135**	**13,543,969**	**14,775,506**	**13,828,088**

The accompanying notes are an integral part of these financial statements

Statements of income
Years ended December 31, 2021 and 2020
All amounts in thousands of reais, except earnings per capital share

(A free translation of the original in Portuguese)

	Note	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Net sales revenue	20	22,841,005	19,068,701	24,127,002	20,066,840
Cost of sales	21	(15,800,532)	(13,261,372)	(16,920,834)	(14,175,708)
Gross profit		**7,040,473**	**5,807,329**	**7,206,168**	**5,891,132**
Operating (expenses) income					
Selling expenses	21	(4,892,307)	(4,202,358)	(4,966,819)	(4,256,422)
General and administrative expenses	21	(869,519)	(661,168)	(912,404)	(679,320)
Other operating (income)/expenses	22	38,251	(31,526)	40,654	(31,539)
Equity in the results of subsidiaries	9	33,720	5,684	(1,127)	(7,867)
		(5,689,855)	**(4,889,368)**	**(5,839,696)**	**(4,975,148)**
Profit before finance results		**1,350,618**	**917,961**	**1,366,472**	**915,984**
Finance income (costs)					
Finance income	23	74,929	51,145	80,016	54,182
Finance costs	23	(448,038)	(348,046)	(459,226)	(353,798)
		(373,109)	**(296,901)**	**(379,210)**	**(299,616)**
Profit before income tax and social contribution		**977,509**	**621,060**	**987,262**	**616,368**
Income tax and social contribution					
Current	-	(210,745)	(206,565)	(221,249)	(206,565)
Deferred	-	(14,830)	69,949	(1,880)	85,730
	17	**(225,575)**	**(136,616)**	**(223,129)**	**(120,835)**
Profit for the year		**751,934**	**484,444**	**764,133**	**495,533**
Attributable to:					
Owners of the Company	-	-	-	751,934	484,444
Noncontrolling interests	-	-	-	12,199	11,089
		751,934	**484,444**	**764,133**	**495,533**
Basic earnings per share	18	0.45592	0.29374	0.45592	0.29374
Diluted earnings per share	18	0.45467	0.29299	0.45467	0.29299

The accompanying notes are an integral part of these financial statements

Statements of comprehensive income
Years ended December 31, 2021 and 2020
All amounts in thousands of reais, except earnings per capital share

(A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		Dec21	Dec/20	Dec/21	Dec/20
Profit for the year		**751,934**	**484,444**	**764,133**	**495,533**
Components of comprehensive income					
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year		**751,934**	**484,444**	**764,133**	**495,533**
Attributable to:					
Owners of the Company	-	751,934	484,444	751,934	484,444
Noncontrolling interests	-	-	-	12,199	11,089
Total		**751,934**	**484,444**	**764,133**	**495,533**

The accompanying notes are an integral part of these financial statements

Statements of changes in equity
Years ended December 31, 2021 and 2020
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Attributable to owners of the Company														
		Capital reserves				Revenue reserves					Carrying value adjustments				
	Share capital	Special monetary adjustment	Goodwill on issue / sale of shares	Treasury shares	Restricted shares and other	Legal	Statutory	Tax incentives	Retained earnings	Proposed additional dividend	Revaluation reserve	Transactions with noncontrolling interests	Total	Noncontrolling interests	Total equity
At December 31, 2019	**2,500,000**	**10,191**	**135,739**	**(38,141)**	**21,980**	**154,131**	**1,080,636**	**137,216**	**-**	**41,643**	**11,848**	**(30,230)**	**4,025,013**	**51,406**	**4,076,419**
Dividend for 2019 approved at the Annual General Meeting (AGM) of March 23, 2020	-	-	-	-	-	-	-	-	-	(41,643)	-	-	(41,643)	-	(41,643)
Realization of revaluation reserve, net of income tax and social contribution	-	-	-	-	-	-	-	-	171	-	(171)	-	-	-	-
Interest on capital expired	-	-	-	-	-	-	-	-	573	-	-	-	573	-	573
Restricted share plan - Vesting period	-	-	-	-	18,217	-	-	-	-	-	-	-	18,217	-	18,217
Restricted share plan - Delivery	-	-	1,174	11,814	(12,988)	-	-	-	-	-	-	-	-	-	-
Restricted shares - delivery of 4Bio shares	-	-	-	44	-	-	-	-	-	-	-	-	44	-	44
Profit for the year	-	-	-	-	-	-	-	-	484,444	-	-	-	484,444	11,089	495,533
Allocation of profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	24,222	-	-	(24,222)	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	-	198,316	-	(198,316)	-	-	-	-	-	-
Tax incentive reserve	-	-	-	-	-	-	-	69,650	(69,650)	-	-	-	-	-	-
Interest on capital proposed - R$ 0.011701207 per share	-	-	-	-	-	-	-	-	(123,522)	-	-	-	(123,522)	-	(123,522)
Interest on capital proposed	-	-	-	-	-	-	-	-	(69,478)	69,478	-	-	-	-	-
At December 31, 2020	**2,500,000**	**10,191**	**136,913**	**(26,283)**	**27,209**	**178,353**	**1,278,952**	**206,866**	**-**	**69,478**	**11,677**	**(30,230)**	**4,363,126**	**62,495**	**4,425,621**
															-
Interest on capital for 2020 approved at the AGM of March 9, 2021	-	-	-	-	-	-	-	-	-	(69,478)	-	-	(69,478)	-	(69,478)
Interest on capital expired	-	-	-	-	-	-	-	-	586	-	-	-	586	-	586
Realization of revaluation reserve, net of income tax and social contribution	-	-	-	-	-	-	-	-	162	-	(162)	-	-	-	-
Restricted share plan - Vesting period	-	-	-		15,086		-	-	-	-	-		15,086	-	15,086
Restricted share plan - Delivery	-	-	(1,348)	7,444	(6,096)		-	-	-	-	-	-	-	-	-
Repurchase of shares	-	-	-	(73,228)	-		-	-	-	-	-	-	(73,228)	-	(73,228)
Restricted shares - delivery of 4Bio shares	-	-	-	73	(47)		-	-	-	-	-	-	26	-	26
Acquisition of shares from noncontrolling interests through exercise of call option – 4Bio	-	-	-	-	-		-	-	-	-	-	34,052	34,052	(34,026)	26
Transactions with noncontrolling interests – Healthbit	-	-	-	-	-	-	-	-	-	-	-	(560)	(560)	-	(560)
Profit for the year	-	-	-	-	-	-	-	-	751,934	-	-	-	751,934	12,199	764,133
Allocation of profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	37,597	-	-	(37,597)	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	-	257,486	-	(257,486)	-	-	-	-	-	-
Tax incentive reserve	-	-	-	-	-	-	-	91,600	(91,600)	-	-	-	-	-	-
Interest on capital proposed - R$ 0.124353822 per share	-	-	-	-	-	-	-	-	(182,870)	-	-	-	(182,870)		(182,870)
Interest on capital proposed	-	-	-	-	-	-	-	-	(183,129)	183,129	-	-	-	-	-
Early dividends approved at the BDM of November 9, 2021	-	-	-	-	-	-	-	-		(120,000)	-	-	(120,000)	-	(120,000)
Early dividends approved at the BDM of December 3, 2021	-	-	-	-	-	-	-	-		(41,000)	-	-	(41,000)	-	(41,000)
Noncontrolling interests in the acquired investment	-	-	-	-	-	-	-	-	-	-	-	-	-	461	461
At December 31, 2021	**2,500,000**	**10,191**	**135,565**	**(91,994)**	**36,152**	**215,950**	**1,536,438**	**298,466**	**-**	**22,129**	**11,515**	**3,262**	**4,677,674**	**41,129**	**4,718,803**

The accompanying notes are an integral part of these financial statements

Statement of cash flows
Years ended December 31, 2021 and 2020
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		Dec/21	Dec/20	Dec/21	Dec/20
Cash flows from operating activities					
Profit before income tax and social contribution	-	**977,509**	**621,060**	**987,262**	**616,368**
Adjustments					
Depreciation and amortization	21	1,319,198	1,172,524	1,327,110	1,177,282
Compensation plan with restricted shares, net	-	15,112	18,138	15,086	18,090
Interest on additional stock option	-	2,819	4,335	2,819	4,335
Loss (profit) on sale/write-off of property and equipment and intangible assets	-	23,685	3,579	23,865	3,580
Provision for legal claims	15	42,025	92,190	42,029	92,379
Provision for inventory losses	7	4,418	15,080	4,418	15,080
(Reversal of) provision for impairment of trade receivables	6	4,490	10,796	7,732	11,480
(Reversal of) provision for drugstore closures	10.2	(105)	2,261	(105)	2,260
Interest expenses – borrowings	-	83,843	58,991	86,180	59,515
Interest expenses – leases	14	235,462	227,781	235,667	228,019
Amortization of transaction costs of debentures and promissory notes	13	4,321	4,576	4,321	4,576
Equity in the results of subsidiaries	9	(33,720)	(5,684)	1,127	7,867
Discounts on property rental	21	(6,390)	(13,804)	(6,390)	(13,804)
		2,672,667	**2,211,823**	**2,731,121**	**2,227,027**
Changes in assets and liabilities					
Trade and other receivables	-	(118,051)	(334,691)	(158,092)	(377,895)
Inventories	-	(881,597)	(356,587)	(896,809)	(389,100)
Other current assets	-	(39,154)	48,972	(38,768)	57,122
Long-term receivables	-	1,180	(38,961)	40,587	(83,938)
Trade payables	-	435,470	413,418	390,754	456,034
Salaries and social charges	-	102,949	11,760	109,274	12,486
Taxes and contributions	-	(71,406)	(34,300)	(36,003)	(11,806)
Other obligations	-	146,150	85,080	119,319	102,957
Rentals payable	-	14,733	22,312	14,738	22,312
Other					
Interest paid	13	(64,089)	(40,084)	(64,861)	(40,084)
Income tax and social contribution paid	-	(373,976)	(201,441)	(373,976)	(201,441)
Interest paid – leases	14	(235,462)	(227,781)	(235,667)	(228,019)
Legal claims - paid	15	(51,072)	(68,417)	(51,072)	(68,417)
Net cash provided by operating activities		**1,538,342**	**1,491,103**	**1,550,545**	**1,477,238**
Cash flows from investing activities					
Acquisition and capital contribution in investees, net of cash acquired	9.3	(172,385)	(7,789)	(12,636)	(3,289)
Cash acquired in business combination	-	-	-	14,655	-
Net assets acquired in business combination	-	-	-	(14,732)	-
Purchases of property and equipment and intangible assets	-	(738,611)	(673,185)	(855,596)	(676,421)
Proceeds from sale or property and equipment	-	809	6,648	809	6,648
Loans granted to subsidiary	-	26,799	(1,838)	(18,450)	(35)
Net cash used in investing activities		**(883,388)**	**(676,164)**	**(885,950)**	**(673,097)**
Cash flows from financing activities					
Borrowings taken	13	298,874	695,287	338,234	728,216
Repayment of borrowings	13	(484,717)	(225,245)	(517,646)	(225,245)
Leases paid	-	(669,462)	(534,069)	(671,170)	(535,463)
Interest on capital and dividends paid	-	(265,025)	(190,518)	(265,025)	(190,518)
Repurchase of shares	-	(73,227)	-	(73,227)	-
Net cash used in financing activities		**(1,193,557)**	**(254,545)**	**(1,188,834)**	**(223,010)**
Increase (decrease) in cash and cash equivalents		(538,603)	560,394	(524,239)	581,131
Cash and cash equivalents at January 1	5	855,257	294,863	880,357	299,226
Cash and cash equivalents at December 31	5	**316,654**	**855,257**	**356,118**	**880,357**

The accompanying notes are an integral part of these financial statements

Statements of value added
Year ended December 31, 2021
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	Dec/21	Dec/20	Dec/21	Dec/20
Revenue	**24,003,661**	**19,917,373**	**25,363,010**	**21,009,886**
Gross sales and services	23,988,319	19,915,692	25,350,150	21,007,448
Other income	17,014	1,868	17,037	1,868
Provision for (reversal of) impairment of trade receivables	(1,672)	(187)	(4,177)	570
Inputs acquired from third parties	**(15,939,888)**	**(13,293,072)**	**(17,106,964)**	**(14,234,465)**
Cost of sales and services	(14,399,387)	(11,992,268)	(15,518,483)	(12,905,413)
Materials, energy, outsourced services and other	(1,540,501)	(1,297,653)	(1,588,481)	(1,325,901)
Impairment/recovery of assets	-	(3,151)	-	(3,151)
Gross value added	**8,063,773**	**6,624,301**	**8,256,046**	**6,775,421**
Depreciation and amortization	(1,284,216)	(1,144,069)	(1,292,372)	(1,148,827)
Net value added generated by the entity	**6,779,557**	**5,480,232**	**6,963,674**	**5,626,594**
Value added received through transfer	**137,238**	**62,415**	**107,752**	**51,917**
Equity in the results of subsidiaries	33,720	5,684	(1,127)	(7,867)
Finance income	92,781	57,501	98,141	60,554
Other	10,737	(770)	10,738	(770)
Total value added to distribute	**6,916,795**	**5,542,647**	**7,071,426**	**5,678,511**
Distribution of value added				
Personnel	**2,362,195**	**1,986,368**	**2,411,632**	**2,018,482**
Direct remuneration	1,853,331	1,547,808	1,883,105	1,566,942
Benefits	349,389	306,523	366,735	317,873
Unemployment compensation fund	159,475	132,037	161,792	133,667
Taxes and contributions	**3,192,677**	**2,627,186**	**3,272,505**	**2,712,918**
Federal	820,482	671,186	829,292	662,859
State	2,331,643	1,923,847	2,401,812	2,017,510
Municipal	40,552	32,153	41,401	32,549
Providers of capital	**609,989**	**444,649**	**623,156**	**451,578**
Interest	447,516	346,774	458,412	352,176
Rentals	162,473	97,875	164,744	99,402
Interest on capital and dividends	**751,934**	**484,444**	**764,133**	**495,533**
Interest on capital	343,871	123,522	343,871	123,522
Retained earnings for the year	385,934	291,444	385,934	69,478
Dividends and interest on capital proposed	22,129	69,478	22,129	291,444
Noncontrolling interests in retained earnings	-	-	12,199	11,089
Value added distributed and retained	**6,916,795**	**5,542,647**	**7,071,426**	**5,678,511**

The accompanying notes are an integral part of these financial statements

All amounts in thousands of reais unless otherwise stated

1. Operations

Raia Drogasil S.A. ("Company", "Raia Drogasil", "RD" or "Parent Company") is a publicly-held company with its headquarters at Av. Corifeu de Azevedo Marques, 3.097, São Paulo – SP, listed on the Novo Mercado ("New Market") listing segment of B3 S.A. - Brasil, Bolsa, Balcão, under ticker RADL3.

Raia Drogasil S.A. and its subsidiaries (together "Consolidated" or "Group") are mainly engaged in the retail sale of medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics and specialty medicines. The Group conducts its sales through 2,490 drugstores (2,303 drugstores – Dec/20), distributed in 26 Brazilian states and the Federal District (23 states and the Federal District – Dec/20), as presented below:

	Consolidated	
State	**Dec/21**	**Dec/20**
Southeast region	**1,526**	**1,482**
São Paulo	1,120	1,108
Minas Gerais	189	169
Rio de Janeiro	166	156
Espírito Santo	51	49
Northeast region	**348**	**297**
Pernambuco	86	75
Bahia	84	71
Ceará	58	46
Maranhão	26	18
Sergipe	22	20
Alagoas	20	20
Paraíba	19	19
Rio Grande do Norte	17	14
Piauí	16	14
South region	**287**	**243**
Paraná	137	127
Rio Grande do Sul	78	59
Santa Catarina	72	57
Midwest region	**245**	**219**
Goiás	98	87
Distrito Federal	80	77
Mato Grosso	34	26
Mato Grosso do Sul	33	29
North region	**84**	**62**
Pará	43	42
Tocantins	14	11
Amazonas	13	7
Rondônia	10	2
Amapá	2	-
Acre	1	-
Roraima	1	-
Total	**2,490**	**2,303**

Raia Drogasil's drugstores, as well as the Group's e-commerce demands, are supplied by eleven distribution centers located in nine states: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás, Pernambuco, Bahia, Ceará and Rio Grande do Sul.

4Bio Medicamentos S.A. ("4Bio") markets its products through telesales and the delivery is made directly to the customer's location or through its four call centers in the states of São Paulo, Tocantins and Pernambuco.

Vitat Serviços em Saúde Ltda. ("Vitat") has as objective to integrate our Health Platform, both with the development of digital platforms for the promotion of healthy habits that promote health food and physical activities through nutritional programs, training plans and access to professionals such as Nutritionists, Psychologists and Physical Educators, such as through the development of activities to support health management, nursing activities, diagnostic and therapeutic complementation services, other professional, scientific and technical activities, clinical laboratories, activities of health area professionals and activities of care for human health.

RD Ventures Fundo de Investimento em Participações – Multiestratégia ("FIP RD Ventures") is an exclusive fund created as a platform that seeks to invest in businesses that contribute to the Company's growth strategy and accelerate the journey of digitalization in health.

Dr. Cuco Desenvolvimento de Software Ltda. ("Dr. Cuco") is a digital care platform focused on adherence to treatment.

Hereinafter, the four entities mentioned above will be collectively referred to as "Subsidiaries".

2. Presentation of financial statements

In conformity with Rule 505/2006 issued by the CVM, authorization to issue these financial statements was granted by the Company's Board of Directors on February 22, 2022.

The financial statements are presented in thousands of Brazilian reais (R$), which is the Group's functional and presentation currency.

The individual and consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM), the Brazilian General Technical Accounting Standards (NBC TG) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and provide all the significant information related solely to the financial statements, which is consistent with the information used by management. The Group adopted all standards, revised standards and interpretations issued by the IFRS and CPC that were effective as at December 31, 2021.

The individual financial statements are disclosed together with the consolidated financial statements, which include the financial statements of the Company and its subsidiaries 4Bio, Vitat, Dr. Cuco and FIP RD Ventures and have been prepared in accordance with consolidation practices and applicable legal provisions.

The accounting practices adopted by the subsidiaries were applied uniformly and consistently with those adopted by the Company. Where applicable, all transactions, balances, income and expenses between the subsidiary and the Company are fully eliminated in the consolidated financial statements.

The financial statements include accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies regarding provision for inventory losses, provision for expected credit losses, appreciation of financial instruments, realization periods of recoverable taxes, the amortization and depreciation periods for property and equipment and intangible assets, estimate of impairment of intangible assets with indefinite useful life, provision for legal claims, fair value measurement of financial liabilities, determination of provision for taxes, recognition of revenues from commercial agreements, among others. The significant estimates and judgments are disclosed in Note 4(v).

The presentation of the individual and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information, and not part of the set of the financial statements.

All amounts in thousands of reais unless otherwise stated

Impacts of Covid-19 pandemic

In compliance with CVM Circular Letter SNC/SEP 03/2020, in view of the current scenario in Brazil due to the Covid-19 pandemic, the Company assessed the provision for expected credit losses, taking into consideration all facts and circumstances, in order to verify whether in fact there was a significant increase in credit risk or any temporary liquidity restriction.

The Company adopted the assessment of trade receivables at December 31, 2021 as the calculation basis. On this date, the Company's receivables with respect to total accumulated sales were represented by: (i) Cards (83.5%), (ii) Cash (11.7%) and others (4.8%).

Trade receivables at December 31, 2021 are presented below:

Trade receivables	**Dec/21**	**%**
Credit / debit cards	1,432,672	96.3
Popular Pharmacy	19,098	1.3
Agreements with companies – Univers	20,104	1.4
Medicine Benefit Program – PBM	15,104	1.0
Trade receivables – Checks (cash/post-dated)	683	0.1
Trade receivables – Apps/Marketplace	658	0.0
Trade receivables – Manipulaê	2	0.0
Expected credit losses	(1,117)	(0.1)
Total	**1,487,204**	**100.0**

Regarding trade receivables items with greater representation, it is worth emphasizing that: (i) Credit / debit cards (96.3%) are concentrated on card administrators (Getnet, Cielo and Rede), where, of this amount, the Company should receive 71.6% in January, and the remaining amount is substantially scheduled to be received in February and March 2022; and (ii) for the Popular Pharmacy Program (1.3%), there are no indicators that would justify any adjustment to the provision in Management's understanding, since no impact has been noted, such as the increase in default or in the average term of receipts.

Accordingly, Management assessed and concluded that there was no significant increase in credit risk regarding Trade Receivables that could justify any adjustment to the provision for expected credit losses, as well as the need for any additional disclosure, at this time, regarding the impact of the Covid-19 pandemic on the Company's receivables.

In Management's assessment, there was no significant impact on sales indicating structural problems that could impact the accounting estimates with respect to: recoverability of financial assets (cash and cash equivalents, financial investments), realization of inventories, realization of deferred taxes, provisions for employee benefits, recoverability of indirect taxes, covenants, renegotiation of lease agreements, revaluation of assets, e-commerce revenue and taxes on profit.

During the current year, 240 drugstores were opened and 68 drugstores were closed (240 drugstores were opened and 11 drugstores were closed in 2020). All drugstore closures were carried out to optimize our drugstore portfolio, with positive expectations of return. The Covid-19 pandemic had no significant impact on the Company's expansion plan.

In accordance with CVM Ruling 859/2020, which addresses amendments to NBC TG 06 (R3) – Leases, Covid-19-related rent concessions – the Company has assessed that the benefits arising from lease discounts obtained on some properties are specific events and have not resulted in changes in the terms of lease agreements (Note 21).

3. New accounting procedures, amendments to and interpretations of standards

New accounting procedures

There are no accounting standards, guidance or pronouncements that became effective for the first time as from the year beginning on January 1, 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

(a) NBC TG 26 (R5) / IAS 1: Presentation of Financial Statements

Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, corresponding to NBC TG 26 (R5) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that a right to defer settlement means:

(i) That a right to defer must exist at the end of the reporting period;
(ii) That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
(iii) That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments would have on current practice and whether existing loan agreements could require renegotiation, however, up to this moment, Management concludes that these amendments did not have significant impacts on the financial statements.

(b) Amendment to IFRS 3 - Reference to the Conceptual Framework

This Amendment to IFRS 3 - Business Combination is effective for periods beginning January 1, 2022, aiming to clarify some alterations regarding the conceptual framework, without significant changes. Management is assessing possible impacts to the Company.

(c) Amendment to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

This Amendment to IFRS 16, which will become effective as from January 1, 2022, prohibits entities deducting the cost of an item of property, plant and equipment from any proceeds from selling items produced while bringing that asset to the location and conditions necessary for it to be able of operating in the manner intended by Management. Instead, the Company should recognize in profit or loss for the year the proceeds from selling such items and the costs of producing those items, when incurred. Management believes that there are no impacts to the Company.

(d) Amendment to IAS 37/ NBC TG 25 – Onerous Contracts: Costs of Fulfilling a Contract

This Amendment to IAS 37 / NBC TG 25 will become effective as from January 1, 2022, whose main changes aim at specifying that the 'cost of fulfilling' a contract comprises 'costs that relate directly to the contract'. The costs that relate directly to a contract may be incremental costs and an allocation of other costs directly related to the performance of a contract. Management periodically assesses its contracts and sets up possible provisions when identified.

(e) Amendments to IAS 8 / NBC TG 23 - Definition of Accounting Estimates

The amendments to IAS 8 / NBC TG 23 are effective for annual reporting periods beginning on or after January 1, 2023, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. Management is assessing possible impacts; however, the amendments are not expected to have a material impact on RD's financial statements.

(f) Amendments to IAS 1 / NBC TG 26 (R4) - Presentation of Financial Statements

The amendments to IAS 1 / NBC TG 26 (R4) are applicable for annual periods beginning on or after January 1, 2023 and provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Management is currently assessing the possible impacts of these amendments on the accounting policies disclosed, however the amendments are not expected to have an impact.

New and revised standards applied for first time in 2021

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) Amendments to NBC TG 06 (R3), NBC TG 38 (R3), NBC TG 40 (R2) and NBC TG 48: Interest Rate Benchmark Reform

The amendments to NBC TG 38 (R3) and NBC TG 48 provide temporary reliefs which address the financial reporting effects when a CDI rate is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by the reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Company's individual and consolidated financial statements. RD intends to use the practical expedients in future periods if they become applicable.

(b) Amendments to NBC TG 06 (R3): COVID-19-Related Rent Concessions beyond June 30, 2021

The amendments provide relief to lessees from applying NBC TG 06 (R3) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under NBC TG 06 (R3), if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the CPC extended the period of application of the practical expedient to June 30, 2022. This amendment applies to annual reporting periods beginning on or after January 1, 2021. However, the Group has not yet received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

4. Significant accounting practices

The significant accounting practices adopted in the preparation of these financial statements are presented and summarized below and, when related to significant balances, detailed in the notes to the financial statements. The accounting practices were consistently applied in the years.

(a) Consolidation

Subsidiaries are all entities that the Company controls. They are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases.

Identifiable assets acquired and liabilities assumed for the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any noncontrolling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the noncontrolling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Noncontrolling interests are determined on each acquisition. Acquisition-related costs are expensed as incurred.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with noncontrolling interests

The Group treats transactions with noncontrolling interests as transactions with equity owners of the Group. For purchases from noncontrolling interests, the difference between any consideration paid and the proportion acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded directly in equity, in "carrying value adjustments".

(c) Payables to subsidiary's shareholder

The financial liability (non-current liability) represented by the share purchase obligation arising from the option granted is recognized at present value (in line item Payables to Subsidiary's shareholder) and separately from the consideration transferred, through the adoption of the present access method, in which the noncontrolling interest is already recognized, since the noncontrolling shareholder is exposed to risks and has access to the returns associated with its interest, against "carrying value adjustments" in equity.

Over time, the re-establishment of the value of the call option for additional shares arising from the present value adjustment is recognized in the statement of income, in line item finance costs.

On the occurrence of a significant change in assumption during the year, assumptions that comprise the fair value of the option are revised/updated in order to reflect the fair value of the financial liability at year end. Any adjustments are recorded in the line item of Payables to subsidiary's shareholder (Note 9.1a) against finance costs.

(d) Trade discounts and commercial negotiations on the purchase of goods

The Group's variable consideration refers mainly to trade agreements where products can be sold together with other products or with discounts that are substantially negotiations promoted by suppliers at the Group's points of sale in different ways. These negotiations are individual and distinct between suppliers and may present characteristics of complex nature. The main categories of trade agreements are:

(i) trade discounts granted by laboratories upon the sale to consumer and associates to the benefits program – this refers to benefits granted by the Group's supplier to the Group's final consumer aimed at establishing a process of loyalty of the consumer to the product or medicine. In most cases, from the moment a final consumer is registered in the supplier system, the final consumer benefits from a discount granted by the Group's supplier, paying for the product a price different from the usual price for this same product if it was not associated to a benefits program. Such discount offered by the supplier to the Group's customer is calculated in real time and recognized at the moment of sale of the product to the consumer, at an amount receivable from the supplier equivalent to the amount of the discount granted.

For transactions of this nature, the Group recognizes as reduction of cost of sales against an amount receivable or reduction of liabilities from contracts with suppliers.

(ii) marketing and advertising funds, such as display in stores and publicizing of offers at catalogues - these refer to Group's sales programs planned jointly with its suppliers. The supplier has interest in promoting its products at the Group's stores chain and sales points. For this, it negotiates forms of payment different from the Group in order that the final price of the product to the consumer be advantageous without any loss to the gross sales margins for the same products under other conditions than promotional ones. These negotiations normally occur with the Group's purchasing area together with the sales area for alignment with the Group's sales strategies.

From the moment the performance obligation is satisfied (sale of the product associated to the promotion), the Group recognizes the result of these commercial agreements as a credit to cost of sales, against an amount receivable from agreements or reduction of liabilities from contracts with suppliers.

(iii) rebates for volume targets, measured both upon purchases and sales – refer to bonus programs granted to the Group associated to targets of purchase and sale of products from a certain supplier. The Group considers the benefit obtained as a reduction of the amounts payable to suppliers, with a corresponding entry in the inventory account, from the moment in which it concludes that it is highly probable that the benefit obtained will not be subject to reversal.

In the cases (ii) and (iii) above, these refer to different forms of negotiation that have as main purpose the purchase of products at the lowest cost offered by the independent supplier as proposed in the product purchase transaction.

(e) Segment reporting

The Group conducts its business activities considering a single operating segment, which is used as the basis for managing the entity and decision-making.

(f) Significant accounting judgments, estimates and assumptions

When applying Group accounting practices, management must make judgments and prepare estimates related to the carrying amounts of assets and liabilities not easily obtained from other sources. The estimates and respective assumptions are based on historical experience and other factors considered significant. Estimates and assumptions are continuously revised and the related effects are recognized in the period in which these are reviewed and in any future periods affected.
Key estimates and assumptions concerning sources of uncertainty in future estimates and other important sources of estimation uncertainty at the balance sheet are discussed below.

(i) Taxes recoverable

Tax credit recovery estimates are based on taxable profit forecasts, taking into consideration various financial and business assumptions and considering the possibility that special conditions could be granted, such as special regimes, enabling the realization of such credits. These estimates may not materialize in the future, given the uncertainties inherent in these forecasts.

(ii) Fair value of the financial instruments

When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained from active markets, it is determined using valuation techniques, including the discounted cash flow method. The data for this method are based on market practice, whenever possible. However, when this is not possible, a certain level of judgment is required to establish the fair value. Judgment includes the consideration of the data used, concerning areas such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(iii) Impairment

There are specific rules to assess the recoverability of assets, particularly property, plant and equipment, goodwill and other intangible assets. At year-end, the Group performs an analysis to determine whether there is evidence that the long-lived asset amounts may not be recoverable in accordance with the CGUs. To determine whether goodwill is impaired, it is necessary to estimate the value in use of the CGUs to which goodwill has been allocated. The calculation of value in use requires that management estimate expected future cash flows from the CGUs and an adequate discount rate to calculate present value. Significant assumptions used for determining the value in use of the different CGUs are detailed in Note 19b.

(iv) Provision for tax, civil and labor risks

The Group is party to various legal and administrative proceedings, as mentioned in Note 15. Provision is recorded for all litigation contingencies the likelihood of loss of which is estimated as probable, in an amount that can be reliably estimated. The assessments of the likelihood of loss include the evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal advisors and the Group's compensation history.

(v) Lessee's incremental borrowing rate

The Group is unable to determine the implicit discount rate to be applied to its lease agreements. Therefore, the lessee's incremental borrowing rate, that is, of the Company itself, is used to calculate the present value of the lease liabilities on the initial recognition of the agreement.

The lessee's incremental borrowing rate is the interest rate that a lessee would have to pay when borrowing for the acquisition of an asset similar to that which is the subject of the lease agreement, for a similar term and when pledging a similar guarantee.

This rate shall be obtained through a high degree of judgment and shall be an element of the lessee's credit risk, the operating lease agreement term, the nature and quality of the guarantee offered, and the economic environment in which the transaction takes place. The rate calculation process shall preferentially use information that is readily observable from which to make the necessary adjustments to determine the incremental borrowing rate.

The adoption of NBC - TG 06 (R3) / IFRS 16 allowed the incremental rate to be determined for a grouping of agreements, since this choice is associated with the validation that the grouped contracts have similar characteristics.

The Group adopted the aforementioned practical expedient of determining groupings for its lease agreements under this scope, as it understands that the effects of their application do not differ materially from its application to individual leases. The size and composition of the portfolios were defined according to the following assumptions: (a) similar assets and (b) remaining terms with respect to the similar initial application date:

All amounts in thousands of reais unless otherwise stated

(vi) Determination of the lease term

When determining a lease term, Management considers all the facts and circumstances that create an economic incentive for the exercise of an extension option or non-exercise of a termination option. Extension options (or periods after termination options) are included in the lease term only when there is reasonable certainty that the lease will be extended (or that it will not be terminated).

For leases of distribution centers and stores, the following factors are usually the most relevant:

- If the termination (or non-extension) incurs significant fines, it is reasonably certain that the Group will use the extension (or will not terminate the agreement);
- If leasehold improvements are made to third-party properties with a significant residual balance, it is reasonably certain that the Group will extend (or not terminate) the lease; and
- In addition, the Group considers other factors, including past practices regarding the periods of use of the specific types of assets (leased or Company-owned), the duration of leases, and the costs and business disruption required to replace a leased asset.

Most options for extending office, residential properties and vehicle leases were not included in the lease liabilities because the Group can replace these assets without significant cost or business interruption.

This assessment is reviewed if there is a significant event or change in circumstances that affects the initial assessment and that is under the control of the lessee, such as for example, if an option is in fact exercised (or not exercised) or if the Group is required to exercise it (or not to exercise it).

5. Cash and cash equivalents

5.1. Accounting policy

These include cash on hand, bank deposits and highly liquid short-term investments, readily convertible into a known cash amount and posing low risk of any change in value. The financial investments included in cash equivalents are classified in the category of financial instruments at amortized cost.

5.2. Balance breakdown

	Parent Company		Consolidated	
Cash and cash equivalents items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Cash and banks	138,189	116,076	141,132	117,167
Debentures held under repurchase agreements(i)	118,905	673,594	137,069	694,155
Automatic investments(ii)	56,347	11,871	63,857	13,145
Bank Deposit Certificates - CDB(iii)	3,213	53,716	7,924	53,716
Investment fund(iv)	-	-	6,136	2,174
Total	**316,654**	**855,257**	**356,118**	**880,357**

(i) Refers to a fixed income investment with income linked to the variation of the Interbank Deposit Certificate - CDI, backed by publicly offered debentures issued by companies, with commitment of repurchase by the Bank and resale by the Group, according to the conditions previously established in which financial institutions that negotiated these securities guarantee credit risk, of low risk to the Group, immediate liquidity and without loss of income.

(ii) Refers to a short-term fixed income fund with short-term investments and automatic redemptions.

(iii) Investments in bank deposit certificate have daily liquidity and grace period of 30 days.

All amounts in thousands of reais unless otherwise stated

(iv) The balance held by RD Ventures in a short-term investment fund refers to investments made in 100% of government securities with immediate liquidity.

The financial investments are distributed at the banks Banco do Brasil, Banrisul, Bradesco, Caixa Econômica, Daycoval, Itaú, Safra, and Santander.

The Group's exposure to interest rate risks on financial investments is disclosed in Note 24a.

6. Trade receivables

6.1. Accounting policy

Trade receivables are recorded at the original sales amount, less credit card operators charges, when applicable, and provision for expected credit losses. Provision for expected credit losses is set up when there is strong evidence that the Group will not be able to collect all the amounts due. The expected loss corresponds to the difference between carrying amount and recoverable amount.

Installment sales were adjusted to present value at the transaction date at the rate of the weighted average cost of capital based on 100% of the CDI. The adjustment to present value has as a balancing entry the trade receivables account and its realization is recognized as revenue from sales.

6.2. Balance breakdown

	Parent Company		Consolidated	
Trade receivables items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Trade receivables	1,498,665	1,376,516	1,727,115	1,559,908
(-) Expected credit losses	(1,117)	(646)	(5,045)	(2,069)
(-) Adjustment to present value	(10,344)	(2,069)	(12,013)	(2,405)
Total	**1,487,204**	**1,373,801**	**1,710,057**	**1,555,434**

The aging of trade receivables is presented below:

	Parent Company		Consolidated	
Maturities	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Not yet due	1,494,586	1,372,587	1,702,961	1,545,854
Overdue:				
Between 1 and 30 days	2,234	2,954	9,628	6,565
Between 31 and 60 days	793	537	3,576	2,214
Between 61 and 90 days	110	60	2,515	969
Between 91 and 180 days	942	378	5,435	3,038
Between 181 and 360 days	-	-	3,000	1,268
(-) Expected credit losses	(1,117)	(646)	(5,045)	(2,069)
(-) Adjustment to present value	(10,344)	(2,069)	(12,013)	(2,405)
Total	**1,487,204**	**1,373,801**	**1,710,057**	**1,555,434**

Days sales outstanding, represented by credit and debit cards and partnerships with companies and the Government, are approximately 35 days (40 days in Dec/2020), term that is considered part of the normal conditions inherent in Group's operations. A substantial portion of the amounts overdue for more than 31 days is represented by collection through special plans and Medicine Benefit Programs – PBMs.

All amounts in thousands of reais unless otherwise stated

The changes in expected credit losses are presented below:

Changes in expected losses	**Parent Company**	**Consolidated**
At January 1st, 2020	(1,250)	(3,430)
Additions	(13,951)	(18,427)
Reversals	3,155	6,947
Losses	11,400	12,841
At December 31, 2020	**(646)**	**(2,069)**
Additions	(6,585)	(13,933)
Reversals	2,095	6,201
Losses	4,019	4,756
At December 31, 2021	**(1,117)**	**(5,045)**

Trade receivables are classified as financial assets at amortized cost and are therefore measured as described in Note 4d – Impairment to the financial statements for the year ended December 31, 2021.

7. Inventories

7.1. Accounting policy

Inventories are carried at the lower of cost and net realizable value. Costs of inventories are determined using the weighted moving average method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. Inventory balances are presented net of expected losses and adjustment to present value on the transaction date, when applicable. The adjustment to present value is recorded against the inventories account and its realization is recorded as cost of sales for their realization. The discount rate used to adjust the inventories balances to their present value is the rate of the weighted average cost of capital based on 100% of the CDI.

7.2. Balance breakdown

	Parent Company		**Consolidated**	
Inventory items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Goods for resale	5,031,442	4,139,133	5,159,810	4,251,814
Consumables	15,308	6,317	15,308	6,317
(-) Provision for inventory losses	(32,614)	(28,196)	(32,614)	(28,196)
(-) Adjustment to present value	(24,115)	(4,412)	(24,705)	(4,527)
Total inventory	**4,990,021**	**4,112,842**	**5,117,799**	**4,225,408**

Changes in the provision for expected losses on goods are as follows:

Changes in expected losses on goods	**Parent Company**	**Consolidated**
At January 1st, 2020	(13,116)	(13,116)
Additions	(24,505)	(24,505)
Write-offs	9,425	9,425
At December 31, 2020	**(28,196)**	**(28,196)**
Additions	(9,379)	(9,379)
Write-offs	4,961	4,961
At December 31, 2021	**(32,614)**	**(32,614)**

For the year ended December 31, 2021, cost of goods sold recognized in the statement of income was R$ 15,788,340, Note 21, (R$ 13,261,372 – 2020) for the Parent Company and R$ 16,901,753 (R$ 14,175,708 - 2020) for the Consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the year amounting to R$ 171,610 (R$ 147,861 - 2020) for the Parent Company and R$ 173,067 (R$ 148,940 - 2020) for the Consolidated accounts.

The effect of the recognition, reversal or write-off of the provision for inventory losses is included in cost of sales in the statement of income.

All amounts in thousands of reais unless otherwise stated

8. Recoverable taxes

Recoverable taxes items	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Taxes on profit recoverable				
Withholding Income Tax (IRRF)	3,633	1,255	4,012	1,255
Corporate Income Tax (IRPJ)	64,605	214	73,046	7,162
Social Contribution on Net Profit (CSLL)	21,537	23	24,479	2,535
Subtotal	**89,775**	**1,492**	**101,537**	**10,952**
Other recoverable taxes				
Value Added Tax on Sales and Services (ICMS) – credit balance (i)	54,479	43,710	57,455	48,396
ICMS – Refund of ICMS withheld in advance (ii)	21,014	10,543	21,014	10,543
ICMS on acquisitions of fixed assets	96,306	92,583	96,306	92,583
Social Integration Program (PIS)	8,592	427	9,240	1,120
Social Contribution on Revenue (COFINS)	40,319	2,706	42,568	5,623
Social Investment Fund (FINSOCIAL) - 1982 - securities issued to cover court-ordered debts	561	561	561	561
National Institute of Social Security (INSS)	-	3,301	25	3,301
Subtotal	**221,271**	**153,831**	**227,169**	**162,127**
Total	**311,046**	**155,323**	**328,706**	**173,079**
Current assets	190,377	59,288	195,777	61,531
Non-current assets	120,669	96,035	132,929	111,548

(i) The ICMS credits amounting to R$ 54,479 and R$ 21,014 (R$ 43,710 and R$ 10,543- Dec/20) for the Parent Company and R$ 57,455 and R$ 21,014 (R$ 48,396 and R$ 10,543 - Dec/20) for the Consolidated accounts are the result of applying different ICMS rates and of refunds of ICMS-ST (the Substitute Taxpayer Regime) on goods receiving and shipping operations carried out by the Company's distribution centers in the states of Pernambuco and Rio Grande do Sul in order to supply their branches located in other Brazilian states. In addition, the refund of ICMS ST was requested for the branches in the State of Mato Grosso do Sul due to the presumed calculation basis higher than the price charged to the final consumer. The respective tax credits have been progressively consumed in the last months, mainly due to goods that are not under the substitute taxpayer regime.

Final and unappealable – Exclusion of ICMS from the PIS and COFINS calculation basis – Ordinary proceeding distributed by Drogasil S.A. in April 1986

On March 15, 2017, the Federal Supreme Court (STF) concluded the judgment on the merits of Appeal to Supreme Court No. 574,706, with general repercussion effects, thereby entitling taxpayers to the right of excluding ICMS from the PIS and COFINS calculation basis.

On May 13, 2021, the Federal Supreme Court (STF) partially accepted the appeals for clarification filed by the Federal Government, determining that the ICMS amount to be excluded from the PIS and COFINS calculation basis is the one separately stated on the invoice, but the matter should only be effective beginning March 15, 2017, date of the judgment on the merits of RE 574,706/PR, except for the lawsuits and administrative proceedings filed until said date (session held by videoconference - Resolution No. 672/2020/STF). Once the ICMS amount separately stated on the invoice was considered as the calculation criteria, the Company recorded the additional amount of R$ 58,044 in the non-recurring result in May 2021(Note 22), of which R$ 42,025 refers to the principal amount and R$ 16,019 to the monetary adjustment.

Levy of IRPJ and CSLL on amounts related to the SELIC rate

On September 24, 2021, the Federal Superior Court - STF unanimously ruled the non-levy of IRPJ and CSLL on the amounts related to the SELIC rate, received by the taxpayer due to the repetition of tax overdue. On September 22, 2021, the Company filed a writ of mandamus seeking recognition of the right to non-levy of IRPJ and CSLL on amounts arising from monetary adjustment and default interest, including SELIC, calculated on tax credits due to repetition of tax overdue payments, concentrated in the processes mentioned in the item above, whose estimated and unrecorded amount is

All amounts in thousands of reais unless otherwise stated

R$ 5,429 in the Parent Company and R$ 6,221 in the Consolidated. The Company is awaiting the final and unappealable decision of its process for effective tax offsetting of the amounts due.

Expected realization of credits

The expected realization of amounts classified in current and non-current assets is as follows:

	Parent Company		Consolidated	
Expected realization	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
In the next 12 months	190,377	59,288	195,777	61,531
Between 13 and 24 months	46,137	23,870	49,470	23,870
Between 25 and 36 months	24,657	23,868	27,960	36,497
Between 37 and 48 months	24,657	23,868	27,960	26,752
Between 49 to 60 months	25,218	24,429	27,539	24,429
Total	**311,046**	**155,323**	**328,706**	**173,079**

9. Investments

9.1. Accounting policy

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any noncontrolling interests in the acquiree. For each business combination, the acquirer must measure the noncontrolling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or a liability is measured at fair value with the changes in fair value recognized in accordance with NBC TG 48, in the statement of income.

Goodwill is initially measured as the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. If the consideration transferred is less than the fair value of the net assets acquired, the difference is recognized as a gain in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of RD's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Investment in associates

An associate is an entity over which RD has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

RD's investments in its associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in RD's share of net assets of the associates since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of income reflects RD's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of RD's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, RD recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between RD and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting periods as those of RD. When necessary, adjustments are made to bring the accounting policies in line with those of RD. After application of the equity method, RD determines whether it is necessary to recognize an impairment loss on its investment in its associates. At each reporting date, RD determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, RD calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount, and then recognizes the loss in the statement of income.

9.2. Business combinations and goodwill

(a) Business combination – 4Bio Medicamentos S.A.

In 2015, the Company acquired a 55% equity interest in 4Bio Medicamentos S.A. ("4Bio") and obtained its control on October 1, 2015.

The agreement establishes the granting of call and put options for all the remaining shares, corresponding to 45% of the total, which continued to be held by the founding stockholder. On September 24, 2019, the Company and the Equity Investment Fund Kona ("Kona"), holder of the shares of the founding stockholder, as agreed, signed an amendment to the original purchase and sale agreement changing the period of exercise of the call options held by the Company and of the put options held by Kona, related to the remaining 45% of 4Bio, adopting the following criterion: (i) 1st call and put options of shares, equivalent to 30% of the capital, will be exercisable between January 1, 2021 and June 30, 2021, having as reference the average of adjusted EBITDA of 4Bio for the years ended December 31, 2018, 2019 and 2020; (ii) 2nd call and put options of shares, equivalent to 15% of the capital, will be exercisable after January 1, 2024 and June 30, 2024, having as reference the average of adjusted EBITDAs of 4Bio for the year ended December 31, 2021 and years ending 2022 and 2023. It was also established that Mr. André Kina will continue as CEO of 4Bio at least until the end of 2023.

On April 22, 2021, Kona submitted to the Company the Notice of Exercise of the First Put Option of shares equivalent to 30% of the capital of subsidiary 4Bio. The shares were transferred on May 13, 2021, upon the payment of R$ 11,884. After the exercise of the first call option, the Company became the holder of 85% of the capital of 4Bio Medicamentos S.A.

The fair value of the financial liability referring to the additional shares recorded in Parent Company and Consolidated, of R$ 37,383 (R$ 46,448 - Dec/20), in the account of Payables to subsidiary's shareholder, is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 12.57% in December 2021 (12.60% - Dec/20), (ii) an average growth rate of EBITDA of 18.08% in December 2021 (18.02% - Dec/20), considering the average of the EBITDAs projected for 2018 to 2021 and the multiple provided for in contract.

All amounts in thousands of reais unless otherwise stated

The goodwill arising on acquisition of R$ 12,907 (R$ 12,907 – Dec/20) for the Parent Company and R$ 25,563 (R$ 25,563 – Dec/20) for the Consolidated accounts represents the future economic benefits expected from the business combination.

(b) Business combination – Vitat Serviços em Saúde Ltda. (former "Tech.fit")

On February 18, 2021, the Company announced to its shareholders and to the market in general that it entered into an Agreement for the acquisition of 100% of the equity interest in B2U Editora S.A. ("Tech.fit").

Tech.fit is a Brazilian start-up with years of experience in developing digital platforms for the promotion of healthy habits. Its platform includes apps such as Tecnonutri, Dieta e Saúde, Workout and Cuidaí, which promote healthy eating habits and physical activities through nutritional programs, training plans and access to professionals such as nutritionists, psychologists and physical educators.

On March 5, 2021, the Company received the final approval by the Administrative Council for Economic Defense (CADE) and, upon compliance with the remaining conditions precedent established in the Agreement, on April 1, 2021, the Company entered into the Closing Term and made the payments set forth in the Agreement, taking over control of Tech.fit.

On May 4, 2021, the Company changed the name of the subsidiary to Vitat Serviços em Saúde Ltda. ("Vitat"), converted the subsidiary into a privately-held limited company, also adopting the trade name "Vitat", and included in its corporate purpose: health management support activities, nursing activities, diagnostic and therapeutic complementary services, other professional, scientific, and technical activities, clinical laboratories, activities of health care professionals and human health care activities, with the purpose of accelerating the development of our Health Platform, offering customers health promotion, prevention, customized journeys and contents.

The Company adopted the balance sheet as at March 31, 2021 as the opening balance sheet for purposes of allocating the effects of the acquisition. In compliance with NBC-TG 15 - Business Combinations, RD completed the fair value measurement of the net assets. The following table summarizes the consideration paid and the fair values of assets acquired and liabilities assumed recognized at the acquisition date.

Assets	**03/31/2021**	**Liabilities**	**03/31/2021**
Cash and cash equivalents	13,275	Trade notes payable	389
Trade notes receivable	2,635	Social security and labor obligations	599
Recoverable taxes	32	Tax obligations	140
Other credits	274	Other obligations	2,130
Property and equipment, net	228	**Liabilities**	**3,258**
Intangible assets, net	1,106	Equity	14,292
Total assets	**17,550**	**Total liabilities and equity**	**17,550**

Allocation of the price of the consideration transferred:

	Parent Company
Purchase price	**58,072**
Equity	14,292
Trademarks (included in intangible assets)	2,394
Platform (included in intangible assets)	16,500
Non-compete agreement (included in intangible assets)	4,000
Adjusted equity	**37,186**
Goodwill based on expected future profitability	20,886
	58,072

All amounts in thousands of reais unless otherwise stated

The goodwill arising from the acquisition of R$ 20,886 represents the future economic benefits expected from the business combination. If new information obtained within one year from the acquisition date, on the facts and circumstances that existed on the date of the acquisition, indicate adjustments to the amounts mentioned above, or any additional provision that existed on that date, the acquisition recorded may be reviewed.

(c) Business combination – Dr. Cuco Desenvolvimento de Software Ltda

On August 6, 2021, the Company entered into an agreement for the acquisition of a 100% interest in the company Dr. Cuco Desenvolvimento de Software Ltda. ("Dr. Cuco" or "Cuco Heath") for R$ 15,000.

Cuco Health, founded in 2016, is pioneer in the development of a digital care platform focused on adherence to treatment. The low adherence to treatment is considered one of the main health problems all over the world, especially regarding asymptomatic chronic diseases. RD believes that the technology and expertise developed by Cuco Health will be fundamental to support its customers so that they can fully adhere to the treatment prescribed by their doctors.

On September 17, 2021, the transaction was definitely approved by the Administrative Council for Economic Defense - CADE and, on November 18, 2021, the acquisition was approved at the General Meeting, in accordance with Article 256 of Law 6,404/76.

The Company adopted the balance sheet as at November 19, 2021 as the opening balance sheet for purposes of allocating the effects of the acquisition. A study was prepared by an independent expert, using as a basis the financial statements of Dr. Cuco at the acquisition date to determine the purchase price allocation for purposes of goodwill allocation. The following table summarizes the consideration paid and the fair values of assets acquired and liabilities assumed recognized at the acquisition date.

Assets	11/19/2021	Liabilities	11/19/2021
Cash and cash equivalents	305	Trade notes payable	101
Trade notes receivable	480	Tax, social security and labor obligations	18
Recoverable taxes	30	Borrowings	589
Other credits	105	Other obligations	5
Property and equipment, net	33	**Liabilities**	**713**
Intangible assets, net	71	Equity	311
Total assets	**1,024**	**Total liabilities and equity**	**1,024**

Allocation of the price of the consideration transferred:

	Parent Company
Purchase price	**15,000**
Equity	311
Trademarks (included in intangible assets)	2,203
Platform (included in intangible assets)	1,990
Adjusted equity	**4,504**
Goodwill based on expected future profitability	10,496
	15,000

The goodwill arising from the acquisition of R$ 10,496 represents the future economic benefits expected from the business combination.

On December 7, 2021, the Company made a capital increase in Dr. Cuco in the amount of R$ 400.

All amounts in thousands of reais unless otherwise stated

(d) Business combination – Healthbit Performasys Tecnologia Inteligência S.A. (Via RD Ventures)

On March 9, 2021, the subsidiary RD Ventures acquired a 50.75% equity interest in Healthbit Performasys Tecnologia Inteligência S.A. ("Healthbit") for R$ 7,765, with a call option for all of the remaining shares as of 2026.

Healthbit is a technology startup focused on big data as a solution to reduce health claims in large companies and to promote health and disease prevention for its employees through the development of new technologies. Founded five years ago, Healthbit reached more than one million lives assisted in 2020 among its nearly one hundred and forty corporate customers.

The Company adopted the balance sheet as at February 28, 2021 as the opening balance sheet for purposes of allocating the effects of the acquisition. The following table summarizes the consideration paid and the fair values of assets acquired and liabilities assumed recognized at the acquisition date:

Assets	**02/28/2021**	**Liabilities**	**02/28/2021**
Cash and cash equivalents	731	Trade payables	26
Trade receivables	869	Tax, social security and labor obligations	763
Recoverable taxes	64	Borrowings	142
Other credits	211	Other obligations	124
Property and equipment, net	117	**Liabilities**	**1,055**
	-	Equity	937
Total assets	**1,992**	**Total liabilities and equity**	**1,992**

Estimated allocation of the price of the consideration transferred:

	FIP RD Ventures
Purchase price	**7,765**
Adjustment to purchase price	332
Total purchase price	**8,097**
Equity	**937**
Portion acquired (50.75%)	**476**
Customer relationships (included in intangible assets)	809
Platform (included in intangible assets)	833
Non-compete agreement (included in intangible assets)	363
Adjusted equity	**2,481**
Goodwill	5,616
	8,097

(e) Business combination – Amplisoftware Tecnologia Ltda (Via RD Ventures)

On December 22, 2021, the Company concluded the acquisition of 100% of the equity interest in Amplisoftware Tecnologia Ltda. ("Amplimed"), through the subsidiary RD Ventures, for R$ 90,000 (equivalent to R$ 50,000 of "Base Price", plus of R$ 40,000 equivalent to 1,648,233 shares of RD "Phantom shares"), of which R$ 50,000 paid in cash and R$ 40,000 retained for purposes of obligations and purchase price adjustment.

Amplimed is a healthtech leader in medical record software, which offers a complete solution for managing clinics and offices, including electronic medical records, telemedicine platform, electronic prescription, exam request, appointment scheduling, financial management and billing. The Amplimed platform performs around 700,000 monthly appointments and connects offices with more than nine million patients. It also connects and integrates healthcare providers, clinical analysis laboratories, imaging clinics and hospitals to allow healthcare professionals to have an integrated view of patient data, contributing to the integration and digitization of the healthcare ecosystem in Brazil. The Amplimed platform will allow the structuring of health data from the entire RD ecosystem, connecting the offices and clinics to the Vitat health services marketplace and allowing our more than forty million customers to schedule appointments in person or via teleservice through the platform, thus directing new patients and generating additional consultations for physicians using the Amplimed platform.

All amounts in thousands of reais unless otherwise stated

In compliance with NBC-TG 15(R3) – Business Combinations, RD is currently measuring the fair value of the net liabilities assumed on December 22, 2021. The consideration allocation estimate was based on a measurement of the net liabilities assumed from Amplimed on December 22, 2021 (date of control acquisition). The appraisal report is being prepared, therefore the goodwill presented is provisional. The assets and liabilities at the date of acquisition of Amplimed are presented below:

Assets	11/30/2021	Liabilities	11/30/2021
Cash and cash equivalents	344	Trade payables	164
Trade receivables	279	Tax, social security and labor obligations	542
Recoverable taxes	29	Borrowings	1,032
Other credits	1	Other obligations	5
Property and equipment, net	268	**Liabilities**	**1,743**
Intangible assets, net	14	Equity	(808)
Total assets	**935**	**Total liabilities and equity**	**935**

Estimated allocation of the price of the consideration transferred:

	FIP RD Ventures
Purchase price	**50,000**
Earn out	40,000
Debt settlement	(722)
Total purchase price	**89,278**
Adjusted equity	**(808)**
Goodwill	90,086
	89,278

The goodwill generated on the acquisition in the amount of R$ 90,086 comprises the ratio between the consideration transferred by the Company, in the amount of R$ 90,000, and the net equity value of the acquired company.

On December 22, 2021, the Company made a capital increase in Amplimed in the amount of R$ 5,800. .

9.3. Acquisition and incorporation of associates

(a) Incorporation of company – Stix Fidelidade e Inteligência S.A.

The Company together with Grupo Pão de Açúcar ("GPA") announced the first Brazilian coalition of retailers with national companies through the creation of the company Stix Fidelidade ("Stix"). Stix was born with a platform of products and services for the accumulation and redemption of points, in order to offer discounts and advantages to the loyal customers of the two Companies, in addition to having the support in more than 3 thousand establishments across the country through the Drogasil, Droga Raia, Extra and Pão de Açúcar brands.

The Stix Fidelidade program focuses on offering valuable and affordable benefits to participants in a wide range of segments, building customer loyalty and generating value for the companies that will integrate its platform. The program was launched in October 2020, for customers who make their purchases at Droga Raia, Drogasil, Extra and Pão de Açúcar stores, accumulating Stix points.

Stix Fidelidade has its shareholding structure represented by 66.77% of GPA and 33.33% of the Company and it is an autonomous company, with a Board of Directors formed by members appointed by the shareholders.

On February 29, 2020, the Company made a capital contribution in the amount of R$ 3,289 and on February 28, 2021, it made a capital contribution in the amount of R$ 6,508, maintaining its proportional ownership interest.

(b) Incorporation of company - RD Ventures Fundo de Investimento em Participações - Multiestratégia

All amounts in thousands of reais unless otherwise stated

On October 22, 2020, the Company incorporated the private equity investment fund as a closed-end fund, pursuant to CVM Instruction 578 of August 30, 2016, as amended ("CVM Instruction 578"), to CVM Instruction 579 of August 30, 2016 and to Code ABVCAP/ANBIMA of Regulations and Best Practices, as well as other applicable legal and regulatory provisions, with the name RD Ventures Fundo de Investimento em Participações – Multiestratégia ("FIP RD Ventures").

FIP RD Ventures is managed by Paraty Capital Ltda., a company headquartered at Rua dos Pinheiros, 870, conjunto 133, Pinheiros, in the city of São Paulo, state of São Paulo, registered at the National Registry of Legal Entities (CNPJ/ME) 18.313.996/0001-50, duly authorized by the Brazilian Securities Commission ("CVM") to manage securities portfolio.

On December 30, 2020, the Company made a capital contribution in the amount of R$ 4,500, on March 10, 2021 it made a capital increase in the total amount of R$ 8,000, on November 12, 2021 it made a new capital increase of R$ 24,000 and finally on December 20, 2021 a new capital contribution of R$ 60,000.

(c) Incorporation of a company - RD Ads Ltda.

On November 8, 2021, the Company created a new company in the Group, with the name RD Ads Ltda ("RD Ads"), whose main objective is to monetize the data with the Industries and Advertising Agencies, connecting the brands to the most relevant customers.

On November 8, 2021, the Company contributed capital in RD Ads in the amount of R$ 1.

(d) Acquisition of interest – Full Nine Digital Consultoria Ltda. (Via RD Ventures)

On December 10, 2021, through the subsidiary RD Ventures, the Company concluded the acquisition of a 12.50% equity interest in Full Nine Digital Consultoria Ltda. ("Conecta Lá") for R$ 6,688, with a call option for all of the remaining shares as of 2026.

Conecta Lá was born as a consolidator and integrator of small sellers to connect them to large marketplaces and, from that, it also developed a Seller Center platform, which offers marketplaces that use the platform as a one-stop-shop solution to better serve its sellers, including product cataloging, order workflow, payments split, logistics solutions and information generation. The investment in Conecta Lá and the acquisition of the rights of use of its code will allow RD to accelerate the development of the product marketplace and improve the service provided to our sellers, in addition to reducing the transactional cost of the marketplace, contributing to the aspiration to offer the most complete assortment of health and wellness products and with a high level of customer and seller satisfaction.

In accordance with NBC-TG 18 (R2) - Investments in Associates and Joint Ventures, RD is conducting the fair value measurement of the net assets acquired on December 10, 2021. The best estimate of the fair value of identifiable assets and liabilities at the date of acquisition of Conecta Lá is presented below:

Assets	**10/31/2021**	**Liabilities**	**10/31/2021**
Cash and cash equivalents	1	Trade notes payable	112
Trade notes receivable	1,287	Tax, social security and labor obligations	479
Recoverable taxes	3	Borrowings	7,225
Advances to suppliers	10,081	Advances from customers	7,489
Other credits	477	**Liabilities**	**15,305**
	-	Equity	(3,456)
Total assets	**11,849**	**Total liabilities and equity**	**11,849**

Estimated allocation of the price of the consideration transferred:

FIP RD Ventures

Purchase price	**6,688**
Equity (12.50%)	**(1,037)**
Adjusted equity	**(1,037)**
Goodwill	7,725
	6,688

All amounts in thousands of reais unless otherwise stated

9.4. Composition and changes in investments

At December 31, 2021 and 2020, the Company's investment balance is presented below:

		Dec/21			Dec/20		
Investee	**Main activity**	**Interest (%)**	**Parent Company**	**Consolidated**	**Interest (%)**	**Parent Company**	**Consolidated**
Direct interest							
4Bio	Retail of special medicines	85.00%	164,890	-	55.00%	73,768	-
Stix Fidelidade (i)	Platform of products and services for the accumulation and redemption of points	33.33%	830	830	33.33%	(4,578)	(4,578)
RD Ventures FIP	Private equity investment fund	100.00%	94,435	-	100.00%	4,498	-
Vitat	Supporting health management and promoting healthy habits	100.00%	47,274	-	-	-	-
Dr. Cuco	Digital care platform focused on adherence to treatment	100.00%	15,411	-	-	-	-
RD Ads	Advisory and consultancy in advertising and marketing	100.00%	-	-	-	-	-
Indirect interest							
Healthbit	Big data technology to reduce claims	50.75%	-	-	-	-	-
Conecta Lá	Seller center platform that offers a unique solution to sellers	12.50%	-	(432)	-	-	-
Amplimed	Online platform that offers a complete solution for managing clinics and offices	100.00%	-	-	-	-	-
Total			**322,840**	**398**		**73,688**	**(4,578)**

(i) The provision for losses on investments at December 31, 2021 and 2020 is recorded in "Other providers".

All amounts in thousands of reais unless otherwise stated

Changes in investment balances presented in the individual financial statements are shown below:

	Parent Company						
Changes in investments	4BIO	stix	RD VENTURES	vitat	CUCO HEALTH	RD ads	**Total**
	Subsidiary	Associate	Subsidiary	Subsidiary	Subsidiary	Subsidiary	
At January 1st, 2020	60,263	-	-	-	-	-	**60,263**
Capital contribution	-	3,289	4,500	-	-	-	**7,789**
Equity in the results of subsidiaries	13,553	(7,867)	(2)	-	-	-	**5,684**
Restricted share compensation plan – 4Bio	(48)	-	-	-	-	-	**(48)**
At December 31, 2020	**73,768**	**(4,578)**	**4,498**	**-**	**-**	**-**	**73,688**
Reclassification to "Other Liabilities, as provision for losses on investments.	**-**	**(4,578)**	**-**	**-**	**-**	**-**	**(4,578)**
Classified as investments	**73,768**	**-**	**4,498**	**-**	**-**	**-**	**78,266**
At January 1st, 2021	**73,768**	**(4,578)**	**4,498**	**-**		-	**73,688**
Capital contribution	-	6,508	92,000	10,001	400	1	**108,909**
Business combinations	-	-	-	58,072	15,000	-	**73,072**
Equity in the results of subsidiaries	57,138	(1,128)	(1,504)	(20,799)	11	(1)	**33,718**
Restricted share compensation plan – 4Bio	(39)	-	-	-	-	-	**(39)**
Stock options	-	-	(559)	-	-	-	**(559)**
Adjustment in percentage of interest	34,023	28	-	-	-	-	**34,051**
At December 31, 2021	**164,890**	**830**	**94,435**	**47,274**	**15,411**	**-**	**322,840**

All amounts in thousands of reais unless otherwise stated

For the purpose of calculating the equity in subsidiaries and associates, the Company adjusts the assets, liabilities and the respective changes in the result. At 4Bio they are adjusted based on the purchase price allocation determined at the acquisition date. The table below shows the effects on profit (loss) for the year/period of subsidiaries and associate for the purposes of determining the equity in results of subsidiaries for the years ended December 31, 2021 and 2020:

	Parent Company						
Changes in investments	4BIO	stix	RD VENTURES	vitat	CUCO HEALTH	RD ads	Total
Profit (loss) for the year	14,066	(7,867)	(2)	-	-	-	**6,197**
Amortization of surplus value arising from business combination	(513)	-	-	-	-	-	**(513)**
Equity in the results of subsidiaries at 12/31/2020	**13,553**	**(7,867)**	**(2)**	**-**	**-**	**-**	**5,684**
Profit (loss) for the year	57,313	(1,128)	(1,504)	(17,365)	11	(1)	**37,326**
Amortization of surplus value arising from business combination	(175)	-	-	(3,434)	-	-	**(3,609)**
Equity in the results of subsidiaries at 12/31/2021	**57,138**	**(1,128)**	**(1,504)**	**(20,799)**	**11**	**(1)**	**33,717**

	Parent Company					
Adjusted equity	4BIO	stix	RD VENTURES	vitat	CUCO HEALTH	Dec/21
Investment at book value	150,482	830	94,435	6,928	667	**253,342**
Purchase price allocation (surplus value of assets)	2,415	-	-	19,460	4,248	**26,123**
Deferred income tax liability on allocation adjustments	(821)	-	-	-	-	**(821)**
Restricted share compensation plan	(93)	-	-	-	-	**(93)**
Total adjusted equity	**151,983**	**830**	**94,435**	**26,388**	**4,925**	**278,551**
Goodwill based on expected future profitability	**12,907**	**-**	**-**	**20,886**	**10,496**	**44,289**
Investment balance	**164,890**	**830**	**94,435**	**47,274**	**15,411**	**322,840**

All amounts in thousands of reais unless otherwise stated

	Parent Company			
Adjusted equity	4BIO	stix	RD VENTURES	Dec/20
Investment at book value	59,147	(4,578)	4,498	**59,067**
Purchase price allocation (surplus value of assets)	2,679	-	-	**2,679**
Deferred income tax liability on allocation adjustments	(911)	-	-	**(911)**
Restricted share compensation plan	(54)	-	-	**(54)**
Total adjusted equity	**60,861**	**(4,578)**	**4,498**	**60,781**
Goodwill based on expected future profitability	12,907	-	-	**12,907**
Investment balance	**73,768**	**(4,578)**	**4,498**	**73,688**

10.Property and equipment and intangible assets

10.1. Accounting policy

Property and equipment and intangible assets are stated at acquisition, formation or installation cost of drugstores, net of accumulated depreciation/amortization and/or impairment losses, if any. Depreciation and amortization are calculated using the straight-line method, over the useful life of the assets, according to the rates shown in Notes 10.2 and 10.3. RD's procedure is to review the residual values, useful lives of the assets, the amortization period, depreciation and amortization methods at least at the end of each reporting period and adjusted on a prospective basis, when applicable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the disposal proceeds with the asset's carrying amount, and are recognized in the statement of income for the year in which the asset is derecognized. When revalued assets are intended for sale, the amounts included in the revaluation reserve are recorded in retained earnings upon disposal.

Repair and maintenance service costs are recorded in the statement of income when incurred.

Land and buildings: include the head office and certain owned stores, are stated at historical acquisition cost plus revaluation conducted in October 1987, based on valuation reports prepared by independent experts, and incorporated into the deemed cost upon the adoption of IFRS. In this adoption, the balance of the revaluation of land and existing buildings in equity was transferred to the carrying value adjustments line item, also in equity, net of deferred income tax and social contribution.

Goodwill on acquisition of companies: Goodwill arises on the acquisition of subsidiaries and represents the excess of (i) the consideration transferred; (ii) the amount of any noncontrolling interest in the acquiree; and (iii) the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, noncontrolling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the statement of income. Goodwill on the acquisition of investment prior to 2009 (Drogaria Vison) was calculated as the difference between the acquisition amount and the carrying amount of the acquiree's net assets. Up to December 2008, goodwill was amortized based on the term, extent and proportion of projected results, not exceeding ten years. As from January 2009, goodwill is no longer amortized and is now tested for impairment on an annual basis, at the cash-generating unit (CGU) level.

Points of sales: These include points of sale acquired from store lease agreements, stated at acquisition cost and amortized using the straight-line method which take into consideration the lease agreement terms, not exceeding twenty years.

Software use licenses or IT system development: are stated at acquisition cost and amortized using the straight-line method over their estimated useful lives. The ongoing costs of software maintenance are expensed as incurred. Costs directly attributable to identifiable and exclusive software programs, controlled by the Group and likely to generate economic benefits greater than the related costs for more than one year, are stated as intangible assets and amortized on a straight-line basis over their useful lives. Direct costs include the salaries of the software development team members and a fair share of related general expenses.

Property and equipment and intangible assets are reviewed annually to identify evidence of impairment, and also whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives, such as goodwill surplus value related to trademarks, are tested for impairment at least on an annual basis, or whenever there is indication of impairment.

If that is the case, the recoverable amount is calculated to identify any indication of impairment. When there is such indication of impairment, it is recognized in the amount at which the net carrying amount of the asset exceeds its recoverable amount, which is the higher of the net sale price or value in use of the asset. The impairment of present and future transactions is recognized in the statement of income as expenses, reflecting the purpose of the asset item affected. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGU's). The Company's CGUs are the stores.

All amounts in thousands of reais unless otherwise stated

10.2. Property and equipment - Breakdown and changes

Property and equipment is broken down as follows:

		Parent Company					
		Dec/21			Dec/20		
	Average annual depreciation rates (%)	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	-	32,125	-	32,125	32,124	-	32,124
Buildings	2.5 - 2.7	69,837	(28,710)	41,127	69,837	(26,886)	42,951
Furniture, fittings and facilities	7.4 - 10	1,258,303	(539,910)	718,393	1,096,992	(443,290)	653,702
Machinery and equipment	7.1 - 15.8	821,295	(441,779)	379,516	705,530	(361,320)	344,210
Vehicles	20 - 23.7	87,988	(46,612)	41,376	73,711	(38,306)	35,405
Leasehold improvements	13 - 20	1,588,521	(808,330)	780,191	1,435,389	(689,570)	745,819
Total		**3,858,069**	**(1,865,341)**	**1,992,728**	**3,413,583**	**(1,559,372)**	**1,854,211**

		Consolidated					
		Dec/21			Dec/20		
	Average annual depreciation rates (%)	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	-	32,124	-	32,124	32,124	-	32,124
Buildings	2.5 - 2.7	69,837	(28,710)	41,127	69,837	(26,886)	42,951
Furniture, fittings and facilities	7.4 - 10	1,260,584	(541,060)	719,524	1,098,913	(444,071)	654,842
Machinery and equipment	7.1 - 15.8	828,057	(444,701)	383,356	709,104	(362,737)	346,367
Vehicles	20 - 23.7	87,989	(46,612)	41,377	74,058	(38,499)	35,559
Leasehold improvements	13 - 20	1,592,141	(810,629)	781,512	1,438,562	(691,185)	747,377
Total		**3,870,732**	**(1,871,712)**	**1,999,020**	**3,422,598**	**(1,563,378)**	**1,859,220**

All amounts in thousands of reais unless otherwise stated

Changes in the Parent Company's property and equipment are as follows:

Changes in cost	Jan 1st, 2020	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/20	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/21
Land	35,646	-	(3,522)	-	32,124	-	-	-	32,124
Buildings	71,422	-	(1,585)	-	69,837	-	-	-	69,837
Furniture, fittings and facilities	967,400	146,580	(14,293)	(2,695)	1,096,992	177,205	(17,066)	1,172	1,258,303
Machinery and equipment	597,668	116,534	(8,672)	-	705,530	127,929	(12,163)	-	821,296
Vehicles	68,061	8,059	(2,409)	-	73,711	15,179	(902)	-	87,988
Leasehold improvements	1,330,927	289,808	(181,673)	(3,673)	1,435,389	339,258	(186,012)	(114)	1,588,521
Total	**3,071,124**	**560,981**	**(212,154)**	**(6,368)**	**3,413,583**	**659,571**	**(216,143)**	**1,058**	**3,858,069**

Changes in accumulated depreciation	Jan 1st, 2020	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/20	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/21
Land	-	-	-	-	-	-	-	-	-
Buildings	(25,216)	(1,892)	222	-	(26,886)	(1,824)	-	-	(28,710)
Furniture, fittings and facilities	(361,231)	(96,433)	13,043	1,331	(443,290)	(108,780)	12,519	(359)	(539,910)
Machinery and equipment	(288,631)	(80,936)	8,247	-	(361,320)	(91,413)	10,954	-	(441,779)
Vehicles	(31,308)	(7,782)	784	-	(38,306)	(9,141)	835	-	(46,612)
Leasehold improvements	(591,403)	(280,696)	180,208	2,321	(689,570)	(297,678)	178,589	329	(808,330)
Total	**(1,297,789)**	**(467,739)**	**202,504**	**3,652**	**(1,559,372)**	**(508,836)**	**202,897**	**(30)**	**(1,865,341)**

All amounts in thousands of reais unless otherwise stated

Changes in the Consolidated property and equipment are as follows:

Changes in cost	Jan 1st, 2020	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/20	Addition by business combinations	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/21
Land	35,646	-	(3,522)	-	**32,124**	-	-	-	-	32,124
Buildings	71,422	-	(1,585)	-	**69,837**	-	-	-	-	69,837
Furniture, fittings and facilities	969,119	146,782	(14,294)	(2,695)	**1,098,912**	371	177,264	(17,134)	1,172	1,260,585
Machinery and equipment	600,255	117,520	(8,672)	-	**709,103**	1,381	129,736	(12,163)	-	828,057
Vehicles	68,408	8,059	(2,409)	-	**74,058**	-	15,179	(1,248)	-	87,989
Leasehold improvements	1,333,498	290,410	(181,673)	(3,673)	**1,438,562**	181	339,525	(186,014)	(114)	1,592,140
Total	**3,078,348**	**562,771**	**(212,155)**	**(6,368)**	**3,422,596**	**1,933**	**661,704**	**(216,559)**	**1,058**	**3,870,732**

Changes in accumulated depreciation	Jan 1st, 2020	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/20	Additions by business combinations	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/21
Land	-	-	-	-	-	-	-	-	-	-
Buildings	(25,216)	(1,892)	222	-	(26,886)	-	(1,824)	-	-	(28,710)
Furniture, fittings and facilities	(361,850)	(96,595)	13,044	1,331	(444,070)	(238)	(108,951)	12,558	(359)	(541,060)
Machinery and equipment	(289,592)	(81,390)	8,246	-	(362,736)	(897)	(92,024)	10,956	-	(444,701)
Vehicles	(31,460)	(7,823)	784	-	(38,499)	-	(9,141)	1,028	-	(46,612)
Leasehold improvements	(592,495)	(281,219)	180,208	2,321	(691,185)	(95)	(298,268)	178,590	329	(810,629)
Total	**(1,300,613)**	**(468,919)**	**202,504**	**3,652**	**(1,563,376)**	**(1,230)**	**(510,208)**	**203,132**	**(30)**	**(1,871,712)**

All amounts in thousands of reais unless otherwise stated

10.3. Intangible assets - Breakdown and changes

Intangible assets are broken down as follows:

		Parent Company					
		Dec/21			Dec/20		
	Average annual amortization rates (%)	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Points of sale	17 - 23.4	249,992	(174,779)	75,213	271,276	(171,884)	99,392
Software license	20	407,985	(156,542)	251,443	255,240	(105,344)	149,896
Goodwill on business acquisition - Vison Ltda	(i)	22,275	(2,387)	19,888	22,275	(2,387)	19,888
Goodwill on business acquisition - Raia S.A.	(i)	780,084	-	780,084	780,084	-	780,084
Trademarks with finite useful life	20	19,046	(8,483)	10,563	26,835	(995)	25,840
Trademarks with indefinite useful life	(i)	151,000	-	151,000	151,000	-	151,000
Customers portfolio	6.7 - 25	41,700	(39,477)	2,223	41,700	(39,017)	2,683
Total		**1,672,082**	**(381,668)**	**1,290,414**	**1,548,410**	**(319,627)**	**1,228,783**

		Consolidated					
		Dec/21			Dec/20		
	Average annual amortization rates (%)	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Points of sale	17 - 23.4	249,992	(174,778)	**75,214**	271,278	(171,883)	99,395
Software license and systems implementation	20	415,862	(159,605)	**256,257**	259,418	(107,033)	152,385
Goodwill on business acquisition - Vison Ltda	(i)	22,275	(2,387)	**19,888**	22,275	(2,387)	19,888
Goodwill on business acquisition - Raia S.A.	(i)	780,084	-	**780,084**	780,084	-	780,084
Goodwill on business acquisition - 4Bio S.A.	(i)	25,563	-	**25,563**	25,563	-	25,563
Goodwill on business acquisition - Vitat	(i)	20,886	-	**20,886**	-	-	-
Goodwill on business acquisition – Cuco	(i)	10,524	-	**10,524**	-	-	-
Goodwill on business acquisition – Healthbit	(i)	5,617	-	**5,617**	-	-	-
Goodwill on business acquisition - Conecta Lá	(i)	7,120	-	**7,120**	-	-	-
Goodwill on business acquisition – Amplimed	(i)	90,086	-	**90,086**	-	-	-
Platform	20	18,853	(2,475)	**16,378**	-	-	-
Non-compete agreement	20	4,833	(600)	**4,233**	-	-	-
Trademarks with finite useful life	20	27,500	(14,569)	**12,931**	31,204	(6,149)	25,055
Trademarks with indefinite useful life	(i)	153,930	-	**153,930**	151,700	-	151,700
Customers portfolio (Raia S.A.)	6.7 - 25	41,700	(39,477)	**2,223**	41,700	(39,017)	2,683
Customer relationship	20	8,737	(3,420)	**5,317**	7,928	(2,972)	4,956
Total		**1,883,562**	**(397,311)**	**1,486,251**	**1,591,150**	**(329,441)**	**1,261,709**

(i) Assets with indefinite useful lives

All amounts in thousands of reais unless otherwise stated

Changes in the Company's intangible assets are as follows:

Changes in cost	**Jan 1st, 2020**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of drugstore closures**	**Dec/20**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of drugstore closures**	**Dec/21**
Points of sale	288,139	27,249	(44,346)	234	271,276	18,634	(38,173)	(1,745)	249,990
Software license	205,506	81,266	(31,541)	9	255,240	164,274	(11,536)	7	407,987
Goodwill on business acquisition – Vison	22,275	-	-	-	22,275	-	-	-	22,275
Goodwill on business acquisition – Raia	780,084	-	-	-	780,084	-	-	-	780,084
Trademarks with finite useful life	25,553	1,357	(75)	-	26,835	2,611	(10,400)	-	19,046
Trademarks with indefinite useful life	151,000	-	-	-	151,000	-	-	-	151,000
Customers portfolio	41,700	-	-	-	41,700	-	-	-	41,700
Total	**1,514,257**	**109,872**	**(75,962)**	**243**	**1,548,410**	**185,519**	**(60,109)**	**(1,738)**	**1,672,082**

Changes in accumulated depreciation	**Jan 1st, 2020**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of drugstore closures**	**Dec/20**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of drugstore closures**	**Dec/21**
Points of sale	(171,093)	(45,108)	44,102	215	(171,884)	(40,314)	36,598	821	(174,779)
Software license	(90,012)	(46,612)	31,283	(3)	(105,344)	(62,348)	11,156	(6)	(156,542)
Goodwill on business acquisition – Vison	(2,387)	-	-	-	(2,387)	-	-	-	(2,387)
Goodwill on business acquisition – Raia	-	-	-	-	-	-	-	-	-
Trademarks with finite useful life	(293)	(702)	-	-	(995)	(8,595)	1,107	-	(8,483)
Customers portfolio	(38,557)	(460)	-	-	(39,017)	(460)	-	-	(39,477)
Total	**(302,342)**	**(92,882)**	**75,385**	**212**	**(319,627)**	**(111,717)**	**48,861**	**815**	**(381,668)**

All amounts in thousands of reais unless otherwise stated

Changes in the consolidated intangible assets are as follows:

Changes in cost	Jan 1st, 2020	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/20	Addition by business combinations	Additions	Disposals and write-offs	(Provision for) / Reversal of drugstore closures	Dec/21
Points of sale	288,139	27,249	(44,344)	234	271,278		18,632	(38,173)	(1,745)	249,992
Software license	208,238	82,712	(31,541)	9	259,418	439	167,534	(11,536)	7	415,862
Goodwill on business acquisition – Vison	22,275	-	-	-	22,275	-	-	-	-	22,275
Goodwill on business acquisition – Raia	780,084	-	-	-	780,084	-	-	-	-	780,084
Goodwill on business acquisition – 4Bio	25,563	-	-	-	25,563	-	-	-	-	25,563
Goodwill on business acquisition – Vitat	-	-	-	-	-	-	20,886	-	-	20,886
Goodwill on business acquisition – Cuco	-	-	-	-	-	-	10,524	-	-	10,524
Goodwill on business acquisition – Healthbit	-	-	-	-	-	-	5,617	-	-	5,617
Goodwill on business acquisition - Conecta Lá	-	-	-	-	-	-	7,120	-	-	7,120
Goodwill on business acquisition – Amplimed	-	-	-	-	-	-	90,086	-	-	90,086
Platform	-	-	-	-	-	-	18,853	-	-	18,853
Non-compete agreement	-	-	-	-	-	-	4,833	-	-	4,833
Trademarks with finite useful life	29,922	1,357	(75)	-	31,204	1,691	5,005	(10,400)	-	27,500
Trademarks with indefinite useful life	151,700	-	-	-	151,700	-	2,230	-	-	153,930
Customers portfolio - Raia	41,700	-	-	-	41,700	-	-	-	-	41,700
Customer relationship	7,928	-	-	-	7,928	-	809	-	-	8,737
Total	**1,555,549**	**111,318**	**(75,960)**	**243**	**1,591,150**	**2,130**	**352,129**	**(60,109)**	**(1,738)**	**1,883,562**

Changes in accumulated depreciation	Jan 1st, 2020	Additions	Disposals and write-offs	Provision for / (Reversal of) drugstore closures	Dec/20	Addition by business combinations	Additions	Disposals and write-offs	Provision for / (Reversal of) drugstore closures	Dec/21
Points of sale	(171,092)	(45,108)	44,101	216	(171,883)	-	(40,314)	36,598	821	(174,778)
Software license	(91,064)	(47,248)	31,282	(3)	(107,033)	(367)	(63,355)	11,156	(6)	(159,605)
Goodwill on business acquisition – Vison	(2,387)	-	-	-	(2,387)	-	-	-	-	(2,387)
Goodwill on business acquisition – Raia	-	-	-	-	-	-	-	-	-	-
Goodwill on business acquisition – 4Bio	-	-	-	-	-	-	-	-	-	-
Goodwill on business acquisition – Vitat	-	-	-	-	-	-	-	-	-	-
Platform	-	-	-	-	-	-	(2,475)	-	-	(2,475)
Non-compete agreement	-	-	-	-	-	-	(600)	-	-	(600)
Trademarks with finite useful life	(4,602)	(1,547)	-	-	(6,149)	(572)	(8,954)	1,106	-	(14,569)
Customers portfolio - Raia	(38,557)	(460)	-	-	(39,017)	-	(460)	-	-	(39,477)
Customer relationship	(2,406)	(566)	-	-	(2,972)	-	(448)	-	-	(3,420)
Total	**(310,108)**	**(94,929)**	**75,383**	**213**	**(329,441)**	**(939)**	**(116,606)**	**48,860**	**815**	**(397,311)**

All amounts in thousands of reais unless otherwise stated

Goodwill on the acquisition of companies

Goodwill on the acquisition of companies is subject to annual impairment testing.

Company	Goodwill amount	Acquisition
Drogaria Vison	19,888	02/13/2008
Raia	780,084	11/10/2011
4Bio Medicamentos	25,563	10/01/2015
Vitat Serviços em Saúde	20,886	04/01/2021
Dr. Cuco Desenvolvimento de Software	14,689	11/19/2021
Healthbit Performasys Tecnologia Inteligência	5,616	03/09/2021
Amplisoftware Tecnologia	90,086	12/22/2021
Full Nine Digital Consultoria	7,120	12/10/2021

Drogaria Vison Ltda. - Goodwill in the amount of R$ 19,888 refers to the acquisition of Drogaria Vison Ltda., on February 13, 2008, which was included in the Company's operations as from June 30, 2008. Goodwill is based on expected future profitability, pursuant to an appraisal prepared by an independent expert, and was amortized from April to December 2008. As provided for in CPC Guidance (OCPC) 02 - Clarifications on the 2008 Financial Statements, since 2009, goodwill has no longer been amortized, but has been subject to impairment testing ever since. The recoverable amount of the cash generating unit of 'Vison' is R$ 145,079 at December 31, 2021 and was determined based on the calculation of the value in use considering the cash flow projections based on financial estimates approved by Management for a period of five years. The pre-tax discount rate applied to cash flow projections is 17.1% p.a. (16.9% p.a. - 2020). The growth rate used to extrapolate the unit's cash flow for a period over five years is 3.2% (5.2% in 2020).

Raia S.A. - The Company computed goodwill of R$ 780,084 in the business combination with Raia S.A., occurred on November 10, 2011, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received. In addition to the amount classified as goodwill, we also have the amount of R$ 151,700 allocated as Trademarks, totaling R$ 931,784 in intangible assets with indefinite useful lives linked to the cash-generating unit 'Raia'. The recoverable amount of the cash generating unit of 'Raia' is R$ 5,661,365 at December 31, 2021 and was determined based on the calculation of the value in use considering the cash flow projections based on financial estimates approved by Management for a period of five years. The pre-tax discount rate applied to cash flow projections is 14.3% p.a. (14.4% p.a. - 2020). The growth rate used to extrapolate the unit's cash flow for a period over five years is 3.2% (6.4% in 2020).

4Bio Medicamentos S.A. – The Company computed goodwill of R$ 25,563 in the business combination with 4Bio Medicamentos S.A., occurred on October 1, 2015, of which the balance was supplemented by the final adjustment of the price at March 31, 2016 of R$ 2,040, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received. The recoverable amount of the cash generating unit of '4Bio' is R$ 191,551 at December 31, 2021 and was determined based on the calculation of the value in use considering the cash flow projections based on financial estimates approved by Management for a period of five years. The pre-tax discount rate applied to cash flow projections is 12.6% p.a. (17.0% p.a. - 2020). The growth rate used to extrapolate the unit's cash flow for a period over five years is 3.3% (9.9% in 2020).

Vitat Serviços em Saúde Ltda. The Company computed goodwill of R$ 20,886 in the business combination with Vitat Negócios em Saúde Ltda. (former B2U Editora S.A.), occurred on April 1, 2021, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

Dr. Cuco Desenvolvimento de Software Ltda. The Company computed goodwill of R$ 14,689 in the business combination with Dr. Cuco Desenvolvimento de Software Ltda., occurred on November 19, 2021, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

All amounts in thousands of reais unless otherwise stated

Healthbit Performasys Tecnologia Inteligência S.A. - The Company computed goodwill of R$ 5,616 in the business combination with Healthbit Performasys Tecnologia Inteligência S.A., occurred on March 9, 2021, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

Amplisoftware Tecnologia Ltda. - The Company computed goodwill of R$ 90,086 in the business combination with Aplisoftware Tecnologia Ltda. occurred on December 22, 2021, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

Full Nine Digital Consultoria Ltda. - The Company computed goodwill of R$ 7,120 in the acquisition of interest in Full Nine Digital Consultoria Ltda. occurred on December 10, 2021, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

10.4. Changes in the provision for drugstore closures

The changes in the provision for closure of drugstores is shown by the Parent Company:

	Provision	Depreciation	Total property and equipment	Provision	Amortization	Total intangible assets	Total provisions
At January 1st, 2020	**(11,526)**	**4,684**	**(6,842)**	**(2,530)**	**1,232**	**(1,298)**	**(8,140)**
Additions	(17,894)	8,336	(9,558)	(2,287)	1,443	(844)	(10,402)
Reversals	11,527	(4,684)	6,843	2,530	(1,232)	1,298	8,141
At December 31, 2020	**(17,893)**	**8,336**	**(9,557)**	**(2,287)**	**1,443**	**(844)**	**(10,401)**
Additions	(34,102)	15,757	(18,345)	(6,547)	3,657	(2,890)	(21,235)
Reversals	35,160	(15,787)	19,373	4,809	(2,843)	1,966	21,339
Changes, net	**1,058**	**(30)**	**1,028**	**(1,738)**	**814**	**(924)**	**104**
Balance at 12/31/2021	**(16,835)**	**8,306**	**(8,529)**	**(4,025)**	**2,257**	**(1,768)**	**(10,297)**

11. Employee benefits

(a) Profit sharing program

The Group has a profit sharing and bonus program intended mainly to measure the performance of employees during the year. Both programs have a formal plan and the amounts payable may be reasonably estimated before the information preparation period, and settled in the short term. On a monthly basis, a liability and an expense for profit sharing are recognized in the statement of income based on estimates of achievement of operating targets and specific objectives established and approved by Management. The recognition as liabilities is made in the account of salaries and social charges and in the statement of income the recognition is made in the account of selling expenses and general and administrative expenses (Note 21).

(b) Other benefits

Other short-term benefits are also granted to employees, such as life insurance, health and dental care, housing allowance, maternity leave and scholarship, which are recognized on an accrual basis and whose right is extinguished at the end of the employment relationship with the Group.

The Group does not grant post-employment benefits such as "Plano Gerador de Benefício Livre" (PGBL), "Vida Gerador de Benefício Livre" (VGBL), defined benefit pension plan and/or any retirement or post-employment assistance plan, severance pay benefits or other long-term benefits.

Part of the benefits granted to the officers include a restricted share plan, classified as an equity instrument. The fair value of share-based payments is recognized in profit or loss in accordance with the granting period, against equity (see Note 19 d).

All amounts in thousands of reais unless otherwise stated

12.Trade payables

12.1. Accounting policy

Installment sale transactions are adjusted to their present value at the transaction date. The discount rate used to adjust the trade payables balances to their present value was 100% of the CDI, which represents the rate of the weighted average cost of capital of the Company. The adjustment of purchases to present value is recorded within trade payables against finance income/costs, over their term in the case of suppliers. The balance of trade payables is measured at amortized cost, using the effective interest rate method.

12.2. Balance breakdown

	Parent Company		Consolidated	
Trade payables items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Goods suppliers	3,327,184	2,810,531	3,496,652	2,971,215
Service providers	141,496	105,359	144,064	107,973
Materials suppliers	37,800	20,841	38,024	20,935
Assets suppliers	19,492	14,258	19,802	14,679
Adjustment to present value	(40,644)	(7,610)	(41,935)	(7,864)
Total	**3,485,328**	**2,943,379**	**3,656,607**	**3,106,938**

In 2021, certain suppliers have assigned Company notes, without right of subrogation, allowing its suppliers to advance their receivables. This advance on credit notes generated a financial gain to the Company in the amount of R$ 13,610 (R$ 8,330 - Dec/2020). In this operation, the financial institution takes into consideration the credit risk of the buyer (in this case, the Company). There is no change in the pre-established terms and other conditions after the assignment of the credit. In addition, there is no obligation that results in expenses for the Company. The Company's Management also considered the guidance in CVM Circular Letter SNC/SEP 01/2021, observing the qualitative aspects on the issue, and concluded that there are no impacts because there is no change in the conditions originally agreed with suppliers and because of its low gearing ratio.

All amounts in thousands of reais unless otherwise stated

13. Borrowings, debentures and promissory notes

(a) Breakdown

Borrowings items	Average annual long-term interest rate	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
BNDES - Sub-loan					
Ventures	TLP + 2.02% (2.02% - Dec/2020) p.a.	-	11,480	-	11,480
Ventures	SELIC + 2.42% (2.42% - Dec/2020) p.a.	-	14,483	-	14,483
Machinery, equipment and vehicles	TLP + 2.02% (2.02% - Dec/2020) p.a.	-	2,373	-	2,373
Machinery, equipment and vehicles	SELIC + 2.42% (2.42% - Dec/2020) p.a.	-	12	-	12
Other		155	547	155	547
Total BNDES – Subloan		**155**	**28,895**	**155**	**28,895**
Promissory Notes					
1st issue of promissory notes	100.00% of CDI + 3.00%	333,460	308,441	333,460	308,441
Total Promissory Notes		**333,460**	**308,441**	**333,460**	**308,441**
Debentures					
1st issue of debentures	104.75% of CDI	33,808	100,072	33,808	100,072
2nd issue of debentures	104.50% of CDI	135,773	223,087	135,773	223,087
3rd Issue of Debentures - CRIs	98.50% of CDI	250,947	246,104	250,947	246,104
4th issue of debentures	106.99% of CDI	300,804	299,850	300,804	299,850
Total Debentures		**721,332**	**869,113**	**721,332**	**869,113**
Borrowings					
Direct loans Law 4,131	100.00% of CDI + 2.61%	307,163	312,628	307,163	312,628
Direct loans Law 4,131	100.00% of CDI + 3.30%	100,052	100,924	100,052	100,924
Other	100.00% of CDI + 2.95%	-	-	43,060	33,453
Total Borrowings		**407,215**	**413,552**	**450,275**	**447,005**
Total		**1,462,162**	**1,620,001**	**1,505,222**	**1,653,454**
Current liabilities		571,549	497,751	613,831	531,204
Non-current liabilities		890,613	1,122,250	891,391	1,122,250

All amounts in thousands of reais unless otherwise stated

The amounts above have the following payment flow forecast:

	Parent Company		Consolidated	
Payment forecast	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
2021	-	497,751	-	531,204
2022	571,549	531,286	613,831	531,286
2023	43,105	43,405	43,883	43,405
2024 and thereafter	847,508	547,559	847,508	547,559
Total	**1,462,162**	**1,620,001**	**1,505,222**	**1,653,454**

(b) Characteristics of BNDES borrowing

Borrowing from the BNDES is used for the expansion of drugstores, acquisition of machinery, equipment, vehicles and also to finance the Company's working capital.

The subloans for the Social Project, Development of Own Brand and Acquisition of National Software are grouped in the Other line. Part of the Company's borrowing from BNDES has been taken out in the form of subloans, totaling R$ 155 (R$ 28,895 - Dec/20), subject to the following restrictive covenants:

(i) EBITDA margin (EBITDA/Net operating revenue): equal to or higher than 3.6%; and

(ii) Total net debt/Total assets: equal to or lower than 20%.

Covenants are measured annually and, at December 31, 2021 and 2020, the Company was in compliance with these covenants. If these requirements were not met, the Company would have to provide BNDES with bank guarantees to ensure the performance of its obligations under the agreement.

The Group is not a party to any agreements containing non-financial covenants.

(c) Characteristics of the debentures and promissory notes

Promissory Notes

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
1st issue – single series	R$ 300,000	60	04/24/2020	2020-2022	CDI + 3.00%	R$ 5,000

On April 24, 2020, the Company carried out the 1st issue of promissory notes in a single series for public distribution with restricted efforts (CVM 476), in the amount of R$ 300,000, with remuneration of 100% of the cumulative variation of the average daily rates of the DI, plus a surcharge of 3.00% p.a. and payment term of 2 years. Interest payment and amortization of principal will be carried out on the maturity date. The funds were used to improve the working capital.

Debentures

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
1st issue – single series	R$ 300,000	30,000	04/19/2017	2017-2022	104.75%	R$ 10
2nd issue - 9 series	R$ 400,000	40,000	04/02/2018	2018-2023	104.50%(*)	R$ 10
3rd issue – Single Series	R$ 250,000	250,000	03/15/2019	2019-2026	98.50%	R$ 1
4th issue – single series	R$ 300,000	300,000	06/17/2019	2019-2027	106.99%	R$ 1

(*) Weighted average rate of series.

On April 19, 2017, the Company carried out the 1st issue of non-convertible, simple, unsecured debentures in a single series in the total amount of R$ 300,000, with remuneration of 104.75% of CDI and payment term of 60 months. The principal will be amortized in nine semiannual and consecutive installments, the first from the twelfth month after issuance and the interest payments will be semi-annual, with the first payment due in October 2017 and the remaining payments in April and October of each year until the due date. Debentures were used by the Company as an instrument to strengthen its working capital.

On April 2, 2018, the Company carried out the 2nd issue of simple debentures with payment term of 60 months (April/2023). The amortization of the principal related to the 2nd issue of debentures will occur in 9 semiannual consecutive installments, the first being from the 12th month after the issue. The payment of the remuneration will occur on a semiannual basis, and the first payment is due in April 2019, and others always in April and October of each year, until the due date.

On February 1, 2019, the Company approved, through the Extraordinary Meeting of the Board of Directors, the 3rd issue of non-convertible, simple unsecured debentures in a single series, in the total amount of R$ 250,000, with remuneration of 98.5% of CDI and payment term of 7 years. Interest payments will be semi-annual, and principal will be amortized in two equal annual and consecutive installments, the last installment to be paid on March 13, 2026. The funds raised are being used for the construction, expansion, development and renovation of certain properties indicated by the Company. This operation is linked to the real estate receivables certificates issued by Vert Companhia Securitizadora, which will be issued with guarantee in the "CRI" debentures, object of a public offering for distribution under CVM Instruction 400.

On June 17, 2019, the Company carried out the 4th issue of non-convertible, simple unsecured debentures in a single series in the total amount of R$ 300,000 for public distribution with restricted efforts (CVM 476), with settlement on July 12, 2019, in the amount of R$ 300,000, with remuneration of 106.99% of CDI and payment term of 8 years. Interest payments will be semi-annual, and principal will be amortized in two equal annual and consecutive installments, the last installment to be paid on June 17, 2027. The funds were used to improve the working capital.

The costs incurred on the issues of the Company's debentures (2017 - 1st issue, 2018 - 2nd issue, 2019 - 3rd and 4th issues) and 1st issue of promissory notes, including fees, commissions and other costs, totaled R$ 14,921 and are classified in line item of the respective debentures and promissory notes, and are being recognized over the total period of the debt. At December 31, 2021, the amount to be recognized was R$ 5,430 (R$ 8,505 - Dec/2020), and is presented net in debentures and promissory notes balance.

The Company's debentures and promissory notes are conditioned to the compliance with the following covenants:

(i) Net Debt / EBITDA: cannot exceed 3 times.

The calculation of net debt, the basis for determining the covenants calculation of Company's debentures and promissory notes considers the balances of borrowings. As described in Note 13 (b), the lease obligations are being presented in a separate line item in the financial statements, and therefore, are not included in the net debt calculation.

Covenants are measured quarterly and, at December 31, 2021, the Company was in compliance with such requirements.

The non-compliance with the covenants for two consecutive quarters can be considered as a default event and consequently result in early maturity.

The Group monitors clauses subject to compliance with non-financial covenants, in order to ensure that they are being complied with. At December 31, 2021, the Company was in compliance with these covenants.

All amounts in thousands of reais unless otherwise stated

(d) Characteristics of borrowings

On April 8, 2020, the Company carried out loan operation – 4131, in the amount of R$ 100,000, with remuneration of 100% of the cumulative variation of the average daily rates of the CDIs, plus a surcharge of 3.30% per year and payment term of 2 years. Interest payments will be quarterly and amortization of principal will be carried out on the maturity date. The funds were used to improve the working capital.

On March 26, 2021, the Company carried out loan operation – 4131, in the amount of R$ 300,000, with remuneration of 100% of the cumulative variation of the average daily rates of the CDI, plus a surcharge of 2.61% per year and payment term of 3 years. Interest payments will be semi-annual and amortization of principal will be carried out on the maturity date. The funds were used to improve the working capital.

The transaction costs incurred in borrowings - 4131 are of 0.25% referring to the amount of R$ 100,000, with a term of 2 years, and 0.30% referring to the amount of R$ 300,000, with a term of 3 years, including fees, commissions and other costs, which amounted to R$ 2,005 and are classified in line item of the respective borrowings, and are being recognized over the total period of the debt. At December 31, 2021, the amount to be recognized was R$ 693 (R$ 404 - Dec/20), and is presented net in the borrowings balance.

The borrowings - 4131 are not conditioned to compliance with financial and non-financial covenants.

(e) Reconciliation of net debt

The analysis of and the changes in net debt are presented below:

	Parent Company		Consolidated	
Composition and changes in net debt	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Short-term borrowings	571,549	497,751	613,831	531,204
Long-term borrowings	890,613	1,122,250	891,391	1,122,250
Total debt	**1,462,162**	**1,620,001**	**1,505,222**	**1,653,454**
(-) Cash and cash equivalents (Note 5)	(316,654)	(855,257)	(356,118)	(880,357)
Net debt	**1,145,508**	**764,744**	**1,149,104**	**773,097**

	Parent Company		
Changes in net debt	**Borrowings**	**Cash and cash equivalents**	**Net debt**
Net debt at January 1st, 2021	1,620,001	(855,257)	764,744
Funding	298,874	-	298,874
Accrued interest	87,772	-	87,772
Payment of interest	(64,089)	-	(64,089)
Amortization of principal	(484,717)	-	(484,717)
Amortization of transaction costs	4,321	-	4,321
Decrease in cash and cash equivalents	-	538,603	538,603
Net debt at December 31, 2021	**1,462,162**	**(316,654)**	**1,145,508**

All amounts in thousands of reais unless otherwise stated

	Consolidated		
Changes in net debt	**Borrowings**	**Cash and cash equivalents**	**Net debt**
Net debt at January 1st, 2021	1,653,454	(880,357)	773,097
Funding	338,234	-	338,234
Borrowings in business combinations	1,763	-	1,763
Accrued interest	89,957	-	89,957
Payment of interest	(64,861)	-	(64,861)
Amortization of principal	(517,646)	-	(517,646)
Amortization of transaction costs	4,321	-	4,321
Decrease in cash and cash equivalents	-	524,239	524,239
Net debt at December 31, 2021	**1,505,222**	**(356,118)**	**1,149,104**

14.Leases

14.1. Accounting policy

On adoption of NBC TG 06 (R3) / IFRS 16 - Leases: the, the Group recognized lease liabilities involving leases that had already been classified as "operating leases" according to the principles of IAS 17 - Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. The weighted average of the lessee's nominal incremental borrowing rate applied to lease liabilities on January 1, 2019 was 6.69% p.a.

For leases previously classified as finance leases, the Group recognized the carrying amount of the lease asset and liability immediately before the transition to the carrying amount of the right-of-use asset and lease liability on the date of initial application. The measurement principles of NBC TG 06 (R3) / IFRS 16 apply only after this date. The remeasurements of the lease liabilities were recognized as adjustments to the respective right-of-use assets immediately after the date of initial application.

The Group is qualified as a lessee after evaluating whether a contract is, or contains, a lease, according to the following assumptions:

(i) The lessor cannot have a substantive right to replace the asset with an alternative asset during the lease term;
(ii) The Group has substantially all the economic benefits of a contract's assets if it benefits from most of the benefits from the main product, by-product and other benefits that the asset may generate; and
(iii) The Group has the right to direct the use of the asset, managing how and for what purposes it will be used during the period of use or when these decisions are predetermined in the contract and the Group will operate the asset during the entire period of the contract, without the lessor having the right to amend these operating instructions.

The Group leases physical stores, distribution centers and real estate properties for its office space, vehicles and equipment. Operating real estate and distribution/administrative centers leases have term of 5 to 20 years, residential real estate leases have term of 2 years, and lease agreements for vehicles and equipment have term of 3 years.

Since January 1, 2019, the Company has recognized lease agreements in its balance sheet as required by NBC TG 06 (R3) / IFRS 16 as right-of-use assets and lease liabilities. In compliance with CVM guidelines contained in CVM Circular Letter 2/2019, the Company adopts, since the year ended December 31, 2019, the use of the Nominal Discount Rate for lease agreements, disregarding the Real Rate applied at the beginning of effectiveness of that standard.

Information on the Group's leases are presented below.

All amounts in thousands of reais unless otherwise stated

As a lessee

Right-of-use asset

Breakdown of Parent Company and Consolidated right-of-use:

Right-of-use asset	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Operating real estate	3,041,467	2,894,417	3,041,468	2,894,417
Residential real estate	11,537	9,380	12,207	9,459
Distribution/administrative centers	274,018	254,410	276,290	257,181
Vehicles	602	152	602	153
Equipment	-	35	-	35
Total	**3,327,624**	**3,158,394**	**3,330,567**	**3,161,245**

The changes in the Parent Company and Consolidated right-of-use are presented below:

Parent Company	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total
At 01/01/2020	**2,749,100**	**8,980**	**271,770**	**2,662**	**92**	**3,032,604**
New agreements	375,950	5,012	11,967	17	-	392,946
Remeasurements (i)	362,453	(294)	28,096	(1,799)	(38)	388,418
Termination of agreements	(38,387)	(2,506)	(2,587)	(191)	-	(43,671)
Depreciation	(554,699)	(1,812)	(54,836)	(537)	(19)	(611,903)
At 12/31/2020	**2,894,417**	**9,380**	**254,410**	**152**	**35**	**3,158,394**
New agreements	308,685	9,983	70	312	-	319,050
Remeasurements (i)	523,826	(1,156)	75,828	171	8	598,677
Termination of agreements	(45,675)	(4,128)	(14)	-	(35)	(49,852)
Depreciation	(639,786)	(2,542)	(56,276)	(33)	(8)	(698,645)
At 12/31/2021	**3,041,467**	**11,537**	**274,018**	**602**	**-**	**3,327,624**

Consolidated	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total
At 01/01/2020	**2,749,100**	**9,101**	**275,570**	**2,662**	**92**	**3,036,525**
New agreements	375,950	5,047	12,664	17	-	393,678
Remeasurements (i)	362,453	(325)	27,856	(1,799)	(38)	388,147
Termination of agreements	(38,387)	(2,506)	(2,587)	(191)	-	(43,671)
Depreciation	(554,699)	(1,858)	(56,322)	(536)	(19)	(613,434)
At 12/31/2020	**2,894,417**	**9,459**	**257,181**	**153**	**35**	**3,161,245**
New agreements	308,685	10,062	488	312	-	319,547
Remeasurements (i)	523,826	(560)	76,541	171	8	599,986
Termination of agreements	(45,675)	(4,128)	(77)	-	(35)	(49,915)
Depreciation	(639,786)	(2,626)	(57,843)	(33)	(8)	(700,296)
At 12/31/2021	**3,041,467**	**12,207**	**276,290**	**603**	**-**	**3,330,567**

(i) The Company remeasures the right-of-use asset in order to reflect changes in future payments; changes in terms initially determined for the implementation of NBC TG 06 (R3) / IFRS 16 - Leases and contracts recognized as operating leases (NBC TG 06 (R3) / IAS 17 - Leases), initially determined as short-term contracts.

All amounts in thousands of reais unless otherwise stated

Lease liabilities

The changes in the Parent Company and Consolidated lease liabilities are as follows:

	Parent Company		Consolidated	
Leases	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Operating real estate	3,333,958	3,127,787	3,333,958	3,127,787
Residential real estate	(3,287)	2,071	(2,668)	2,098
Distribution/administrative centers	342,049	299,297	344,503	302,245
Vehicles	(2,817)	(1,188)	(2,817)	(1,188)
Equipment	(78)	(17)	(78)	(17)
Total	**3,669,825**	**3,427,950**	**3,672,898**	**3,430,925**

The changes in the Parent Company and Consolidated lease liabilities are as follows:

	Parent Company					
	Operating real estate	**Residential real estate**	**Distribution/ administrative centers**	**Vehicles**	**Equipment**	**Total**
At 01/01/2020	**2,882,824**	**8,401**	**286,616**	**2,711**	**103**	**3,180,655**
New agreements	375,950	5,012	11,967	17	-	392,946
Remeasurements (i)	362,453	(294)	28,096	(1,799)	(38)	388,418
Interest	210,971	268	16,469	68	5	227,781
Payments / Compensations	(704,411)	(11,316)	(43,851)	(2,185)	(87)	(761,850)
At 12/31/2020	**3,127,787**	**2,071**	**299,297**	**(1,188)**	**(17)**	**3,427,950**
New agreements	310,795	7,873	70	313	-	319,051
Remeasurements (i)	523,826	(1,156)	75,828	171	8	598,677
Interest	215,059	971	19,332	98	2	235,462
Payments / Compensations	(843,508)	(13,046)	(52,479)	(2,211)	(71)	(911,315)
At 12/31/2021	3,333,959	**(3,287)**	**342,048**	**(2,817)**	**(78)**	**3,669,825**

	Consolidated					
	Operating real estate	**Residential real estate**	**Distribution/ administrative centers**	**Vehicles**	**Equipment**	**Total**
At 01/01/2020	**2,882,824**	**8,537**	**290,458**	**2,711**	**103**	**3,184,633**
New agreements	375,950	4,978	12,664	17	-	393,609
Remeasurements (i)	362,453	(326)	27,856	(1,799)	(38)	388,146
Interest	210,971	273	16,702	68	5	228,019
Payments / Compensations	(704,411)	(11,364)	(45,435)	(2,185)	(87)	(763,482)
At 12/31/2020	**3,127,787**	**2,098**	**302,245**	**(1,188)**	**(17)**	**3,430,925**
New agreements	310,795	7,952	488	313	-	319,548
Remeasurements (i)	523,826	(560)	76,541	171	8	599,986
Interest	215,059	979	19,529	98	2	235,667
Payments / Compensations	(843,508)	(13,137)	(54,301)	(2,211)	(71)	(913,228)
At 12/31/2021	**3,333,959**	**(2,668)**	**344,502**	**(2,817)**	**(78)**	**3,672,898**

(i) The Company remeasures the lease liabilities in order to reflect changes in future payments; changes in terms initially determined for the implementation of NBC TG 06 (R3) / IFRS 16 - Leases and contracts recognized as operating leases (NBC TG 06 (R3) / IAS 17 - Leases).

All amounts in thousands of reais unless otherwise stated

The maturities of lease liabilities are classified according to the following schedule:

Analysis of maturities - Lease liabilities	Parent Company		Consolidated	
	Dec/21	Dec/20	Dec/21	Dec/20
Less than 1 year	697,738	501,924	699,170	503,318
Current	**697,738**	**501,924**	**699,170**	**503,318**
1 to 5 years	2,517,686	2,431,810	2,519,327	2,433,391
Over 5 years	454,401	494,216	454,401	494,216
Non-current	**2,972,087**	**2,926,026**	**2,973,728**	**2,927,607**
Total	**3,669,825**	**3,427,950**	**3,672,898**	**3,430,925**

Future payments to be made to the lessor may give the Group the right to be credited with PIS and COFINS. Therefore, the recorded amount of the right-of-use asset against the lease liability already includes potential future credit.

The potential right to PIS / COFINS recoverable embedded in future lease payments is presented below:

Future considerations	Parent Company / Consolidated	Potential PIS / COFINS (9.25%)
Less than 1 year	570,730	52,793
1 to 2 years	530,468	49,068
2 to 3 years	475,162	43,953
3 to 4 years	399,617	36,965
4 to 5 years	303,744	28,096
Over 5 years	584,639	54,079
Total	**2,864,360**	**264,954**

The right to use PIS/COFINS credits comprises only contracts whose lessor is a legal entity. The Company has lease contracts for both lessors, corporate and individual.

In compliance with CVM Circular Letter 02/2019 and NBC TG 06 (R3) / IFRS 16, justified by the fact that the Group has not applied the methodology of nominal flows due to the prohibition imposed by NBC TG 06 (R3) of future inflation projection and in order to provide additional information to users, the analysis of contract maturities and installments not yet discounted at December 31, 2021 is presented below:

Year	Parent Company			Consolidated		
	Net present value	Estimated interest (future) (i)	Amounts of installments not yet discounted	Net present value	Estimated interest (future) (i)	Amounts of installments not yet discounted
2022	692,187	215,488	907,675	693,619	215,811	909,430
2023	666,751	170,973	837,724	666,751	170,973	837,724
2024	613,339	128,892	742,231	613,339	128,892	742,231
2025	523,916	91,626	615,542	523,916	91,626	615,542
2026	400,015	61,473	461,488	400,015	61,473	461,488
2027	293,268	39,152	332,420	294,909	39,510	334,419
2028 and thereafter	480,349	49,504	529,853	480,349	49,504	529,853
Total	**3,669,825**	**757,108**	**4,426,933**	**3,672,898**	**757,789**	**4,430,687**

(i) The present value of the leases payable was calculated considering the projection of future fixed payments, discounted at the rate of 6.69% p.a., which was built from the basic interest rate released by the Central Bank of Brazil (Bacen).

All amounts in thousands of reais unless otherwise stated

Amount recognized in the statement of income

	Parent Company		Consolidated	
Amount recognized in the statement of income	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Amortization of right-of-use asset	698,646	611,903	700,297	613,343
Interest on lease liabilities	235,463	227,781	235,668	228,019
Adjustment for lease write-of (contracts terminated)	20	(1,379)	220	(1,379)
Variable payments not included in the measurement of lease liabilities	45,831	29,272	46,789	30,208
Revenue on subleases of right-of-use assets	(2,891)	(2,904)	(2,891)	(2,904)
Expenses related to short-term and/or low-value leases	16,970	19,192	16,970	19,192
Discounts on property rental	(6,390)	13,802	(6,390)	13,802

(i) Payment of variable leases based on sales

Some operating real estate leases contain variable lease payments based on a percentage of 2% to 12% of the sales made during the period in the leased operating real estate. These payment conditions are common for stores in the country where the Group operates. Variable lease payments for the year ended December 31, 2021 amounted to R$ 4,456 (R$ 4,518 in Dec/2020) for Parent Company and consolidated accounts.

(ii) Leases fitting into exceptions and practical expedients

The lease agreements identified and that fall within the scope of exemption mainly refer to lease of printers, forklifts, cardiotech scales, power generators, electron aligners and photovoltaic plates.

The Group also leases equipment with contracts of up to one year. These leases are short-term and/or low-value leases. The Group opted not to recognize the right-of-use assets and the lease liabilities of such items.

As a lessor

The Group subleases some of the properties to third parties. The Group has classified these leases as operating leases because they do not transfer substantially all the risks and rewards of ownership of assets.

The table below presents an analysis of maturities of lease payments, showing undiscounted lease payments to be received after the reporting date:

	Parent Company and Consolidated	
Undiscounted lease payments	**Dec/21**	**Dec/20**
Less than 1 year	1,816	1,846
1 to 2 years	1,391	1,675
2 to 3 years	1,124	1,280
3 to 4 years	656	1,025
4 to 5 years	186	591
Over 5 years	883	818
Total	**6,056**	**7,235**

All amounts in thousands of reais unless otherwise stated

15.Provision for contingencies and judicial deposits

15.1. Accounting policy

Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provision for legal proceedings is recorded reflecting the best estimates of the risk involved, in amounts deemed sufficient to cover probable losses. The proceedings rated as involving possible losses are disclosed in explanatory notes and those rated as remote losses are not provisioned or disclosed.

The Company and its subsidiaries are subject to legal claims (tax, civil and labor) arising in the normal course of business. Management, supported by the opinion of its legal advisors and, where applicable, by specific opinions issued by experts, assesses the probable final outcomes of ongoing litigation and determines whether or not setting up of provision for contingencies is necessary. In the case of labor contingencies, the evolution of the lawsuits and the history of losses are determining factors to reflect the best estimate.

Judicial deposits

The Company makes judicial deposits to guarantee the enforcement of judicial decisions, as required by the courts and/or made due to Management's strategic decision to protect its cash. In the cases in which the provision has a corresponding judicial deposit and the Company has the intention to settle the liability and realize the asset simultaneously, the amounts are offset. Judicial deposits are monetarily adjusted on the total amount, the gains or losses are recognized in the Company's statement of income when the lawsuit is settled.

15.2. Breakdown of balances and changes in provisions

At December 31, 2021 and 2020, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

	Parent Company		Consolidated	
Judicial deposits items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Labor and social security	86,900	95,942	86,900	95,942
Tax	16,217	16,996	16,410	17,185
Civil	2,487	1,713	2,487	1,713
Subtotal	**105,604**	**114,651**	**105,797**	**114,840**
(-) Corresponding judicial deposits	(9,129)	(11,183)	(9,129)	(11,183)
Total	**96,475**	**103,468**	**96,668**	**103,657**
Current liabilities	43,560	32,646	43,560	32,835
Non-current liabilities	52,915	70,822	53,108	70,822

All amounts in thousands of reais unless otherwise stated

Changes in the provision are as follows:

Changes in the provision	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Opening balance	**114,651**	**111,299**	**114,840**	**111,299**
Additions of new lawsuits	48,377	55,739	48,377	55,928
Reversals by concluded lawsuits	(16,587)	(13,427)	(16,587)	(13,427)
Write-offs for payments	(51,072)	(68,417)	(51,072)	(68,417)
Constitution/(Reversals) due to changes in lawsuits	3,269	(7,225)	3,269	(7,225)
Revaluation of amounts	(232)	22,392	(232)	22,392
Monetary adjustment	7,198	14,290	7,202	14,290
Closing balance	**105,604**	**114,651**	**105,797**	**114,840**

The provision for legal claims took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable, and a portion of these proceedings is guaranteed by pledged assets.

Possible losses

At December 31, 2021 and 2020, the Group has tax and civil lawsuits related to fines applied by the relevant administrative authorities, tax rate difference in interstate transfers and tax enforcements as well as of civil nature due to indemnity claims for losses and pain and suffering arising from consumer relations, involving possible loss as assessed by Management and its legal advisors in the amount of R$ 47,779 (R$ 51,192 - Dec/20) for Parent Company and Consolidated, of which R$ 2,583 (R$ 1,090 - Dec/20) refer to labor/social security contingencies, R$ 4,591 (R$ 4,111 - Dec/20) to civil contingencies, and R$ 40,605 (R$ 47,081 - Dec/20) to tax contingencies.

Judicial deposits

At December 31, 2021 and 2020, the Group had the following judicial deposit amounts for which no corresponding provision had been set up:

Analysis of judicial deposits	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Labor and social security	10,575	15,285	10,575	15,285
Tax	13,844	10,464	17,923	10,464
Civil	3,470	3,338	3,470	3,338
(-) Corresponding judicial deposits	(2,017)	(3,334)	(2,017)	(3,334)
Total	**25,872**	**25,753**	**29,951**	**25,753**

Labor contingencies

Labor claims in general relate to lawsuits filed by former employees questioning the payment of unpaid overtime and health hazard premium. The Group is also involved in proceedings arising from Raia S.A., as well as from Drogaria Onofre Ltda., which were filed by former employees of service providers claiming to have employment relationships directly with the Group, or in which the Group received a joint enforcement order for the payment of the labor rights claimed. There are also proceedings filed by professional unions for the payment of union dues, under the dispute regarding the legitimacy of the territorial base.

All amounts in thousands of reais unless otherwise stated

Tax contingencies

These represent administrative fines, tax rate differences on interstate transfers and tax collection proceedings.

Civil contingencies

The Group is a defendant in lawsuits regarding usual and unique matters arising in the course of its business, most of which seek indemnification for property damage and pain and suffering from consumption relations.

Guarantees for lawsuits

The items of property and equipment were given as security for tax, social security and labor proceedings:

	Parent Company /Consolidated	
Guarantees for lawsuits	**Dec/21**	**Dec/20**
Furniture and facilities	10	14
Machinery and equipment	85	85
Total guarantees for lawsuits	**95**	**99**

16. Arbitration asset/liability

The Company recognized in non-current liabilities the obligations arising from the agreement for acquisition of Drogaria Onofre Ltda. (“Onofre”). These were obligations of the Seller with former stockholders of Onofre and settlement depended on an arbitral decision. In the agreement for acquisition of July 1, 2019, it was agreed that the financial investments and the letter of guarantee (indemnification asset) in the amounts of R$ 197,061 and R$ 127,037 (original amount), respectively, shall remain linked to the arbitration liability as a guarantee of settlement. Accordingly, Raia Drogasil shall not be harmed by, or benefit from, this transaction as from the acquisition date until the date of its complete settlement. These guarantee amounts were recognized in the arbitration restricted asset under non-current assets.

In December 2021, with the conclusion of an agreement with the Arbitration and Mediation Center of the Chamber of Commerce Brazil - Canada, all pending matters between the parties were settled, consolidating Raia Drogasil as successor to the Drogaria Onofre brand and closing the arbitration restricted assets and liabilities.

The arbitration asset/liability is presented below:

	Parent Company / Consolidated	
Arbitration asset/liability items	**Dec/21**	**Dec/20**
Arbitration restricted asset		
Financial investment	-	207,721
Letter of guarantee/indemnification asset	-	134,185
	-	**341,906**
Arbitration restricted liability		
Obligations with former shareholders	-	(342,727)
Exclusion of operation effects	-	884
	-	**(341,843)**
	-	**63**

The net position of the arbitration asset/liability of R$ 63 in Dec/20 represents the amount in excess for the guarantee of settlement in order to comply with the existing obligation.

All amounts in thousands of reais unless otherwise stated

17.Income tax and social contribution

17.1. Accounting policy

Current and deferred income tax and social contribution are calculated according to the criteria set forth by tax legislation currently in effect, at the statutory rates of 25% and 9%, respectively.

The provision for income tax and social contribution is based on the taxable profit for the year, which differs from profit as reported in the statement of income because it is subject to adjustments that permanently affect the calculation base, such as the exclusion of non-taxable revenues and addition of non-deductible expenses.

Deferred income tax and social contribution are recognized on the projections of future results prepared and based on internal assumptions and future economic scenarios, which will be taxed in periods subsequent to the recognition in the Company's statement of income and, therefore, may be subject to changes. This assumption includes balances of income tax and social contribution tax losses, when applicable.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and written off in case the study used to determine the expectation of its realization is changed.

Deferred taxes are recognized based on the transaction that triggered it, in the statement of income or directly in equity.

17.2. Breakdown of current income tax and social contribution and effective rate

	Parent Company		Consolidated	
Income tax and social contribution paid items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Profit before income tax and social contribution	977,509	621,060	987,262	616,368
Interest on capital and additional interest on capital proposed	(205,000)	(193,000)	(205,000)	(193,000)
Taxable profit	**772,509**	**428,060**	**782,262**	**423,368**
Combined tax rate (25% for income tax and 9% for social contribution) .	34.00%	34.00%	34.00%	34.00%
Theoretical tax expense	**(262,653)**	**(145,540)**	**(265,969)**	**(143,945)**
Permanent additions	(25,337)	(29,430)	(25,781)	(29,630)
Equity in the results of subsidiaries	11,465	1,933	(383)	(2,674)
Reduction of taxes due to incentives (P.A.T)	4,098	3,714	4,098	3,714
Investment grant (i)	31,144	23,681	56,349	42,674
Tax loss and negative CSLL basis	-	-	(6,100)	-
Provisions with no deferred charges	-	-	5	-
Technological innovation	9,212	2,561	9,288	2,561
Other (revaluation reserve + additional income tax exemption ceiling)	227	165	(905)	165
Tax incentives – donations	6,269	6,300	6,269	6,300
Result of current income tax and social contribution	**(210,745)**	**(206,565)**	**(221,249)**	**(206,565)**
Result of deferred income tax and social contribution	**(14,830)**	**69,949**	**(1,880)**	**85,730**
Income tax and social contribution expense	**(225,575)**	**(136,616)**	**(223,129)**	**(120,835)**
Effective tax rate	**23.08%**	**22.00%**	**22.60%**	**19.60%**

(i) Beginning in the third quarter of 2018, the Group considers as deductible, for income tax purposes the gains arising from the ICMS tax benefits in the states of Bahia, Goiás and Pernambuco, established by Supplementary Law 160/17, agreement ICMS CONFAZ 190/17, and the amendment to Law 12,973/2014. The amount recognized in the twelve-month period ended December 31, 2021 was R$ 91,600 (R$ 69,650 - Dec/20).

17.3. Deferred income tax and social contribution are comprised as follows:

Deferred income tax and social contribution assets amounting to R$ 278,462 (R$ 315,938 – Dec/20) for the Parent Company and R$ 327,509 (R$ 352,198 – Dec/20) for the Consolidated accounts arose from temporarily non-deductible expenses that may be carried forward indefinitely, with estimated realization as disclosed in item (c) below.

Deferred income tax and social contribution liabilities amounting to R$ 365,981 (R$ 388,710 - Dec/20) for the Parent Company and R$ 367,473 (R$ 390,366 - Dec/20) for the Consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; (ii) surplus value PPA (Purchase Price Allocation) Raia; and (iii) gain on bargain purchase.

All amounts in thousands of reais unless otherwise stated

In the years ended December 31, 2021 and 2020, deferred income and social contribution were as follows:

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
Temporary differences	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Revaluation at fair value of land and buildings	(6,715)	(6,798)	(6,715)	(6,798)	-	-	-	-
Amortization of the goodwill on future profitability	(245,152)	(245,025)	(245,152)	(245,025)	127	508	127	508
Non-deductible intangible assets - merger of Raia	(53,803)	(53,959)	(53,803)	(53,959)	(156)	(156)	(156)	(156)
Non-deductible intangible assets - acquisition of 4Bio	-	-	(1,492)	(1,657)	-	-	(164)	(480)
Gain on bargain purchase – acquisition of Onofre	(60,311)	(82,928)	(60,311)	(82,928)	(22,617)	(22,617)	(22,617)	(22,617)
Tax losses to be offset against future taxable profits	-	-	22,697	34,615	-	-	11,919	(15,012)
Adjustment to present value	(2,103)	(384)	(1,774)	(317)	1,719	(110)	1,457	(63)
Adjustment to fair value	6,473	5,514	6,473	5,514	(959)	(1,474)	(959)	(1,474)
Provision for inventory losses	11,089	9,587	11,089	9,587	(1,502)	(5,127)	(1,502)	(5,127)
Provision for sundry obligations	73,317	76,995	73,461	77,012	3,678	15,214	3,551	15,214
Provision for employee profit sharing	24,169	62,481	25,701	62,871	38,312	(1,571)	37,170	(1,500)
Provision for contingencies	32,919	56,684	32,919	56,684	23,765	(1,100)	23,765	(1,100)
Expected credit losses	1,346	1,079	25,662	2,227	(266)	(65)	(23,434)	(472)
Lease (depreciation x consideration)	115,018	87,124	115,047	87,148	(27,894)	(48,588)	(27,900)	(48,588)
Other adjustments	16,234	16,858	16,234	16,858	623	(4,863)	623	(4,863)
Effective income tax and social contribution expense	-	-	-	-	**14,830**	**(69,949)**	**1,880**	**(85,730)**
Deferred tax liabilities, net	**(87,519)**	**(72,772)**	**(39,964)**	**(38,168)**				
Reflected in the balance sheet as follows:								
Deferred tax assets	278,462	315,938	278,462	315,938				
Deferred tax liabilities	(365,981)	(388,710)	(367,473)	(390,366)				
Deferred tax liabilities, net	**(87,519)**	**(72,772)**	**(89,011)**	**(74,428)**				
Deferred tax assets – Subsidiary – 4Bio		**-**	**49,047**	**36,261**				
Reconciliation of deferred tax assets (liabilities), net								
At the beginning of the year	(72,772)	(142,810)	(38,168)	(123,987)				
Expense recognized in the statement of income	(14,830)	69,949	(1,880)	85,730				
Realization of deferred tax recognized in equity	84	89	84	89				
Balance at the end of the year	**(87,518)**	**(72,772)**	**(39,964)**	**(38,168)**				

All amounts in thousands of reais unless otherwise stated

17.4. Estimated recovery of income tax and social contribution credits

The projections of future taxable profits are based on estimates relating to the Group's performance, the behavior of the market in which the Group operates and certain economic aspects, among other factors. Actual amounts may differ from these estimates. According to projections, the tax credit will be recovered according to the following schedule:

	Parent Company		Consolidated	
Recovery forecast	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
2021	-	111,563	-	113,207
2022	132,204	56,630	160,740	56,630
2023	51,000	33,761	62,412	44,146
2024	37,740	17,081	44,556	27,466
2025 and thereafter	57,518	96,903	59,801	110,749
Total	**278,462**	**315,938**	**327,509**	**352,198**
Deferred tax assets on temporary differences, recorded net in liabilities	278,462	315,938	278,462	315,938
Deferred tax assets on tax losses in subsidiaries	-	-	49,047	36,261

17.5. Uncertainties over the IRPJ and CSLL tax treatment

The Company has four discussions in the administrative stage with the Brazilian Federal Revenue referring to the disallowance for tax amortization of goodwill arising from acquisitions of companies in the amount of R$ 38,394, which, according to internal and external assessment of legal advisors, will probably be accepted in decisions of higher courts (probability of acceptance higher than 50%); for this reason, the Company did not record any IRPJ/CSLL liabilities in connection with these proceedings.

18.Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common diluted shares.

The following table presents profit and stock information used for calculating basic and diluted earnings per share:

	Parent Company / Consolidated	
Earnings per share items	**Dec/21**	**Dec/20**
Basic		
Profit for the year	751,934	484,444
Weighted average number of common shares	1,649,271	1,649,216
Basic earnings per share - R$	**0.45592**	**0.29374**
Diluted		
Profit for the year	751,934	484,444
Weighted average number of common shares adjusted for dilution effect	1,653,785	1,653,424
Diluted earnings per share - R$	**0.45467**	**0.29299**

All amounts in thousands of reais unless otherwise stated

19.Equity

(a) Capital

At December 31, 2021, the fully paid-up capital amounted to R$ 2,500,000 (R$ 2,500,000 - Dec/20), represented by 1,651,930,000 common registered book-entry shares with no par value, of which 1,184,571,787 were outstanding common shares (1,072,442,905 common shares - Dec/20).

Pursuant to the Company's bylaws, it is authorized to increase its capital up to the limit of 2,000,000,000 common shares, subject to the approval of the Board of Directors.

At December 31, 2021, the Company's ownership structure was as follows:

	Number of shares		Interest (%)	
Ownership interest	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Controlling stockholders	462,587,838	577,007,615	28.00	34.93
Shares outstanding	1,184,571,787	1,072,442,905	71.71	64.92
Treasury shares	4,770,375	2,479,480	0.29	0.15
Total	**1,651,930,000**	**1,651,930,000**	**100.00**	**100.00**

The ownership interest of the controlling stockholders is represented by the families Pipponzi, Pires Oliveira Dias and Galvão and by the Holding Pragma.

The change in the number of outstanding shares of the Company is as follows:

Changes	**Shares outstanding**
At January 1st, 2020	214,036,654
Stock split	856,146,616
(Purchase)/sale of restricted shares, net	2,259,635
At December 31,2020	**1,072,442,905**
(Purchase)/sale of restricted shares, net	112,128,882
At December 31, 2021	**1,184,571,787**

At December 31, 2021, the Company's common shares were quoted at R$ 23.40 (closing quote) (R$ 25.04 at December 31, 2020).

(b) Revenue reserves

The legal reserve is set up at 5% of profit for the year, pursuant to Law 6,404/76, until it reaches 20% of the capital. In the year in which the legal reserve balance, plus the capital reserve amount, exceeds 30% of the capital, the allocation of part of the profit for the year to the legal reserve is not required.

The statutory reserve is established in the Company's bylaws, limited to 65% of the profit for the year, to set up the "Statutory Revenue Reserve", which has the purpose and objective of improving the Company's working capital, observing that its balance, except the Contingency Reserve and the Unrealized Revenue Reserve, cannot exceed 100% of the capital. Once this ceiling is reached, the General Meeting shall resolve, in accordance with article 199 of the Brazilian Corporation Law, on the excess, and shall invest it in the payment or increase of capital stock or in the distribution of dividends.

These refer to ICMS tax benefits obtained in the states of Bahia, Goiás and Pernambuco, as regulated by complementary Law 160/17, ICMS CONFAZ 190/17 agreement and amendment to Law 12,973/2014. Set up in accordance with the provisions of article 195-A of the Brazilian Corporate Law (as amended by Law 11,638/07). This reserve receives the portion of government subsidy recognized in profit or loss, as a deduction from sales taxes and allocated to it from the retained earnings account, accordingly, they are not included in the calculation basis of the minimum mandatory dividend.

All amounts in thousands of reais unless otherwise stated

(c) Treasury shares

On August 10, 2021, the Board of Directors authorized, for a period of up to eighteen months, the purchase of up to 3,000,000 registered common shares with no par value issued by the Company to be held in treasury for subsequent sale or cancelation, without capital reduction ("Repurchase Program"). The Company exercised the acquisition of all of the shares provided in the Repurchase Program at September 30, 2021. The changes in treasury shares in the year ended December 31, 2021 are summarized below:

	Parent Company	
Changes in treasury shares	**Number of shares**	**Amount of shares**
At January 1, 2020	**729,434**	**38,141**
Shares delivered to executives related to the 3rd tranche of the 2016 grant, 2nd tranche of the 2017 grant and 1st tranche of the 2018 grant.	(219,992)	(11,141)
Shares delivered to executives related to the 1st tranche of 2018, 2nd tranche of 2017 and 3rd tranche of 2016 of 4Bio.	(853)	(45)
Shares delivered to executives related to the grants of 2017, 2018, 2019 and 2020.	(63,465)	(673)
Stock split	2,034,356	-
At December 31, 2020	**2,479,480**	**26,282**
Shares delivered to executives related to the 3rd tranche of the 2017 grant, 2nd tranche of the 2018 grant and 1st tranche of the 2019 grant	(702,260)	(7,444)
Shares delivered to executives related to the 1st tranche of 2019, 2nd tranche of 2018 and 3rd tranche of 2017 of 4Bio.	(6,865)	(73)
Acquisition of shares issued by the Company	3,000,000	73,228
Shares acquired through the right of withdrawal of dissenting stockholders (total in the year of 20 common shares at a cost of R$ 2.64 per share)	20	-
At December 31, 2021	**4,770,375**	**91,993**

At December 31, 2021, the market value of the treasury shares, having as reference the quotation of R$ 24.30 per share (R$ 25.04 - Dec/20), corresponds to R$ 115,920 (R$ 62,086 - Dec/20).

(d) Stockholders' remuneration

According to the Company's bylaws, stockholders are entitled to minimum dividend corresponding to 25% of adjusted annual profit, calculated under the terms of the Brazilian Corporate Law.

The distributions of dividends and interest on capital to the Company's stockholders are recognized as a liability in the financial statements at year end. The tax benefit of interest on capital is recognized in the statement of income.

All amounts in thousands of reais unless otherwise stated

The dividend proposed, including interest on capital, is calculated as follows:

	Parent Company	
Changes in stockholders' remuneration	**Dec/21**	**Dec/20**
Profit for the year	751,934	484,444
Legal reserve	(37,597)	(24,222)
Realization of the revaluation reserve in the year	162	172
Investment grant reserve (Note 19b)	(91,600)	(69,650)
Dividend calculation basis (a)	**622,899**	**390,744**
Minimum mandatory dividends, according to statutory provision (25%)	155,725	97,686
Additional dividends proposed	161,000	-
Interest on capital and additional interest on capital proposed	205,000	193,000
Withheld income tax on interest on capital	(27,146)	(25,836)
Remuneration net of withheld income tax (b)	338,854	167,164
% distributed on the dividend calculation basis (b ÷ a)	54.40%	42.78%
Amount in excess of the mandatory minimum dividend	**183,129**	**69,478**
Early payment of dividends approved at the BDM of 11/09/2021	(120,000)	-
Early payment of dividends approved at the BDM of 12/03/2021	(41,000)	-
Balance in excess of dividends payable	**22,129**	**69,478**

The Company's management allocated R$ 91,600 from its profit for 2021 to tax incentive reserves, described in the accounting policy.

The Company recognized interest on capital of R$ 205,000 (R$ 193,000 - Dec/20), observing both the limit of the Long Term Interest Rate - TLP variation in 2021 and 2020 and the expense deductibility limits for income tax and social contribution calculation, pursuant to Law 9,249/95.

At December 31, 2021 the amount of R$ 183,129 (R$ 69,478 - De/20) in excess of the minimum mandatory dividend established in the Company's bylaws was recorded in equity as additional dividends proposed.

Changes in the dividend and interest on capital obligations were as follows:

	Parent Company	
Changes in dividend and interest on capital obligations	**Dec/21**	**Dec/20**
At January 1, 2020	**16,492**	**68,255**
Additions	408,334	139,329
Payments	(347,450)	(190,518)
Write-offs	(589)	(574)
At December 31, 2021	**76,787**	**16,492**

(e) Restricted share plan

Long-Term Incentive Program

Since March 2014, the Company offers its officers the Long-Term Incentive Program with Restricted Shares (the "Restricted Share Plan"), which aims to offer an opportunity to receive variable remuneration provided that the officer remains for a predetermined period in the Company.

The maximum number of shares that may be delivered as a result of the exercise of the Plan is limited to 3% of the Company's Capital Stock during the entire term of the Plan. The reference price per restricted share, for the purpose of determining the target amount that will be granted to each Beneficiary will be equivalent to the average share price on B3 (weighted by the volume of trades) in the last thirty trading sessions preceding the grant.

As stated in the Restricted Share Plan, a portion of their annual variable remuneration (profit-sharing) will be paid to the officer in cash and the remaining balance shall be paid only in Company shares ("incentive stock").

If the officer decides to use a portion of the total amount of the variable remuneration paid in cash to buy Company shares ("own shares") on the stock exchange, the Company will offer the officer an equal number of shares purchased on the stock exchange.

At its discretion, the Company may grant to this officer more Company shares, using as reference the number of own shares acquired by the officer on the stock exchange.

The shares offered to the officer through the Restricted Share Plan may not be sold, assigned or transferred to third parties for a period of four years from the date of the grant. Every year, from the second, third and fourth anniversary of the grant date, the officers will acquire the right to receive a third of their restricted stock. The portion not exercised within the established terms and conditions will be automatically considered extinguished seven years after the respective grant date.

Performance shares

At a meeting of the Board of Directors on October 22, 2020, the granting of restricted shares was approved under the terms of the Restricted Share Granting Plan - Performance Shares ("Plan"), approved at the Extraordinary General Meeting of the Company held on September 15, 2020.

The purpose of the Plan is: (a) to foster the expansion, success and fulfillment of the corporate purposes of the Company and the companies under its control; (b) to align the interests of Beneficiaries with the interests of shareholders; and (c) to encourage Beneficiaries to stay in the Company or companies under its control. The Plan will be managed by the Board of Directors, and may have an advisory committee created or appointed by the Board of Directors to advise it in this respect. Beneficiaries will be chosen and elected by the Board of Directors at each new grant.

The maximum number of shares that may be delivered as a result of exercising the Plan is limited to 2% of the Company's Capital on the date of approval of the Plan. The reference price per restricted share, for the purpose of determining the target amount that will be granted to each Beneficiary will equivalent to the average share price on B3 (weighted by the volume of trades) in the ninety trading sessions prior to January 1 of the year in which the grant occurs.

The definitive transfer of the Restricted Shares will be subject to the fulfillment of a four-year grace period from the grant date and, at the end of the grace period, the participant must be linked to the Company so that the grants are not canceled. Restricted Shares that have not yet completed the grace period will become due and will be transferred to the holders, their estate or heirs in the event of death, permanent disability or retirement. The Plan provides that the liquidation must occur through the transfer of shares, however, in the event that the Company does not have treasury shares at the time of liquidation and / or upon inability to acquire shares on the market, the Board of Directors may choose to settle the delivery of the Restricted Shares in cash.

All amounts in thousands of reais unless otherwise stated

Changes in restricted shares

The changes in restricted shares are summarized below:

	Dec/21		Dec/20	
Changes in restricted shares	**Shares**	**Amount**	**Shares**	**Amount**
Opening balance at January 1, 2020	1,261,394	27,206	397,329	21,977
Granted shares for the year	1,527,473	15,086	1,148,375	18,217
Value of the shares at the delivery date	(709,125)	(6,140)	(284,310)	(12,988)
Closing balance at December 31, 2021	**2,079,742**	**36,152**	**1,261,394**	**27,206**

Position of the restricted share plan

Below is a breakdown of the assumptions that govern each grant plan:

Grants	Grant date	Number of shares granted(i)	Date on which they will become exercisable	Period of restriction to share transfer	Fair value of shares on grant date(i)
Long-Term Incentive Program					
2018 - 3rd tranche	03/01/2018	154,620	02/28/2022	02/28/2022	R$ 15.84
2019 - 2nd tranche	03/01/2019	334,855	02/28/2022	02/28/2022	R$ 12.77
2019 - 3rd tranche	03/01/2019	334,695	02/28/2023	02/28/2023	R$ 12.77
2020 - 1st tranche	03/01/2020	352,982	02/28/2022	02/28/2022	R$ 24.89
2020 - 2nd tranche	03/01/2020	352,982	02/28/2023	02/28/2023	R$ 24.89
2020 - 3rd tranche	03/01/2020	352,977	02/28/2024	02/28/2024	R$ 24.89
2021 - 1st tranche	03/01/2021	274,596	02/28/2023	02/28/2023	R$ 22.72
2021 - 2nd tranche	03/01/2021	274,596	02/28/2024	02/28/2024	R$ 22.72
2021 - 3rd tranche	03/01/2021	274,596	02/28/2025	02/28/2025	R$ 22.72
Performance share					
2020 - 1st tranche	01/01/2020	350,421	01/01/2024	01/01/2025	R$ 13.19
2021 - 1st tranche	01/01/2021	302,990	02/01/2025	01/01/2026	R$ 13.19

(i) After the application of the stock split effect, approved at the EGM held on September 15, 2020.

20.Net sales revenue

20.1. Accounting policy

TG 47 / IFRS 15 - Revenue from Contracts with Customers, establishes a comprehensive framework for determining whether, when and for how much revenue is recognized from the identification of performance obligations, the transfer of control of the product or service to the customer and the determination of the selling price. This standard establishes a model that aims to identify whether the criteria for revenue recognition have been satisfied and comprise the following aspects:

(i) Identification of a contract with a customer;
(ii) Determination of the performance obligations;
(iii) Determination of the transaction price;
(iv) Allocation of the transaction price; and
(v) Recognition of revenue at a point in time or over time, in accordance with the satisfaction of the performance obligations.

Considering these aspects, revenues are recognized at the amount that reflects the Group's expectation of receiving in return for products and services offered to customers. Gross revenue is presented deducting rebates and discounts, in addition to the elimination of revenue between related parties and the adjustment to present value, as mentioned in Note 6.1

Sales of goods (medicines, perfumery and OTC products)

The Group's revenues derive mainly from the sale of medicines, perfumery products and a series of self-service products (OTC - Over the Counter - drugs, food products, etc.) to the final consumer, carried out both through physical drugstores and e-commerce. Being a Group that operates in the retail industry of medicines, where the consumer self-service of the goods at our stores where prices and discounts are informed by consulting the Company's employees or obtained in places where the products are exposed and considering that the transfer of control processes take place when delivering directly to the final consumer at the points of sales, it was concluded that there is a single performance obligation and, therefore, there is no complexity involved in defining performance obligations and transferring control of products and services to consumers.

Additionally, the other transactions of the Company subject to the assessment under NBC TG 47 / IFRS 15 are represented by variable consideration related to commercial agreements through which products can be sold together with other products or with discounts, which are substantially negotiations promoted by suppliers at the Group's points of sale. The sales revenue recognized in the financial statements comprises the fair value of the transactions carried out that, according to the nature of the negotiations, consider amounts of sales and receipts from consumers supplemented by receipts from suppliers.

Revenue is presented in the financial statements net of trade discounts and returns.

Taxes on sales

Primarily comprise ICMS at rates predominantly between 17% and 18%, for goods not subject to the tax substitute (ST) regime, service tax at 5%, and PIS (1.65%) and COFINS (7.60%) for goods not subject to the one-time taxation regime (Law 10,147/00).

Returns and cancellations

For contracts that permit a customer to return an item, in accordance with NBC TG 47 / IFRS 15, revenue is recognized to the extent that it is probable that a significant reversal will not occur. The amount of revenue recognized is accounted for based on the total amount of the transaction and presented net of indirect taxes, returns and cancellations.

All amounts in thousands of reais unless otherwise stated

20.2. Balance breakdown

Breakdown of net revenue	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Sales revenue	24,141,834	20,021,888	25,514,071	21,137,270
Service revenue	75,554	42,966	91,613	43,206
Gross sales revenue	**24,217,388**	**20,064,854**	**25,605,684**	**21,180,476**
Taxes on sales	(1,147,316)	(846,992)	(1,218,499)	(940,608)
Returns, rebates and other	(229,067)	(149,161)	(260,183)	(173,028)
Net sales revenue	**22,841,005**	**19,068,701**	**24,127,002**	**20,066,840**

21.Information on the nature of expenses recognized in the statement of income

The Group presented its statement of income using a classification based on the function of expenses. Information on the nature of these expenses is recorded in the statement of income as follows:

Nature of expenses	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Costs of inventories sold (Note 7)	(15,788,340)	(13,261,372)	(16,901,753)	(14,175,708)
Personnel expenses	(2,826,429)	(2,358,656)	(2,890,025)	(2,396,582)
Occupancy expenses (i)	(322,552)	(277,696)	(324,608)	(279,382)
Depreciation and amortization (ii)	(1,284,218)	(1,144,069)	(1,292,310)	(1,148,827)
Discounts on property rental (iii)	6,390	13,804	6,390	13,804
Service provider expenses(iv)	(355,484)	(289,577)	(368,999)	(292,285)
Expenses on card operator fees	(305,813)	(247,182)	(307,876)	(249,136)
Other(v)	(685,912)	(560,150)	(720,876)	(583,334)
Total	**(21,562,358)**	**(18,124,898)**	**(22,800,057)**	**(19,111,450)**

Classified in the statement of income as:

Function of expenses	Dec/21	Dec/20	Dec/21	Dec/20
Costs of sales and services	(15,800,532)	(13,261,372)	(16,920,834)	(14,175,708)
Selling	(4,892,307)	(4,202,358)	(4,966,819)	(4,256,422)
General and administrative	(869,519)	(661,168)	(912,404)	(679,320)
Total	**(21,562,358)**	**(18,124,898)**	**(22,800,057)**	**(19,111,450)**

(i) These refer to expenses on property rental, condominium fees, electricity, water, communication and municipal real estate tax (IPTU).

(ii) Depreciation and amortization in 2021 totaled R$ 1,284,219 (R$ 1,144,069 - 2020) for the Parent Company, of which R$ 1,169,249 (R$ 1,051,146 - 2020) refer to the sales area and R$ 114,970 (R$ 92,923- 2020) to the administrative area, and total R$ 1,292,311 (R$ 1,148,827- 2020) for the Consolidated accounts, of which R$ 1,170,739 (R$ 1,052,368- 2020) refer to the sales area and R$ 121,572 (R$ 96,459- 2020) to the administrative area. These amounts are presented net of PIS and COFINS credits on the lease right-of-use, which resulted in an expense reduction in the amount of R$ 34,980 (R$ 28,454 - 2020).

(iii) Due to the Covid-19 pandemic, the Company obtained discounts on payments related to the expenses from the lease of some properties. There were no changes in the term of the agreements, so there was no requirement to remeasure those lease agreements.

(iv) These refer mostly to expenses on transportation, materials, other administrative expenses, maintenance of assets, advertising and publicity.

(v) Due to the Covid-19 pandemic, the Company increased the hiring of service providers to intensify cleaning services in drugstores and meet the greater demand of delivery services and increased the hiring of temporary staff to work in drugstores and distribution centers.

All amounts in thousands of reais unless otherwise stated

22.Other operating (income)/expenses, net

In 2021, other operating income / (expenses) totaled R$ 38,251 ((R$ 31,539) - Dec/20) for the Parent company and R$ 40,654 ((R$ 31,526) - Dec/20) for the Consolidated accounts. These amounts comprise non-recurring expenses and revenues, as presented below:

	Parent Company		Consolidated	
Nature of revenues / (expenses)	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Write-off of property and equipment and intangible assets due to the drugstores closure	(23,391)	(3,750)	(23,391)	(3,750)
Donations	(15,903)	(29,276)	(15,903)	(29,282)
Consulting and advisory expenses	70	(19,534)	70	(20,437)
Losses on Popular Pharmacy Program	-	(558)	-	(558)
Revaluations - judicial deposits	548	(2,000)	548	(2,000)
Recognition of INSS credits from 2016 to 2019	1,142	31,059	1,142	31,059
Adjustment of provision for labor risks - Selic rate(i)	3,410	-	3,410	-
Refund of ICMS-ST on 2020 sales(ii)	13,706	-	13,706	-
Exclusion of ICMS from PIS/COFINS calculation basis (Note 8)	58,044	-	58,044	-
Hierarchical restructuring	-	732	-	732
Credit card losses, previous years	-	(4,347)	-	(4,347)
Provision for inventory losses from previous periods	-	(11,422)	-	(11,422)
Credits from prior periods, mainly from PIS and COFINS	-	5,000	2,238	5,417
Main bonus	-	1,846	-	1,788
Reversal of provisions and termination of agreements of Onofre	-	1,092	-	1,092
Disposal of assets	-	231	-	231
Additional revenues and expenses due to the closure of the Butantã distribution center	(21)	(2,026)	(21)	(2,026)
Other	646	1,427	811	1,964
Total	**38,251**	**(31,526)**	**40,654**	**(31,539)**

(i) As of April/2021, the Federal Supreme Court (STF) confirmed its case laws on the unconstitutionality of the use of the Reference Rate (TR) as an index for updating labor debts. According to the decision, until deliberation of the matter by the Legislative Power, the National Special Broad Consumer Price Index (IPCA-E) must be applied in the harmful phase, and, from the filing of the lawsuit, the Selic rate. The Group carried out a study and adjusted the entire basis of the labor provision for the year 2021 to follow the new decision of the STF.

(ii) ICMS in the substitute taxpayer regime (ICMS-ST), which implies the prepayment of ICMS of the whole commercial chain at the time the goods leave the industrial establishment or the importer, or at the time it enters the state. Its refund is a right of the taxpayer that made sales in which the taxable event of the prepayment of ICMS-ST was not confirmed, generating the right to the refund of this amount by the State Tax Authorities. The process of refund requires the proof, using tax documents and digital files, of the operations made that generated for the Company the right to refund. Only after its approval by the State Tax Authorities and/or compliance with the specific record-keeping and reporting obligations that aim that proof, credits can be used by the Company, which occurs in periods subsequent to their generation.

All amounts in thousands of reais unless otherwise stated

23.Finance income (costs)

	Parent Company		Consolidated	
Finance income	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Discounts obtained	475	8,493	503	8,563
Short term investment yields	8,229	5,323	9,513	5,323
Interest on intercompany loans	3,928	1,704	64	-
Monetary gains	4,999	1,141	5,218	1,356
Other income	-	-	379	190
Present value adjustment	57,298	34,484	64,339	38,750
Total finance income	**74,929**	**51,145**	**80,016**	**54,182**
Finance costs	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Monetary gains	(3,407)	(1,411)	(6,233)	(2,726)
Interest on leases(i)	(223,552)	(218,080)	(223,757)	(218,318)
Charges on borrowings	(29,511)	(20,495)	(29,511)	(20,495)
Charges on debentures and promissory notes	(58,262)	(38,494)	(58,262)	(38,494)
Interest on payables to subsidiary's shareholder	(2,819)	(4,336)	(2,849)	(4,336)
Amortization of transaction costs	(4,315)	(3,937)	(4,315)	(3,937)
Interest, charges and bank fees	(1,361)	(1,487)	(1,624)	(1,729)
Discounts granted to customers	-	-	(565)	(444)
Present value adjustment	(124,811)	(59,806)	(132,110)	(63,319)
Total finance costs	**(448,038)**	**(348,046)**	**(459,226)**	**(353,798)**
Finance income (costs)	**(373,109)**	**(296,901)**	**(379,210)**	**(299,616)**

(i) Interest on leases is shown net of PIS and COFINS.

24.Financial instruments and risk management policy

24.1. Accounting policy

The Group classifies its financial assets into the following measurement categories:

- Measured at fair value (either through other comprehensive income or through profit or loss)
- Measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies the following assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at either amortized cost or at fair value through comprehensive income (FVOCI)
- Equity investments for which the entity did not elect to recognize gains and losses through other comprehensive income

For financial assets measured at fair value, gains and losses will be recognized in profit or loss or in other comprehensive income. For debt investments, this will depend on the business model in which the investment is held. For equity investments that are not held for trading, this will depend on whether the Group has or not an irrevocable option, on initial recognition, of accounting for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments and only when the business model for managing such assets is changed.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade- date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has substantially transferred all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment loss

Expected credit losses from customers are measured using weighted estimates of probable credit losses based on historical losses and projections of related assumptions. Credit losses are measured at present value based on all cash shortfalls. Expected credit losses are discounted at the effective interest rate of the financial asset.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Under NBC TG 48 / IFRS 9 - Financial instruments, expected credit losses are measured in one of the following bases:

- 12-month expected credit loss: these are credit losses that result from possible default events within twelve months after the end of the reporting period
- Lifetime expected credit losses: these are credit losses that result from all possible default events over the expected life of a financial instrument

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where currently there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right should not be contingent on future events and should be applicable in the normal course of business and in the case of default, insolvency or bankruptcy of the company or the counterpart.

Fair value hierarchy

The Group classifies and discloses the fair value of financial instruments based on measurement techniques:

- Level 1: prices (unadjusted) quoted in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use data that have a significant effect on the recorded fair value that are not based on observable market data.

All amounts in thousands of reais unless otherwise stated

24.2. Financial instruments by category

Financial instruments items	Parent Company Dec/21	Parent Company Dec/20	Consolidated Dec/21	Consolidated Dec/20
Assets				
At amortized cost				
Cash and cash equivalents (Note 5)	316,654	855,257	356,118	880,357
Trade receivables (Note 6)	1,487,204	1,373,801	1,710,057	1,555,434
Other receivables	328,190	322,448	318,230	270,475
Judicial deposits (Note 15)	25,872	25,753	29,951	25,753
Arbitration restricted asset (Note 16)	-	341,906	-	341,906
Total assets	**2,157,920**	**2,919,165**	**2,414,356**	**3,073,925**
Liabilities				
Liabilities at fair value through profit or loss				
Payables to subsidiary's shareholder	37,383	46,448	37,943	46,448
Subtotal	**37,383**	**46,448**	**37,943**	**46,448**
Other liabilities				
Trade payables (Note 12)	3,485,328	2,943,379	3,656,607	3,106,938
Borrowing (Note 13)	1,462,162	1,620,001	1,505,222	1,653,454
Other payables	290,416	170,622	346,201	175,873
Leases payable (Note 14)	3,669,825	3,427,950	3,672,898	3,430,925
Arbitration liability (Note 16)	-	341,843	-	341,843
Subtotal	**8,907,731**	**8,503,795**	**9,180,928**	**8,709,033**
Total liabilities	**8,945,114**	**8,550,243**	**9,218,871**	**8,755,481**

24.3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial and operational markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board of Directors provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments and investment of surplus cash.

(a) Market risk

Foreign exchange risk

All of the asset and liability operations of the Group are denominated in Brazilian reais; therefore, the Company is not exposed to foreign exchange risk.

Derivative financial instruments

The Group does not operate with derivative instruments, except in specific situations. At December 31, 2021, the Group did not have any derivative transactions.

Interest rate risk

Most of the BNDES transactions are entered into based on the TLP + interest. Other borrowings of the Company are linked to the CDI + bank spead. Financial investments are entered into based on the CDI variations, which does not result in higher interest rate risk since these variations are not significant. Management understands that there is a low risk of significant changes in profit or loss or in cash flows.

All amounts in thousands of reais unless otherwise stated

(b) Credit risk

Credit risk arises from financial assets, i.e. cash and cash equivalents, short-term investments and trade receivables.

Cash and cash equivalents and short-term investments are maintained with sound financial institutions.

The risk ratings of the cash equivalents are in accordance with the main risk rating agencies, according to the table below:

	Parent Company		Consolidated	
Risk rating	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Rating - National scale				
brAAA	95,827	468,469	115,371	490,077
brAA+	26,767	249,124	33,020	249,163
brA	1,691	15,497	1,692	15,497
(*) n/a - Cash and automatic investments	192,369	122,167	199,900	123,446
(*) n/a - Investment funds	-	-	6,136	2,174
Total - National scale	**316,654**	**855,257**	**356,118**	**880,357**

(*) Not applicable, since there is no risk rating for cash, automatic investments and investment funds.

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. At December 31, 2021, credit sales represented 57% (54% - Dec/20) for the Parent Company and 59% (56% - Dec/2020) for the Consolidated accounts of which 94% (94% - Dec/20) for the Parent Company and 87% (86% - Dec/2020) for the Consolidated accounts related to credit card sales which, based on the history of losses, posed an extremely low risk. The remaining 6% (6%- Dec/20) for the Parent Company and 13% (14%- Dec/20) for the Consolidated accounts are credits from PBMs and special plans that pose a low risk, due to customer selectivity.

(c) Liquidity risk

The Group's management continuously monitors forecasts of the Company's liquidity requirements, in order to ensure that it has sufficient cash to meet operational needs. The Group invests its surplus cash in financial assets with appropriate maturities to provide the liquidity necessary to honor its obligations.

(d) Sensitivity analysis

The table below presents a sensitivity analysis of financial instruments that are exposed to losses.

The most probable scenario, according to the assessment made by Management, is based on an increase of 0.5% in the interest rate. Two further scenarios are presented in order to show a 25% and 50% deterioration in the risk variables considered (scenarios II and III).

All amounts in thousands of reais unless otherwise stated

		Parent Company		
		Effect on profit or loss and equity		
Operation	Notional amount	Scenario I (probable)	Scenario II - 25%	Scenario III - 50%
Short term investments - CDI	178,465	2,677	3,346	4,015
Revenue	-	**2,677**	**3,346**	**4,015**
Borrowings - CDI	1,462,162	(21,932)	(27,416)	(32,899)
Expense		**(21,932)**	**(27,416)**	**(32,899)**
Effect on profit or loss		**(19,255)**	**(24,069)**	**(28,882)**

		Consolidated		
		Effect on profit or loss and equity		
Operation	Notional amount	Scenario I (probable)	Scenario II - 25%	Scenario III - 50%
Short term investments - CDI	214,986	3,225	4,031	4,838
Revenue		**3,225**	**4,031**	**4,838**
Borrowings - CDI	1,505,222	(22,578)	(28,223)	(33,867)
Expense		**(22,578)**	**(28,223)**	**(33,867)**
Effect on profit or loss		**(19,353)**	**(24,192)**	**(29,029)**

(e) Capital management

The Group's objective relating to capital management is to maintain the Group's investment capacity, thus allowing it to grow its business and provide proper returns for stockholders.

The Group has adopted a policy of not leveraging its capital structure with borrowings, except for long-term credit facilities from BNDES (FINEM), debentures and promissory notes at interest rates that are commensurate with the Group's profit levels.

Accordingly, this ratio corresponds to the net debt expressed as a percentage of total capital. The net debt, in turn, corresponds to total borrowings less cash and cash equivalents. The total capital is calculated through the sum of the equity, as shown in the individual and consolidated balance sheet, and the net debt, as presented below:

	Parent Company		Consolidated	
Capital management items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Short- and long-term borrowings	1,462,162	1,620,001	1,505,222	1,653,454
(-) Cash and cash equivalents	(316,654)	(855,257)	(356,118)	(880,357)
Net debt	**1,145,508**	**764,744**	**1,149,104**	**773,097**
Equity attributable to the stockholders of the parent	4,677,673	4,363,126	4,677,114	4,363,126
Noncontrolling interests	-	-	41,129	62,495
Total equity	4,677,673	4,363,126	4,718,243	4,425,621
Total capital	**5,823,181**	**5,127,870**	**5,867,347**	**5,198,718**
Gearing ratio	**19.67**	**14.91**	**19.58**	**14.87**

As described in Note 14, as from January 1, 2019, the Group recognized in its balance sheet the obligations associated with the lease agreements where it has control. At December 31, 2021, the balance of lease liabilities in the Parent Company and consolidated accounts corresponded to R$ 3,669,825 and R$ 3,672,898 respectively. Considering the balance of lease liabilities in the capital management calculation, the gearing ratio of the Company and the Group would be 50.73% in the Parent Company and 50.54% in the Consolidated accounts. Considering the balance of lease liabilities at the balance sheet dates in the capital management calculation, the gearing ratio of the Company and the Group would be as follows:

All amounts in thousands of reais unless otherwise stated

	Parent Company		Consolidated	
Adjusted net debt with lease liabilities	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Net debt	1,145,508	764,744	1,149,104	773,097
Lease liabilities	3,669,825	3,427,950	3,672,898	3,430,925
Adjusted net debt	**4,815,333**	**4,192,694**	**4,822,002**	**4,204,022**
Total equity	4,677,673	4,363,126	4,718,243	4,425,621
Total adjusted capital	**9,493,006**	**8,555,820**	**9,540,245**	**8,629,643**
Adjusted gearing ratio (%)	**50.73**	**49.00**	**50.54**	**48.72**

(f) Fair value estimation

The carrying values of financial investments in the balance sheet approximate their fair values since the remuneration rates are based on the CDI variation. The carrying values of trade receivables and payables are measured at amortized cost and are recorded at their original amount, less the provision for impairment and present value adjustment, when applicable. The carrying values are assumed to approximate their fair values, taking into consideration the realization of these balances and settlement terms not exceeding 60 days.

Borrowings are classified as financial liabilities not measured at fair value and are carried at amortized cost and according to contractual conditions. The fair values of the borrowings approximate their carrying values since they refer to financial instruments with rate that approximate market rates. The estimated fair values are:

	Parent Company				Consolidated			
	Carrying amount		Fair value		Carrying amount		Fair value	
Fair value estimation	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
BNDES	155	28,895	155	28,889	155	28,894	155	28,889
Debentures and promissory notes	1,054,793	1,177,554	1,054,793	1,177,554	1,054,793	1,177,554	1,054,793	1,177,554
Other	407,214	413,552	407,214	413,553	450,274	447,006	450,274	447,006
Total	**1,462,162**	**1,620,001**	**1,462,162**	**1,619,996**	**1,505,222**	**1,653,454**	**1,505,222**	**1,653,449**

For disclosure purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flow at the interest rates available in the market that are available to the Group for similar financial instruments. The effective interest rates at the balance sheet dates are usual market rates and their fair value does not significantly differ from the balances in the accounting records.

At December 31, 2021, the Group had no material assets and liabilities measured at fair value at Level 1 and Level 2 in the fair value hierarchy. The following table presents the changes in Level 3 instruments for the year ended December 31, 2021:

	Parent Company/Consolidated	
	Payables to subsidiary's shareholder	
Changes in payables to subsidiary's shareholder	**2021**	**2020**
Balance at January 1	46,448	42,113
(-) Payment for the exercise of the 1st Call Option of shares	(11,884)	-
Expenses recognized in the statement of income:	2,819	4,335
Balance at December 31	37,383	46,448
Total expenses for the year recognized in the statement of income	**2,819**	**4,335**
Changes in unrealized expenses for the year included in the statement of income	**2,819**	**4,335**

All amounts in thousands of reais unless otherwise stated

25.Transactions with related parties

(a) Transactions with related parties consist of transactions with the Company's stockholders and persons connected to them:

		Parent Company		Consolidated		Parent Company		Consolidated	
		Assets				Transacted amount			
Related parties	**Relationship**	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Receivables									
Special plans[i]		-	-	-	-	-	-	-	-
Regimar Comercial S.A.	Stockholder/Family	15	9	15	9	32	81	32	81
Heliomar Ltda.	Stockholder/Board Member	-	1	-	1	5	17	5	17
Natura Cosméticos S.A. [ii]	Stockholder/Related party	197	112	197	112	387	1,333	387	1,333
4Bio Medicamentos S.A. [v]	Subsidiary	51	42	51	42	88	287	88	287
Subtotal		**263**	**164**	**263**	**164**	**512**	**1,718**	**512**	**1,718**
Other receivables from related parties									
Commercial agreements		-	-	-	-	-	-	-	-
Natura Cosméticos S.A. [ii]	Stockholder/Related party	-	57	-	57	146	300	146	300
Advances to suppliers		-	-	-	-	-	-		
Cfly Consultoria e Gestão Empresarial Ltda. [iii]	Family	171	231	171	231	-	-	-	-
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados [iv]	Stockholder/Family	45	-	45	-	-	-	-	-
Loan and other receivables		-	-	-		-			
4Bio Medicamentos S.A. [v]	Subsidiary	32,765	57,993	-	-	3,455	2,208	-	-
Full Nine Digital Consultoria (Conecta lá) (xii)	Associate	1,134	-	1,134	-	1,134	-	1,134	-
Healthbit Performasys Tecnologia (viii)	Subsidiary	1,380	-	1,380	-	1,380	-	1,380	-
ZTO Tecn. e Ser. de Infor. na Int. Ltda. (Manipulaê) (xi)	Associate	-	-	4,616	-	12	-	1,616	-
Labi Exames S.A. (xiii)	Associate	-	-	15,098	-	-	-	15,098	-
Stix Fidelidade e Inteligência S.A. (x)	Associate	17,752	-	17,752	-	17,752	-	17,752	-
Subtotal		**53,247**	**58,281**	**40,196**	**288**	**23,879**	**2,508**	**37,126**	**300**
Total receivables from related parties		**53,510**	**58,445**	**40,459**	**452**	**24,391**	**4,226**	**37,638**	**2,018**

All amounts in thousands of reais unless otherwise stated

Related parties	Relationship	Parent Company Liabilities Dec/21	Parent Company Liabilities Dec/20	Consolidated Liabilities Dec/21	Consolidated Liabilities Dec/20	Parent Company Transacted amount Dec/21	Parent Company Transacted amount Dec/20	Consolidated Transacted amount Dec/21	Consolidated Transacted amount Dec/20
Payables									
Rentals (vi)									
Heliomar Ltda.	Stockholder/Board Member	52	26	52	26	299	258	299	258
Antonio Carlos Pipponzi	Stockholder/Board Member	9	8	9	8	60	100	60	100
Rosalia Pipponzi Raia	Stockholder/Board Member	9	8	9	8	60	100	60	100
Cristiana Almeida Pipponzi	Stockholder/Board Member	4	3	4	3	20	33	20	33
André Almeida Pipponzi	Stockholder/Board Member	4	3	4	3	20	33	20	33
Marta Almeida Pipponzi	Stockholder/Board Member	4	2	4	2	20	33	20	33
Subtotal		**82**	**50**	**82**	**50**	**479**	**557**	**479**	**557**
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (iv)	Stockholder/Family	-	1	-	1	2,998	4,000	2,998	4,000
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (vii)	Stockholder/Family	1,999	923	1,999	923	214	12,364	214	12,364
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	36	195	36	195	3,270	2,839	3,270	2,839
Cristina Ribeiro Sobral Sarian (Anthea Consultoria Empresarial) (ix)	Stockholder/Alternate Board Member until April 2021	-	49	-	49	450	550	450	550
Cesar Nivaldo Gon (CI&T IOT Comercio de HardWare e Software Ltda. and CI&T Softwares S.A.)) (ix)	Stockholder/Board Member until May 2021	11	-	11	-	159	-	159	-
Stix Fidelidade e Inteligência S.A. (x)	Associate	8,187	-	8,187	-	8,187	-	8,187	-
Healthbit Performasys Tecnologia (viii)	Subsidiary	-	-	-	-	694	-	694	-
Subtotal		**10,233**	**1,168**	**10,233**	**1,168**	**15,972**	**19,753**	**15,972**	**19,753**
Total payables to related parties		**10,315**	**1,218**	**10,315**	**1,218**	**16,451**	**20,310**	**16,451**	**20,310**

Transactions with related parties, basically purchases and sales of products, were carried out at prices, terms and conditions usual in the market.

(i) Refer to sales made by agreements whose transactions are carried out under commercial conditions equivalent to those practiced with other companies.

(ii) Purchase and sale of Natura Cosméticos S.A.'s products, which will be sold across the national territory and Raia Drogasil will receive a percentage on the products sold. Some members of the controlling block of Natura Cosméticos S.A. indirectly own shares of Raia Drogasil.

(iii) Provision of services of aircraft operation to the owner Raia Drogasil S.A., which will pay the operator a monthly remuneration for the services of operational advisory, compliance, finance, maintenance coordination and maintenance technical control.

(iv) Transaction related to legal advisory.

(v) During 2016, 2017 and 2019 loan transactions between Raia Drogasil S.A. (lender) and 4Bio Medicamentos S.A. (borrower) were carried out in the amounts of R$ 14,000, R$ 20,100 and R$ 12,000, respectively. All loan agreements are monetarily adjusted at 100% of the CDI plus 3.50% p.a. for contracts signed in 2016 and 2017 and 3.26% p.a. for the contract signed in 2019, and mature in December 2022.

Other receivables comprises commissions on Raia Drogasil S.A. referrals (R$ 343), recognized in "other receivables".

(vi) Transactions related to rental of commercial properties for the implementation of drugstores.

(vii) These balances and transactions relate to service agreements for the development, creation and production of marketing materials for the institutional sales area, and the design of the Company's internal magazine.

(viii) The balances and transactions refer to the contract for the provision of consulting services in the areas of health and sustainability and loan agreement of R$ 1,350, which is updated by CDI + 3.26% p.a.

(ix) Transactions related to information technology consulting services, being a contract entered into in March 2020 with CI&T Comércio de Hardware e Software Ltda. and another in November 2020 with CI&T Softwares S.A., with the object of consultancy for digital transformation and squads.

(x) Transactions related to trade receivables and trade payables referring to the STIX points program.

(xi) Transactions with loan between subsidiary FIP RD Ventures (lender) and ZTO Tecnologia e Servicos de Informação na Internet Ltda. (borrower) in monthly amounts of R$ 300 for July 2020 and R$ 675 for August, September, and December 2020 and January 2021, respectively.

(xii) Loan transaction carried out between Raia Drogasil S.A. (lender) and Full Nine Digital Consultoria - Conecta Lá (borrower) in the amounts of R$ 700 and R$ 400 with monetary adjustment based on CDI + 3.50% p.a.

(xiii) Loan transaction carried out between RD Ventures (lender) and Labi Exames S.A. (borrower) in the amount of R$ 15,000, with monetary adjustment based on CDI + 3.00% p.a., maturing in May 2023.

Moreover, we inform that there are no additional transactions other than the amounts presented above and that the category of the related parties corresponds to the entity's key management personnel.

All amounts in thousands of reais unless otherwise stated

(b) Key management compensation

Key management includes the Officers, Directors and members of the Supervisory Board. The compensation paid or payable for services rendered is as follows:

	Parent Company		Consolidated	
Compensation items	**Dec/21**	**Dec/20**	**Dec/21**	**Dec/20**
Share-based payment	17,265	14,141	18,581	14,475
Bonuses and social charges	6,839	9,133	6,839	9,133
Subtotal bonuses and social charges	**24,104**	**23,274**	**25,420**	**23,608**
Fees and social charges	23,576	21,782	26,597	24,735
Fringe benefits	420	374	420	374
Total	**48,100**	**45,430**	**52,437**	**48,717**

The Company applied the requirements of NBC TG 05 (R3) - Related-Party Disclosures and also considered the guidance in CVM Circular Letter SNC/SEP 01/2021, observing qualitative aspects of related-party transaction, and concluded that there are no material impacts that require disclosure of additional information in the financial statements.

26.Insurance coverage

The Company has adopted a policy of taking out insurance coverage at amounts deemed sufficient to cover any losses on assets or civil liability attributed to it taking into consideration the nature of its activities and the guidance of its insurance consultants.

The Group had the following insurance:

Insurance items	**Parent Company/Consolidated Dec/21**
Inventory loss risks*	845,545
D&O*	100,000
Civil liability risks*	40,000

* The parent company's coverage extends to the subsidiaries

27.Non-cash transactions

At December 31, 2021, the Group's main non-transactions were:

(i) the monetary adjustment of the financial liability arising from payables to subsidiary's shareholder (Note 9);
(ii) part of the compensation of key management personnel associated with the restricted share plan (Note 25);
(iii) the installment purchase of property and equipment items in the amount of R$ 19,491 (R$ 14,258 - Dec/ 20);
(iv) recognition of lease liability with a balancing item in right-of-use asset, which additions of new agreements in the amount of R$ 319,051 (R$ 393,646 – Dec/20), remeasurements of R$ 598,677 (R$ 388,146 – Dec/20) and termination of agreements in the amount of (R$ 49,851) (R$ 43,671 – Dec/20).

28.Events after the reporting period

(a) 5th issue of debentures

According to the notices released by the Company on January 14 and 18, 2022, the Board of Directors approved the 5th Issue of simple, non-convertible, unsecured debentures, in a single series, of the Company, for public distribution with restricted efforts, pursuant to CVM Instruction 476/2009 ("Issue").

500,000 debentures were issued, with par value of R$ 1,000.00, totaling R$ 500,000 on the Issue Date.

The debentures were issued on January 27, 2022 and settled on February 16, 2022. The Debentures will have a term of seven years as of the Issue Date, with remuneration of 100% of CDI + 1.49% per year.

The issue was rated by the renowned risk agency S&P Global Ratings (S&P) as br.AAA, considered investment grade on a national scale.

(b) 6th issue of debentures

On February 8, 2022, the Company's Management approved, through an Extraordinary Meeting of the Board of Directors, the 6th Issue of simple, non-convertible, unsecured debentures, in a single series, of the Company, for public distribution with restricted efforts, pursuant to CVM Instruction 476/2009 ("Issue").

250,000 debentures will be issued, with par value of R$ 1,000.00, totaling R$ 250,000 on the Issue Date. This operation is linked to the real estate receivables certificates of True Securitizadora S.A., which will be issued with guarantee of the CRI Debentures, object of a public offering of distribution.

The Debentures will be issued on February xx, 2022 and settled on XX xxx, 2022. The Debentures will have a term of five years as of the Issue Date, with remuneration of 100% of CDI + 0.75% per year.

The issue was rated by the renowned risk agency S&P Global Ratings (S&P) as br.AAA, considered investment grade on a national scale.

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS)

Independent auditor's report on individual and consolidated financial statements

To the
Board of Directors and Shareholders
Raia Drogasil S.A.
São Paulo - SP

Opinion

We have audited the accompanying individual and consolidated financial statements of Raia Drogasil S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021 and the statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Raia Drogasil S.A. as at December 31, 2021, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the individual and consolidated financial statements' section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the overall individual and consolidated financial statements, and in forming our opinion on the individual and consolidated financial statements. Therefore, we did not express a separate opinion on these matters. For each of the matters below, a description of how our audit has addressed them, including any comments on the results of our procedures is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Technology environment

Due to the volume of transactions and the fact that the operations of the Company and its subsidiaries are highly dependent on the proper operation of the technology structure and its systems, added to the nature of their business and their geographic dispersion, we consider the technology environment to be a key audit matter.

How our audit conducted this matter

Our audit procedures included, among others, the assessment of the design and operational effectiveness of general IT controls ("ITGCs") implemented by the Company for the systems considered relevant to the audit process impacted their financial statements. The assessment of ITGCs included audit procedures to assess controls over logical access, change management, report processing and other aspects of technology.

With regard to the audit of logical accesses, we analyze, on a sampling basis, the process of authorization and granting of new users, the timely revocation of access to employees transferred or separated and the periodic review of users. In addition, we evaluated password policies, security settings and access to technology resources.

With respect to the change management process, we assessed whether the changes in the systems have been duly authorized and approved by the Company's management. We also analyzed the operations management process, focusing on policies for safeguarding information and the timely handling of incidents.

Lastly, we evaluated the process of generating and extracting reports that support the accounting balances and performed adherence tests on the information generated by the Company's systems.

We involved our IT professionals to assist us in performing these procedures.

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We identified deficiencies in the access, granting, revoking, changing access, management process, monitoring of operations, back-ups and back-ups restores.

Deficiencies in the design and operation of ITGCs have altered our assessment of the nature, timing and extent of our planned substantive procedures to obtain sufficient and appropriate audit evidence for December 31, 2021. Taking this into consideration, based on the result of the audit procedures performed, provided us with adequate and sufficient audit evidence to be acceptable in the context of the financial statements taken as a whole.

Commercial agreements on the purchase of goods for resale

As disclosed in Note 4 (d), the Company negotiates commercial agreements with its suppliers of goods for resale, which may be of a particular or complex nature within the retail sector. In this context, there are different categories of agreements that are substantially linked to the resale of goods to obtain benefits by the Company. Therefore, it is necessary to carry out procedures on the part of management, in particular, analyze and conclude on the amounts and correct period in which the effects should be recognized in the cost of goods sold.

Due to this fact, we consider the recognition of the effects of the commercial agreements, especially regarding the completeness and its registration in the correct accounting period, to be a key audit matter.

How our audit conducted this matter

Our audit procedures included, among others, the following:

• Update of the understanding of the business process established by management for identification, monitoring and accounting of commercial agreements;

• External confirmation of certain suppliers, considering the aspects of relevance of the amounts and representative sample size;

• Understanding of the main contractual terms, individually relevant or with particular characteristics and the corresponding performance indicators that, when reached, generate the Company's right to the agreed benefit, recalculation, as well to verification of its subsequent financial settlement based on sample tests; and

• Test of recognition of the effects in the correct competence period.

Based on the results of audit procedures performed on commercial agreements, which is consistent with management’s assessment, we understand that the criteria and assumptions adopted by management, as well as the respective disclosures in Note 4(d) are acceptable in regard to the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2021, prepared under the responsibility of Company's management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there are material misstatements in the Management Report, we are required to communicate this matter. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

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ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 22, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Patricia Nakano Ferreira
Accountant CRC-1SP234620/O-4

In this section, pursuant to CVM Instruction 480/09, we compare the store opening projections for the Company with the data on drugstore openings actually conducted every year, until the end of the current year. The projections for 2016 and 2017 were disclosed to the market on July 28, 2016, the projections for 2018 and 2019 were disclosed on November 9, 2017, the projections for 2020 were disclosed on October 3, 2019 and the projections for 2021 and 2022 were disclosed on September 29, 2020.

YEAR	PRIOR PROJECTION	CURRENT PROJECTION	ACTUAL ACCUMULATED
2016	165 openings	200 openings	212 openings
2017	195 openings	200 openings	210 openings
2018		240 openings	240 openings
2019		240 openings	240 openings
2020		240 openings	240 openings
2021		240 openings	240 openings
2022	240 openings	260 openings	-

On July 28, 2016, we revised the prior projection of 165 openings in 2016 and 195 openings in 2017 to 200 store openings for both years. On October 27, 2021, we revised the prior projection of 240 openings per year in 2021 and 2022 to 240 openings in 2021 and 260 openings in 2022.

The Company ended 2021 with 240 store openings and reiterates projections of 260 openings for 2022.

(A free translation of the original in Portuguese)

Raia Drogasil S.A.

Supervisory Board's Opinion

December 31, 2021

To the Board of Directors and Stockholders

Raia Drogasil S.A.

The Company's Supervisory Board, in exercising its duties and legal responsibilities, has examined the financial statements for the year ended December 31, 2021 and, based on the examinations performed and on clarifications provided by management, and also considering the favorable Auditor's Report without exceptions, issued by the independent auditor Ernst & Young Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, February 22, 2022.

Gilberto Lério
Supervisory Board Member

Mário Antonio Luiz Corrêa
Supervisory Board Member

Paulo Sérgio Buzaid Tohmé
Supervisory Board Member

Antônio Edson Maciel dos Santos
Supervisory Board Member

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the financial statements for the year ended December 31, 2021.

São Paulo, February 22, 2022.

Marcilio D'Amico Pousada
Chief Executive Officer

Eugênio De Zagottis
Officer

Antonio Carlos Coelho
Officer

Marcello De Zagottis
Officer

Fernando Kozel Varela
Officer

Renato Cepollina Raduan
Officer

Maria Susana de Souza
Officer

Bruno Wright Pipponzi
Officer

Ligia Maria Mendes
Controllership Director and Accountant in charge
CRC 1SP253358/O-8

Raia Drogasil S.A.

Officers' Representation on Independent Auditor's Report December 31, 2021

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the conclusions expressed in the favorable Auditor's Report without exceptions issued by the independent auditors for the year ended December 31, 2021.

São Paulo, February 22, 2022.

Marcilio D'Amico Pousada
Chief Executive Officer

Eugênio De Zagottis
Officer

Antonio Carlos Coelho
Officer

Marcello De Zagottis
Officer

Fernando Kozel Varela
Officer

Renato Cepollina Raduan
Officer

Maria Susana de Souza
Officer

Bruno Wright Pipponzi
Officer

Ligia Maria Mendes
Controllership Director and Accountant in charge
CRC 1SP253358/O-8