Gente, Saúde e Bem-estar.
RaiaDrogasil S.A.

(A free translation of the original in Portuguese)

Raia Drogasil S.A.

Individual and Consolidated Financial Statements At December 31, 2022

(A free translation of the original in Portuguese)

Contents

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Comments on company performance

São Paulo, March 07, 2023. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 4th quarter of 2022 (4Q22). The Company's parent company and consolidated financial statements for the periods ended December 31, 2022 and 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 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 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 2021.

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. A reconciliation with IFRS 16 can be found in a dedicated chapter within this document.

CONSOLIDATED HIGHLIGHTS:

- › **PHARMACIES:** 2,697 units in operation (260 openings and 53 closures);
- › **GROSS REVENUE:** R$ 31.0 billion, a 20.9% increase with 13.3% mature store growth;
- › **MARKET SHARE:** 15.1%, a 1.0 pp increase, with gains in every region;
- › **DIGITAL:** R$ 3.2 billion, an increase of 52.7% and a 4Q22 retail penetration of 11.8%;
- › **CONTRIBUTION MARGIN*:** 10.9%, an expansion of 0.7 pp, and a 29.2% increase;
- › **ADJUSTED EBITDA:** R$ 2,262.1 million, a margin of 7.3%, and a 25.2% increase;
- › **ADJUSTED NET INCOME:** R$ 991.8 million, a 3.2% net margin, and a 25.8% increase;
- › **CASH FLOW:** R$ 7.8 million negative free cash flow, R$ 652.7 million total cash consumption.

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

RADL3
R$ 23.21/ share

NUMBER OF SHARES
1.651.930.000

MARKET CAP
R$ 38.3 billion

CLOSING
March 06th, 2023

IR TEAM:
Eugênio De Zagottis
Flávio Correia
André Stolfi
Victor Torres
Rodrigo Baraldi

SITE: ri.rd.com.br
E-MAIL: ri@rd.com.br

Summary *(R$ thousands)*	2021	2022	4Q21	1Q22	2Q22	3Q22	4Q22
# of pharmacies	2,490	2,697	2,490	2,530	2,581	2,620	2,697
Organic openings	240	260	86	52	64	58	86
Closures	(49)	(53)	(10)	(12)	(13)	(19)	(9)
4Bio	4	5	4	4	5	5	5
# of Pharmacies + 4Bio	2,494	2,702	2,494	2,534	2,586	2,625	2,702
Headcount (EoP)	50,573	53,443	50,573	50,141	50,320	51,482	53,443
Pharmacist count (EoP)	10,052	10,952	10,052	10,336	10,466	10,690	10,952
# of tickets (thousands)	280,193	328,871	76,508	76,795	82,912	83,249	85,915
# of active customers (MM)	42.3	47.5	42.3	43.7	45.1	46.5	47.5
Gross revenue	25,605,685	30,950,569	6,853,140	6,972,496	7,641,161	7,985,786	8,351,126
Gross profit	7,206,170	8,809,474	1,951,805	1,928,436	2,318,097	2,224,774	2,338,166
% of gross revenue	28.1%	28.5%	28.5%	27.7%	30.3%	27.9%	28.0%
Adjusted EBITDA	1,807,245	2,262,129	448,110	388,382	727,509	546,800	599,438
% of gross revenue	7.1%	7.3%	6.5%	5.6%	9.5%	6.8%	7.2%
Adjusted net income	788,175	991,824	204,639	145,270	343,746	201,706	301,101
% of gross revenue	3.1%	3.2%	3.0%	2.1%	4.5%	2.5%	3.6%
Net income	815,152	1,029,198	187,155	153,590	372,231	225,367	278,009
% of gross revenues	3.2%	3.3%	2.7%	2.2%	4.9%	2.8%	3.3%
Free cash flow	(26,260)	(7,780)	269,226	(320,646)	(52,966)	159,825	206,008

LETTER OF THE ADMINISTRATION

Fiscal 2022 was a testament to the success of RD's new strategy, focused on providing an omnichannel experience and on improving customer experience through digitalization. Throughout the year, we increased our customer base, enhanced the penetration of digitalized customers within the business, improved the experience in both the physical and digital channels, gained operating leverage and advanced in the construction of a healthcare ecosystem.

In addition to creating a promising future for RD, our new strategy has demonstrated its significant capacity to create value already in the present. In 2022, we reached a gross revenue of R$ 31.0 billion, an absolute increase of R$ 5.3 billion and a growth of 20.9% in the year. This robust performance was leveraged by the opening of 260 new pharmacies as well as by a record performance at our mature stores, which grew 13.3% in the year, 7.5 percentage points above the CPI.

Our national market share reached 15.1%, a 1.0 percentage point increase with gains in every region. Lastly, because of this solid growth in sales and of the operating leverage gains driven by digitalization, our EBITDA reached R$ 2.3 billion, a 25.2% growth with a 0.2 percentage point margin increase, while net earnings reached R$ 991.8 million, a 25.8% growth with 0.1 percentage point of margin expansion.

In 2021, as we initiated the second decade of our history, RD established the Ambition to become by 2030 the group that contributes the most towards a healthier society in Brazil, defining clear guidelines for promoting healthier people, healthier businesses and a healthier planet. This Ambition places us as an ally of our customers in promoting healthcare and in preventing diseases, a profound transformation in our business. In order to pursue it, we have defined both new strategies centered on the digitalization of our relationship with the customer and the **Walking Together** sustainability plan, an executive program with 35 goals to be reached by 2030, aligned with the UN's Sustainable Development Goals (SDGs).

RD's 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 as a Health Hub, driven by a digital and omnichannel customer experience, and enhanced by a Marketplace that extends its reach by offering a dramatically increased assortment, deepening the mix in current product categories as well as in new health and wellness verticals. Lastly, with the Health Platform, we are developing solutions to support our customers' healthcare journeys, including adherence to treatment and the promotion of healthy habits, such as nutrition, exercising and sleep, while also offering a health services marketplace that includes lab exams and telehealth.

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.

The implementation of this new strategy is demanding a profound transformation of RD´s governance, management model, corporate culture and IT infrastructure. This is a continuous effort in which we have already achieved significant advancements.

Our corporate governance has evolved since 2021 through the increase in the size of our Board of Directors, the redefinition of our committees and the addition of new members with proven experiences in digital transformation, platform development and healthcare. We have also enhanced its diversity by increasing female representation to three board seats (27% of board seats).

Our management model has also been transformed to support the execution of our strategy. By the end of 2022, in addition to a C-level with 8 members who average 17 years of experience at RD, we count on 42 executive and corporate directors, having added 13 new positions over the last 5 years. Moreover, 26 of these directors (62%) joined the Company since 2018, refreshening our management structure and adding new valuable competences and experiences. We highlight that these groups include 14 women (28%).

Our corporate culture has become increasingly digital, based on agile management methods, including 34 squads and 10 performance desks, which are comprised of multifunctional teams bringing together people with complementary backgrounds and skills, including business, products, IT and data science, who are working in a more flexible, collaborative and less hierarchical way. We are also more focused on collaborating with startups to address pain points of the business and of the customer experience. Finally, in order to systematize this new way of operating and to keep evolving towards our established objectives, we have undertaken in 2022 a broad review of our culture, which has been synthesized into three main pillars: Taking Care of People, Executing with Focus, and Building the Future, and anchored by our new Purpose: “Together for a Healthier Society”.

Our IT infrastructure is also being transformed at a fast pace: we are concluding the conversion of our main systems into a microservices architecture and their migration to the cloud. We have also created a data science area, developed a single and integrated data lake, began utilizing our data in a broader and more intensive manner, and started advancing in the usage of advanced data algorithms, including artificial intelligence, to support business decisions. We are also eliminating bottlenecks in the testing and homologation process for new code releases. These changes are essential to unlock the productivity of our squads which, despite having already evolved significantly over the year, has yet to reach its full potential.

We have also advanced with the Martech enablers, empowering us to personalize the customer omnichannel journey at scale, allowing us to deliver the correct message to the right customer in real time. We also started the implementation of a Customer Data Platform (CDP), which will place RD among the most advanced Brazilian retailers on digital marketing. This is also part of the foundation for the creation of a retail media business.

Lastly, we have acquired stakes in 11 startups, with over R$ 200 million already invested through RD Ventures for the creation of an integral health ecosystem and for the development of new solutions to boost customer loyalty, engagement and monetization in retailing, in addition to commercial partnerships with third-party startups.

Our business transformation has demanded significant investments in infrastructure. Since 2019, when it started, our investments in IT and in management structure have increased our administrative expenses from 2.4% of gross revenues to 3.5% in 2022, while also pressuring our operating margins along the way.

However, the resulting productivity from the digitalization of the customer relationship has boosted our store contribution margin (gross profit minus selling expenses) from 9.8% in 2019 to the record level of 10.9% in 2022, allowing us to return to the original EBITDA margin of 7.3% that we had before the digitalization. If on the one hand the digitalization is expected to keep adding economic benefits in the future, we believe on the other hand that this 1.1 percentage point investment in G&A will be progressively diluted over the coming years, thus opening an opportunity for margin expansion. Finally, even with a stable margin versus 2019, our EBITDA in absolute terms has increased from R$ 1.3 billion to R$ 2.3 billion in 2022, a 68.3% increase in the period, while our ROIC has increased from 15.0% to 18.5%, a testament to the success of our strategy and of its implementation.

We reached 47.5 million active customers in the past 12 months, a relevant increase of 5.2 million new customers in the year. Of these, 6.0 million are classified by us as frequent customers, of which 1.2 million, or 20%, are both frequent and digitalized. The digitalization of the customer relationship increases their engagement, loyalty and spending. Our digitalized frequent customers spend 30% more than the frequent customers who have not embraced digitalization. Finally, digitalized customers were responsible for 39% of our revenue increase in the year.

Our sales through digital channels reached R$ 3.2 billion in 2022, a 52.7% growth in the year. While digital channels reached a retail penetration of 11.8% in the 4Q22, the penetration of digitalized customers in our total sales, including both physical and digital channels, is approaching 20%. Our apps have become the industry’s leading digital channels, accounting for 58% of our digital sales. We have also advanced with rapid deliveries, in up to 90 minutes, which already represent 81% of our deliveries in major cities in the 4Q22. Finally, our delivery NPS has seen a significant increase from 55 in 2020 to 77 in the 4Q22, while the NPS of our apps increased from 34 to 62 over the same period. Even though the digital NPS is still far from our store NPS of 89 and from our own ambitions, the evolution in customer experience has been significant and is expected to continue in the future.

Our pharmacies have been the main engine for digitalizing the customer relationship. They represent the primary channel for customer acquisition, accounting for 96% of new customers, for digital onboarding, with 63% of our app downloads happening in-store under the assistance and stimulus from our teams, and for digital fulfillment, with 94% of digital orders collected or delivered from the pharmacies in the 4Q22.

We ended 2022 with 2,697 pharmacies in 540 cities. Our pharmacies cover 92% of the Brazilian A-class population within a 1.5 km radius and 58% of the Brazilian population within a 5 km radius. Our expansion has added 260 new pharmacies and allowed us to enter 55 new cities in the year. We are already present or have contracts already signed in 301 of the 315 Brazilian cities with over 100 thousand inhabitants. We reiterate our guidance of 780 new openings from 2023 to 2025, with 260 new units per year.

We have also expanded the pharmaceutical services offered in 1.2 thousand pharmacies, of which 278 are already licensed to provide vaccinations and rapid diagnostic tests (RDTs). Additionally, since the beginning of the pandemic, we have sold a total of 9.1 million COVID-19 store tests and self-tests, with 5.2 million in 2022 alone. We have also performed over 1.5 million health services and administered 143 thousand immunizations in the year, repositioning our pharmacies as local health hubs in the communities we serve.

Our Marketplace is already operating within our apps and websites with products related to the health and well-being journeys. It constitutes an extension of the New Pharmacy, significantly expanding its offering. We have already expanded our assortment, reaching 174 thousand SKUs from 441 different sellers already available, whose experience we are striving to improve through the optimization of the seller center as well as of the onboarding, product inclusion and price and portfolio management processes, while also seeking improve the shopping experience of our customers.

We have also advanced in our Health Platform, focused on improving the health and wellbeing of our customers. Through Amplimed, we have advanced in the integration of all the platform's service providers within a single electronic health records system. With Labi, Manipulaê, Cuco Health and Safepill, a startup we acquired in December, we are broadening our health services portfolio, with a focus on telemedicine, diagnostics as well as access and adherence to medication. Finally, through Vitat, we have created tools and solutions aimed at attracting and engaging customers in the platform's health and well-being services, including Healthy Lifestyle digital journeys focused on Nutrition, Movement, Mind and Sleep, tele-orientation with nutritionists, psychologists and physical educators, and the release of the first version of *Vitat Cuida*, a complete wellness solution that provides a coordinated journey based on personalized programs.

In an event held in May 2021, we unveiled our **Walking Together** sustainability plan, an executive program with 35 goals to be reached by 2030, aligned with UN's Sustainable Development Goals (SDGs) and organized in three dimensions: *Healthier People*, aiming to improve the lives of 50 million people, *Healthier Businesses*, seeking to economically empower 350 thousand people, and *Healthier Planet*, with the goal of transforming RD into a *net zero* and *zero landfill* company.

We have achieved relevant progress across all of the dimensions above. We ended the year with 45% of pharmacies operating with distributed electricity, from fully renewable sources. We expanded the collection of expired and damaged medicines to 100% of our pharmacies, guaranteeing the correct disposal of 192 tons of products to avoid environmental contamination. We have also worked towards the improvement of our employees' health and towards an increased diversity within our team.

Our MSCI ESG Rating improved from BB to BBB. In CDP's questionnaire, an internationally-recognized tool for measuring the quality of management regarding climate change, our rating improved by two steps to B. Also, RD was confirmed for the second year in a row as a member of ISE – B3's sustainability index – which includes the best evaluated listed companies in Brazil for corporate sustainability based on economic efficiency, environmental equilibrium, social justice and governance criteria.

Finally, we would like to thank our shareholders for the support and trust bestowed upon us, our customers, who entrusted us with their health and rewarded us with their loyalty, and our employees, who selflessly dedicate themselves every day to take care of our customers.

The Administration

CHALLENGES AND OPPORTUNITIES FOR 2023

Accelerate the digitalization of our relationship with customers: In 2023, our aim is to keep increasing the share of digitalized customers in our total sales, a crucial objective given the fact that digitalization increases customer engagement, loyalty, and overall spending. Therefore, improving the customer's digital experience will be paramount. Our goal is to reduce the delivery lead times and to increase the digital NPS, both for the deliveries and for our apps. We will also strive to boost the productivity of our squads, multiplying the current number of weekly code releases. We will also advance with new services and solutions aimed at increasing customer loyalty and retention, including subscription services and other tools to promote the adherence to treatment, as well as strengthening our loyalty programs, including the expansion of Stix, our coalition with GPA, which is expected to add new and important retail partners in the short-term. Finally, we will continue to develop our marketplace by improving seller engagement and SKU productivity through the integration with the seller-center, as well as by increasing the supply chain efficiency of our sellers.

Advance with our health platform: Over the recent years, we have invested through RD Ventures in a multitude of startups focused on health promotion (Vitat and Healthbit), access and adherence to treatment (4Bio, Manipulaê, Cuco and Safepill) and consultations and diagnostics (Amplimed and Labi). In 2023, we will advance with the integration of these assets, which will complement our health hubs, located at thousands of our pharmacies as well as Univers, our PBM, in order to create an integrated healthcare ecosystem. Our objective is to develop and offer complete and integrated solutions with the aim of promoting health and wellness and reducing systemic healthcare costs, which will be focused not only on consumers, but also on corporations and on health operators. We recognize that this is a long-term journey, but which starts already in 2023.

Transform our IT infrastructure: We will advance with the transformation of the Company's IT infrastructure. Our main priority is to increase the productivity of existing squads in order to improve the customer experience. With that aim, we expect to eliminate bottlenecks in the testing, homologation and deployment of new code in order to issue more frequent releases, which will allow us to add new functionalities, increase personalization, minimize software bugs and correct them as fast as possible shall they occur. Finally, we want to keep advancing with data science in order to increase the use of artificial intelligence to support business decisions within our operations.

Leverage our Retail Ads platform: The advertising industry is shifting ad spending from traditional channels to digital media on a worldwide basis. With the progressive loss of unique customer identifiers, which has already happened, for example, in the Apple platforms, both the access by digital media companies to individual third-party customer data, as well as the financial returns of advertisers who utilized such information, are drastically diminishing. RD enjoys a unique opportunity to advance in retail media, like Amazon and Wal-Mart are doing in the USA. We are the largest pharmaceutical retailer in Brazil and a reference player in health, wellness, and beauty. We boast an omnichannel operation with 2.7 thousand physical stores and one of the largest digital platforms in the Country. We have an active customer base roughly equivalent to 1/4 of the Brazilian population, with an average frequency of 7 purchases per year. And if we consider only the frequent customers who adopted digital, that frequency increases to 27 per year. Finally, we are a large-scale physical retailer which is able to identify 97% of total sales, a demand visibility only comparable to that of pure-play digital platforms. In order to leverage these assets, we created **RD Ads**, a separate company focused exclusively on retail media, with dedicated CEO and corporate structure to serve advertisers. We also acquired eLoopz, a startup focused on out-of-home media, and we plan to install thousands of screens within our pharmacies over the coming years to boost our media inventory. This will allow us to offer to advertisers a broad selection of complementary physical and digital media channels, with limitless audience segmentation, covering the whole sales funnel, including programmatic media, social media posts, messages, e-mails, app push-notifications, in-store screens, paid search in digital channels and personalized coupons, among others. With **RD Ads**, our aim is to better serve our suppliers, leveraging the return on their advertising investments, generating marginal demand to our stores and digital platforms, offering better deals to our customers and building a new value creation avenue for RD.

Grow at a fast pace and continue to gain market share: Our operations combine unique levels both of scale, with R$ 31.0 billion in revenues and 2.7 thousand pharmacies across the entire country, having added, in 2022 alone, R$ 5.3 billion in sales, as well as of efficiency, with average mature-store sales of R$ 1.1 million per month in the 4Q22 and a contribution margin of 14.0%, an average profitability of R$ 151 thousand per store. While scale gives us superior purchase power, management depth and ample investment capacity into new stores, IT and into our operations in general, efficiency guarantees that we have the leanest cost structure in the industry, allowing us to be very competitive and yet, operate with higher margins than our peers. In addition, we also have a very robust balance sheet with low leverage and ample access to capital. In an economic environment with high interest rates, tightening credit and potential operational difficulties to be faced by competitors who operate with higher leverage, our unique combination of scale, efficiency and investment capacity will likely amplify our competitive edge, allowing us to sustain in 2023 accelerated growth with market share gains, through the combination of 260 new openings, with an IRR above 20%, net of cannibalization, maturation of existing pharmacies and sustained mature store growth above inflation.

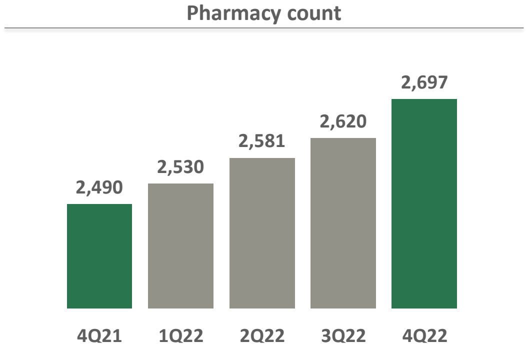
Dilute administrative expenses: Our digital transformation required intense investments both in IT and into our corporate structure, which increased our administrative expenses from 2.4% in 2019 to 3.5% in 2022. This was a deliberate decision, focused on long-term value creation. In spite of the pressures we faced along the way, we returned in 2022 to the initial EBITDA margin level of 7.3% we had in 2019, before the digital transformation, but with an absolute EBITDA increase from R$ 1.3 billion in 2019 to R$ 2.3 billion in 2022, a 68.3% growth, as well as with a ROIC expansion from 15.0% in 2019 to 18.5% in 2022. This margin recovery was only possible because the contribution margin in the period, driven by the operating leverage gains stemming from digitalization, expanded by the same 1.1 percentage point, reaching the record level of 10.9%. While we expect that our contribution margin will continue to expand in the coming years due to the increased digitalization of our relationship with customers and to an improved overall competitiveness, we also believe that, starting in 2023, our administrative expenses will be progressively diluted, as our current priority lies on maximizing the productivity of the investments already pursued rather than continuing to increase our structure. This will open a window for RD to expand its operating margins in the coming years.

STORE DEVELOPMENT

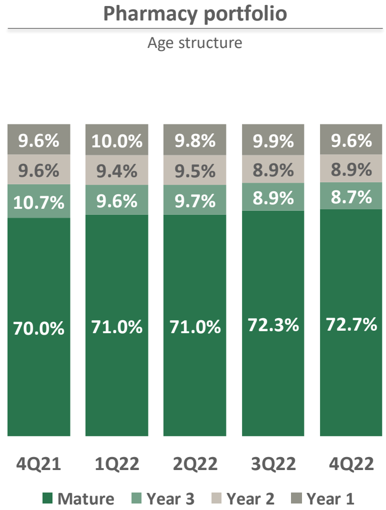
We opened 260 new pharmacies in 2022, strictly in line with the guidance provided, and closed 53, ending the year with 2,697 units in operation. In the 4Q22, we opened 86 and closed 9. At the end of the period, 27.3% of our pharmacies were still maturing and had not yet reached their full potential both in terms of revenue and profitability. We reiterate our guidance of 260 gross openings per from 2023 to 2025, totaling 780 new pharmacies to be opened.

Of the 53 closures, only 8 were pharmacies still in the maturation process, representing corrections of mistakes that are expected in a large-scale expansion such as RD's and corresponding to only 3% of the 260 openings in the period. Another 2 closures were Onofre stores, which were already expected at the time of the acquisition. The remaining 43 closures were of mature pharmacies with an average age of 13 years, as part of the ongoing optimization of our store portfolio. Considering the 9 closures in 4Q22, all were mature stores, with an average age of 14 years.

It is important to note that these redundant store closures transfer sales to the remaining locations in the neighborhood while eliminating a full fixed cost base and releasing assets to be more efficiently redeployed, thus increasing both the Company's EBITDA and ROIC. Therefore, the combined plan of pharmacy openings and closures ensures an optimal portfolio of stores across the best corners of the country, expanding our physical presence, balancing the ideal density in each market, and, at the same time, maximizing the return on assets employed.

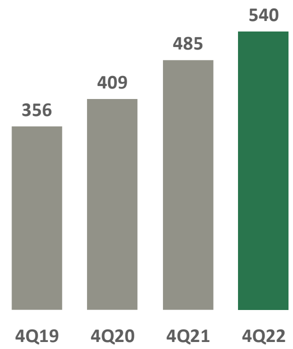


	1Q22	2Q22	3Q22	4Q22	LTM
Gross openings	**+52**	**+64**	**+58**	**+86**	**+260**
Closures	-12	-13	-19	-9	-53
Maturing	*-3*	*-3*	*-2*	*-*	*-8*
Mature	*-7*	*-10*	*-17*	*-9*	*-43*
Onofre	*-2*	*-*	*-*	*-*	*-2*
Net openings	**+40**	**+51**	**+39**	**+77**	**+207**

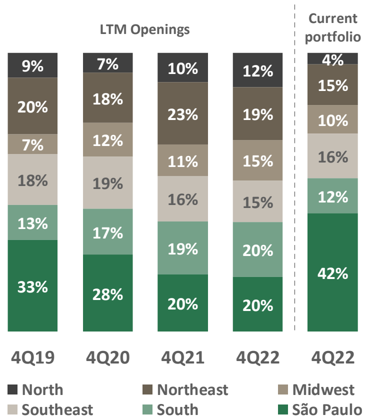


We continue diversifying our pharmacy network, both geographically and demographically, with 80% of our openings in the last twelve months happening outside the state of São Paulo, our native market. We have also increased our capillarity, extending our presence to 540 cities, 55 more than in the 4Q21. And while 66% of our units are of popular or hybrid formats, these clusters comprise 87% of the openings in the last twelve months, leading to an expansion of our presence into different social segments and municipalities and covering from large metropolitan areas to small towns with a population around 20 thousand inhabitants.

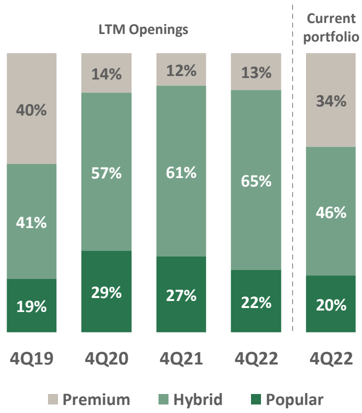
Cities with pharmacies



Network composition by region*



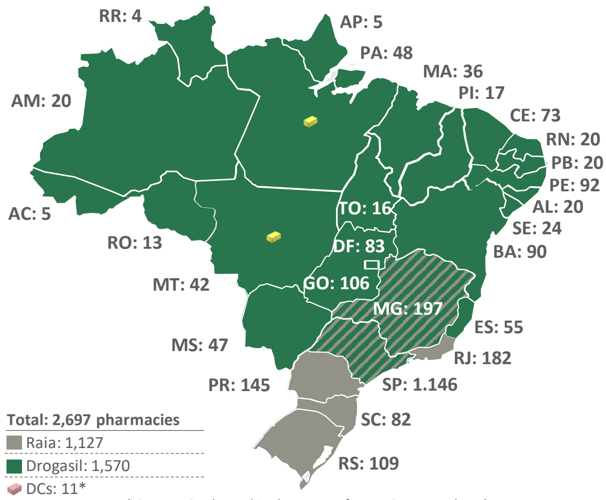
Network composition by format*



* Openings exclude the Onofre acquisition.

We gained market share in all regions during the quarter. Our national market share totaled 15.1%, a 1.0 pp increase when compared to the 4Q21. We recorded a share of 27.0% in São Paulo, a 1.4 pp increase when compared to the 4Q21, a share of 10.8% in the Southeast (excluding São Paulo), a 0.9 pp increase, and a share of 18.7% in the Midwest, a 1.7 pp gain. We also recorded a share of 9.9% in the South, a 0.5 pp increment, a share of 10.5% in the Northeast, a 0.7 pp gain, and a share of 7.5 pp in the North, a 1.9 pp increase.

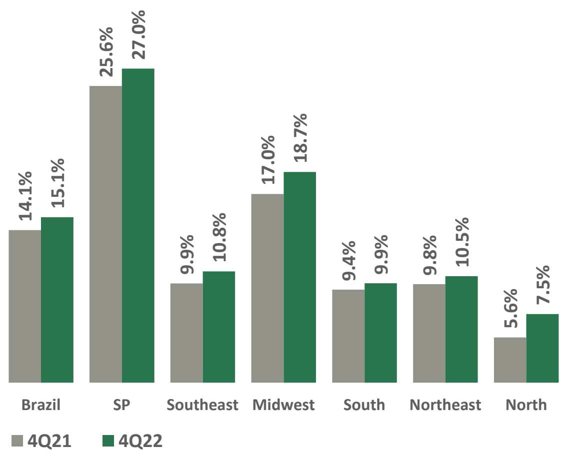
Pharmacy geographic presence



* 2 new DCs planned in the states of Mato Grosso and Pará.

Retail market share

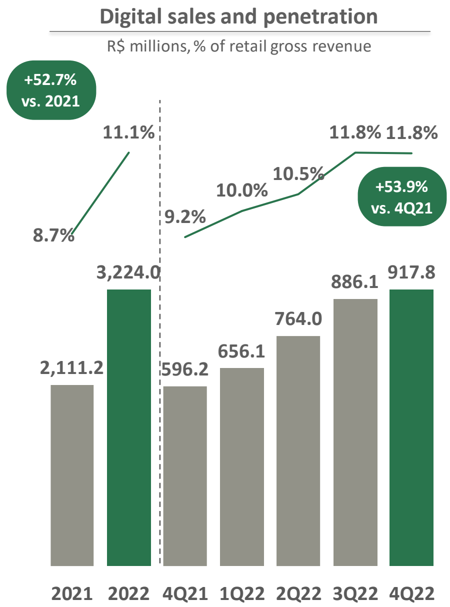
Quarterly share at Factory Prices (sell-out + sell-in)

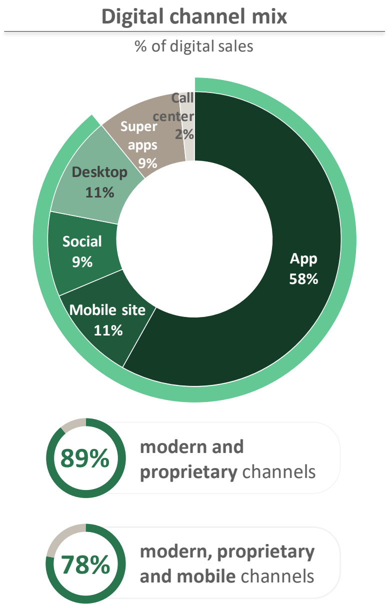


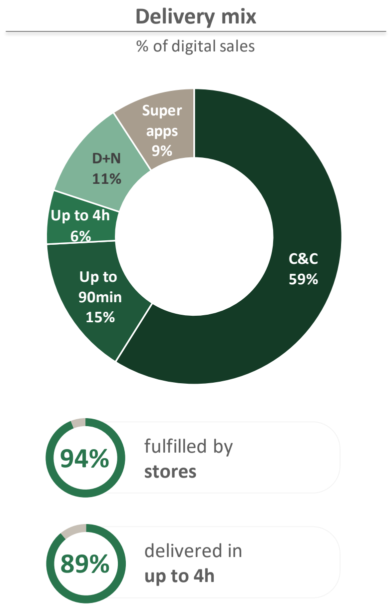
DIGITAL HEALTH TRANSFORMATION

We continue advancing in our digital strategy at a fast pace. We reached the mark of R$ 3,224.0 million in revenues through digital channels in the year (R$ 917.8 million in the 4Q22), representing a retail penetration of 11.1% (11.8% in the quarter) and a growth of 52.7% over the previous year (53.9% in the 4Q22). We highlight that we concluded in the beginning of the 4Q22 the unification of our e-commerce platforms, which shall allow us to improve its operations and increase efficiency in its development and, since then, we have already witnessed further growth in the penetration of digital channels.

We continue to expand our digital presence, with 99 million visits in our apps and websites in the 4Q22 and a better conversion rate. Customers who use our digital channels increase their loyalty, engagement and purchasing frequency, spending more than they did before. Our digitalized frequent customers shop with us 33% more frequently and spend 25% more overall than non-digitalized frequent customers, a key driver for value creation.





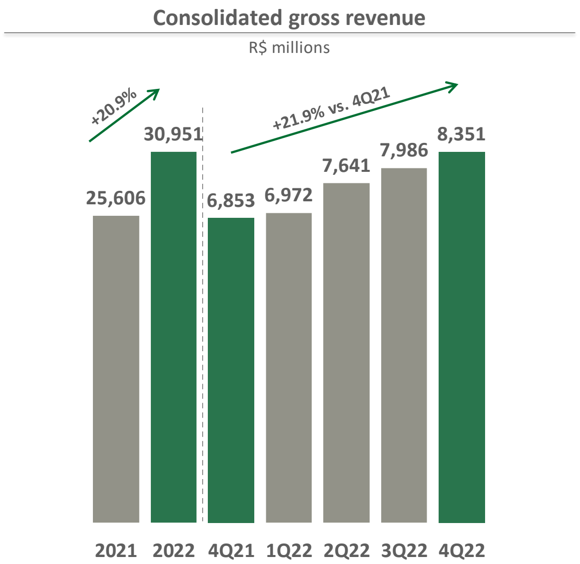


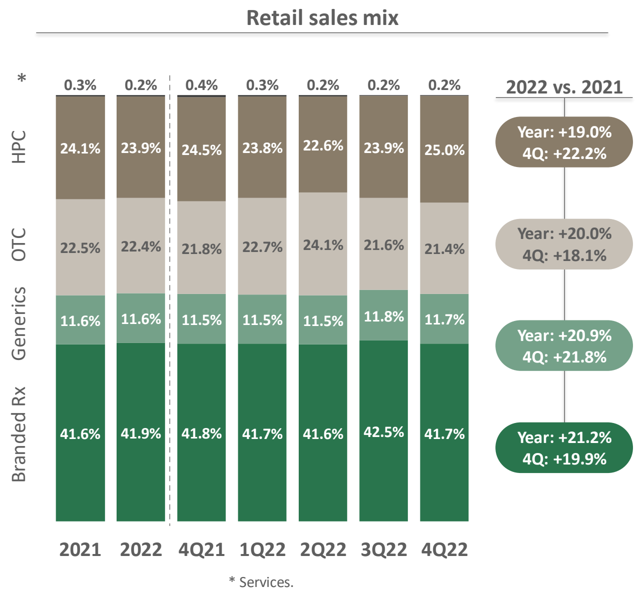
We also highlight the importance of the capillarity of our national chain of pharmacies for digital sales. With 92% of the Brazilian A-class population living within a 1.5 km radius from our stores, the proximity to our customers allowed 94% of digital orders in 4Q22 to be fulfilled by our pharmacies, with high economic efficiency, of which 89% represented deliveries or store pick-ups by customers in up to 4h. Finally, Click & Collect, which is available in 100% of our pharmacies, represented 59% of online orders, while social media sales represented another 9% of the total.

The role of our pharmacies in the promotion of integral health is also advancing. By the end of the year, we reached over 1.2 thousand units offering enhanced services at our health hubs. Our pharmacies performed or supplied 5.2 million COVID-19 tests in 2022, including those applied in-store as well as self-tests, totaling 9.1 million since the beginning of the pandemic. Additionally, we ended the period with 278 pharmacies licensed for vaccines and rapid diagnostic tests (RDTs). Through these pharmaceutical services, we are repositioning our pharmacies as local health hubs while strengthening the bonds with our customers, who continue evaluating our pharmacy experience with an NPS score of 89.

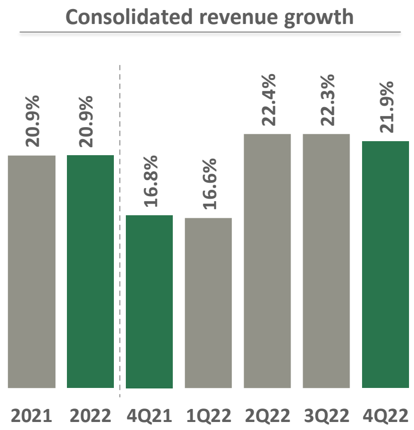
We continue to structure our Marketplace to offer customers a more complete assortment, with the inclusion of new sellers and SKUs. We ended the period offering 174 thousand SKUs from 441 different sellers. Lastly, Vitat continues building its platform and advancing in customer acquisition, reaching 10 million unique users in its apps in the 4Q22.

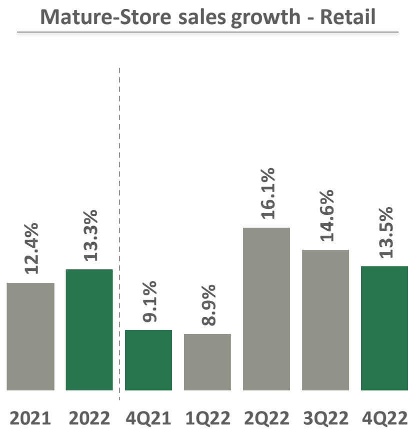
GROSS REVENUES





We ended 2022 with a consolidated gross revenue of R$ 30,951 million (R$ 8,351 million in the 4Q22), an absolute increase of R$ 5.3 billion, and growth of 20.9% in the year and of 21.9% in the quarter. Notably, our retail sales grew by 20.4% in the year and 20.2% in the quarter, while 4Bio contributed to consolidated growth with 0.5 pp in the year and 1.2 pp in the quarter. Lastly, we recorded a negative effect from the sale of COVID-19 tests of 0.2 pp in the year, a positive one of 0.2 pp in the quarter, and a positive calendar effect of 0.2 pp in 2022, with 0.4 pp in the 4Q22.

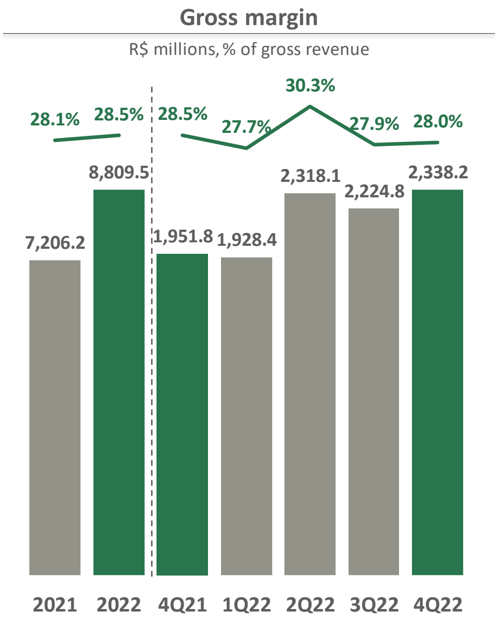




The retail sales mix showed balanced growth across categories in the year, with branded Rx up by 21.2% in the period (19.9% in the 4Q22), Generics by 20.9% (21.8% in the 4Q22), OTC by 20.0% (18.1% in the 4Q22) and HPC by 19.0% (22.2% in the 4Q22), recording a sequential increase of 1.1 pp in the quarter's sales mix. We noticed a return to growth in HPC and a slowdown in the sale of pandemic-related products, whose performance is increasingly conditioned to the rate of contamination.

We recorded an average same-store sales growth of 15.4% in 2022 (16.0% in the 4Q22), with 13.3% in mature stores (13.5% in the 4Q22). This represents a real mature-store growth 7.5 pp above the period's CPI of 5.8%.

GROSS PROFIT



Our gross profit totaled R$ 8,809.5 million in 2022, with a gross margin of 28.5%, a 0.4 pp expansion in comparison to 2021, mostly due to the inflationary gains on inventories recorded in the 2Q22 from the medicine price cap increase authorized by CMED of 10.9% vs. 7.5% in 2021.

In the 4Q22, the gross profit totaled R$ 2,338.2 million, with a gross margin of 28.0%, a 0.5 pp pressure. It is worth mentioning that the retail gross margin contracted 0.1 pp in the quarter, while the high sales growth of 4Bio, which exceeded 50%, generated a negative mix effect of 0.4 pp.

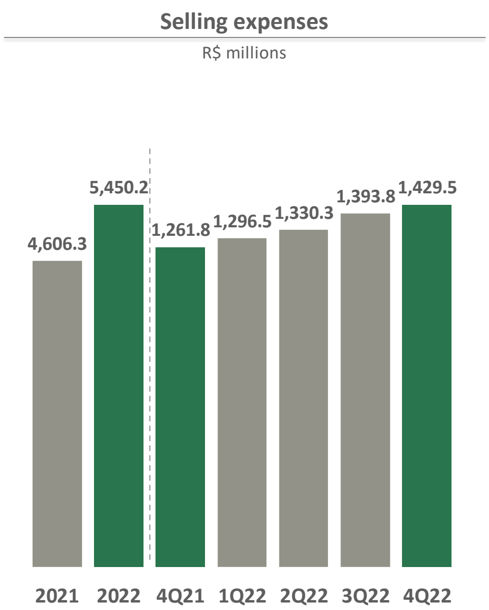
SELLING EXPENSES

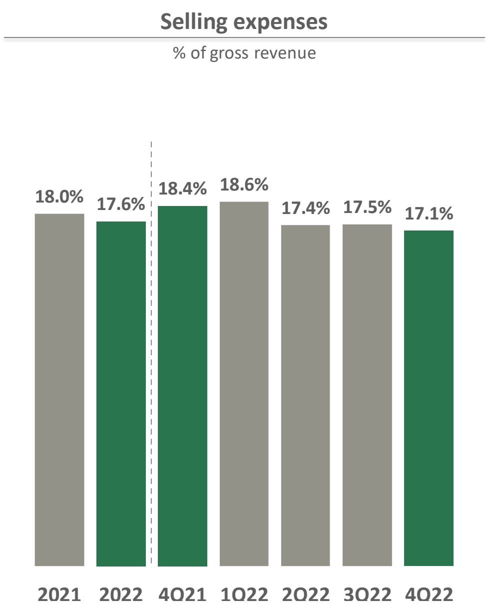
Selling expenses totaled R$ 5,450.2 million in 2022, equivalent to 17.6% of gross revenue, a 0.4 pp dilution vs. 2021.

In 2022, we obtained solid operating leverage through the real growth at our mature stores, with dilutions of 0.1 pp in personnel expenses, 0.1 pp in electricity, and 0.1 pp in marketing expenses, among others.

In the 4Q22, selling expenses totaled R$ 1,429.5 million. It is important to emphasize that we recorded gains related to PIS/COFINS on expenses for the entire year of 2022 which were fully booked in the 4Q22. The portion related to the previous quarters of the year generated a one-off quarterly gain of 0.5 pp in the 4Q22, leading to sales expenses 17.1% instead of 17.6%, which would otherwise be the normalized level for the quarter.

This normalized level corresponds to a comparable dilution of 0.8 pp vs. the previous year, mainly from gains in operating leverage due to the solid real growth achieved in mature stores. We recorded comparable dilutions in the quarter of 0.3 pp in electricity, 0.2 pp in personnel expenses, 0.2 pp in rentals, and 0.1 pp in other expenses.

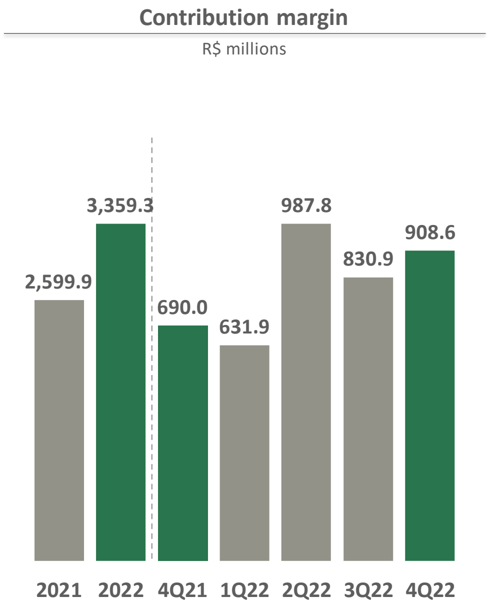


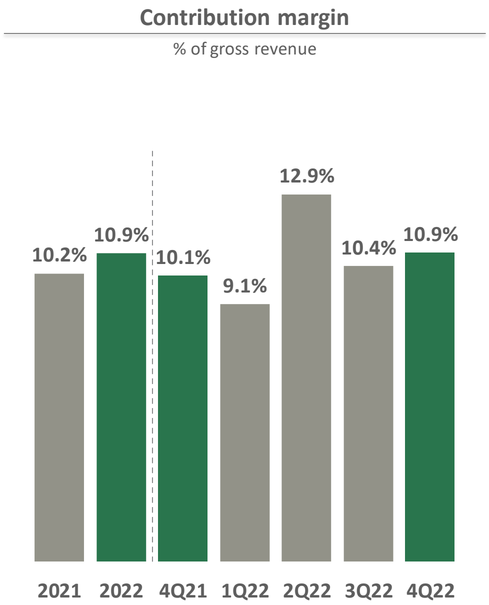


CONTRIBUTION MARGIN

We recorded a contribution margin of R$ 3,359.3 million in 2022, an increase of 29.2% vs. 2021, and a margin expansion of 0.7 pp to 10.9% of gross revenue, equaling the Company's record contribution margin recorded in 2016.

In the 4Q22, the contribution margin totaled R$ 908.6 million, an increase of 31.7% vs. the 4Q21, corresponding to 10.9% of gross revenue. If we adjust the one-off expense gain obtained in the quarter, the contribution margin would have been 10.4%, in line with the previous quarter and 0.3 pp above the 4Q22.



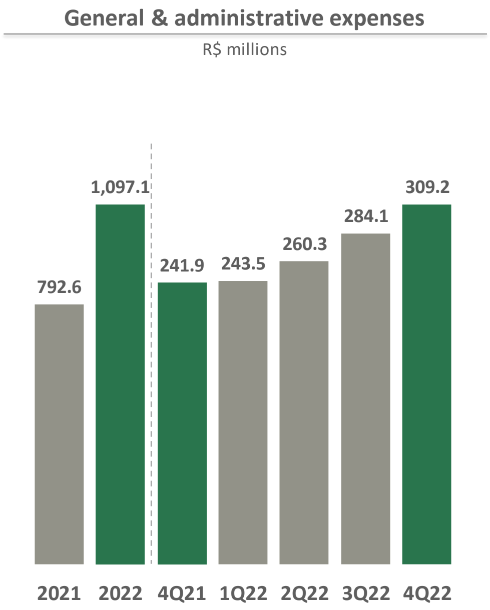


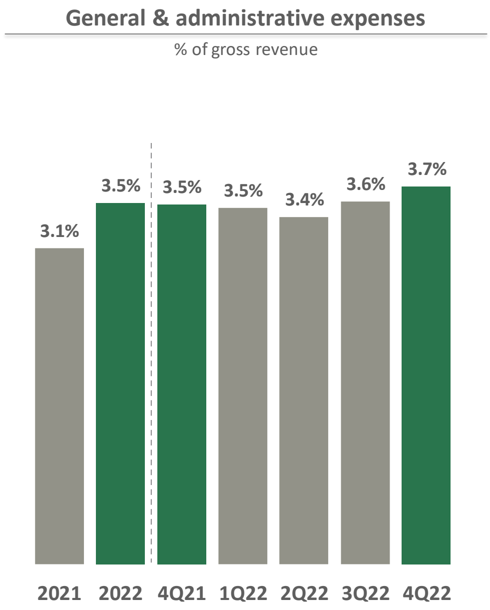
GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses totaled R$ 1,097.1 million in 2022, equivalent to 3.5% of gross revenue, a 0.4 pp increase in comparison to 2021. We recorded pressures of 0.2 pp in personnel expenses, 0.1 pp technology expenses, and 0.1 pp in marketing expenses.

In the 4Q22, general and administrative expenses amounted to R$ 309.2 million, equivalent to 3.7% of gross revenue, a 0.2 pp increase when compared to the same period of last year. We recorded a pressure of 0.1 pp in variable compensation expenses due to the strong performance in 2022, which led to a one-off sequential increase of the same amount versus the 3.6% level of the previous quarter.

We highlight that these investments are part of the Company's transformation strategy, especially regarding our digitalization initiatives. While we expect to further increase our contribution margin in the coming years due to the greater digitalization of our customer relationship, we expect to begin, already in 2023, to progressively dilute administrative expenses, as our focus will be on maximizing the productivity of the investments already made rather than continue increasing our corporate structure.

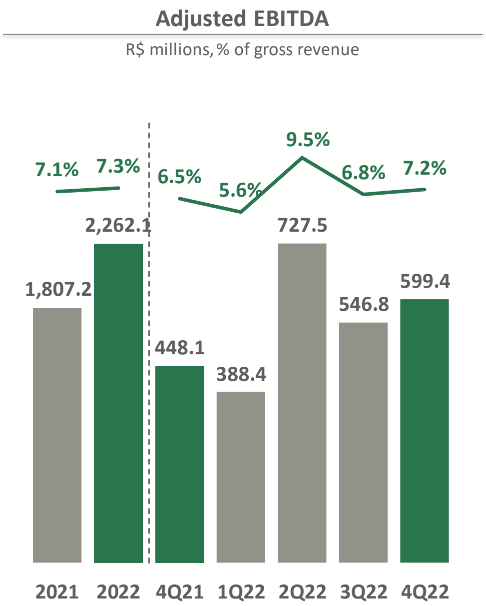




EBITDA

We achieved a record adjusted EBITDA of R$ 2,262.1 million in 2022, a 25.2% increase when compared to 2021. We recorded an EBITDA margin of 7.3%, a 0.2 pp expansion.

In the 4Q22, the adjusted EBITDA amounted to R$ 599.4 million, corresponding to an EBITDA margin of 7.2%. Even excluding the one-off gain of 0.5 pp in the quarter, we recorded a comparable margin gain of 0.2 pp over the same period of the previous year.



EBITDA RECONCILIATION AND NON-RECURRING RESULTS

In 2022, we recorded R$ 56.6 million in net non-recurring revenues (R$ 35.0 million in net expenses in the 4Q22). This includes R$ 8.8 million in social investments and donations (R$ 2.5 million in the 4Q22), R$ 28.0 million in asset write-offs, mainly due to store closures (R$ 11.4 million in the 4Q22), in addition to R$ 93.5 million in net revenue from tax effects from previous years and other non-recurring items (R$ 21.0 million in net expenses in 4Q22).

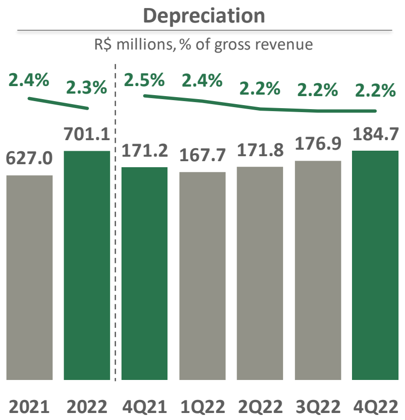
EBITDA reconciliation - R$ millions	1Q22	2Q22	3Q22	4Q22	2022
Net income	**153.6**	**372.2**	**225.4**	**278.0**	**1,029.2**
Income tax	1.5	128.7	55.1	0.6	185.9
Equity equivalence	(0.0)	(0.3)	(0.2)	2.0	1.5
Financial result	78.2	98.2	125.5	99.1	401.0
EBIT	**233.3**	**598.9**	**405.8**	**379.8**	**1,617.7**
Depreciation and amortization	167.7	171.8	176.9	184.7	701.1
EBITDA	**401.0**	**770.7**	**582.6**	**564.5**	**2,318.8**
Social investment and donations	1.5	0.9	3.8	2.5	8.8
Asset write-offs	1.1	13.5	1.9	11.4	28.0
Tax effects and other non-recurring from previous years	(15.2)	(57.6)	(41.6)	21.0	(93.5)
Non-recurring/non-operating expenses	**(12.6)**	**(43.2)**	**(35.8)**	**35.0**	**(56.6)**
Adjusted EBITDA	**388.4**	**727.5**	**546.8**	**599.4**	**2,262.1**

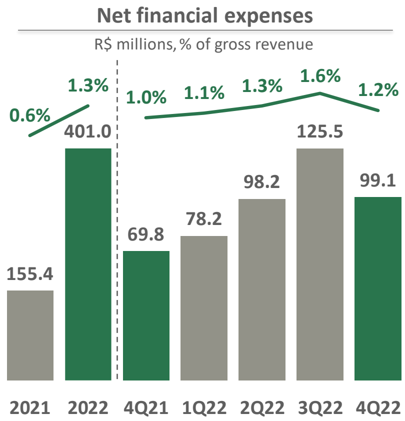
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

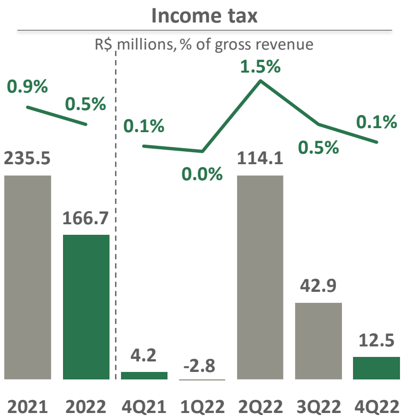
Depreciation expenses amounted to R$ 701.1 million in 2022 (R$ 184.7 million in the 4Q22), equivalent to 2.3% of gross revenue (2.2% in the quarter), a 0.1 pp dilution when compared to 2021 (0.3 pp vs. 4Q21).

Net financial expenses represented 1.3% of gross revenue in 2022 (1.2% in the 4Q22), a 0.7 pp increase when compared to 2021 (0.2 pp in comparison with the 4Q21). Of the R$ 401.0 million recorded in 2022 (R$ 99.1 million in the 4Q22), R$ 255.4 million refer to the actual financial interest accrued on financial liabilities (R$ 67.9 million in the 4Q22), equivalent to 0.8% of gross revenue (0.8% in the 4Q22), a 0.5 pp increase when compared to 2021 (0.3 pp in the quarter), mainly due to the higher SELIC interest rate. We have also recorded R$ 117.4 million in financial expenses which refer to the NPV adjustment (R$ 30.2 million in the 4Q22) and R$ 28.4 million which refers to the reevaluation and the interest on the option to acquire the remaining shares of invested companies (R$ 1.2 million in the 4Q22).

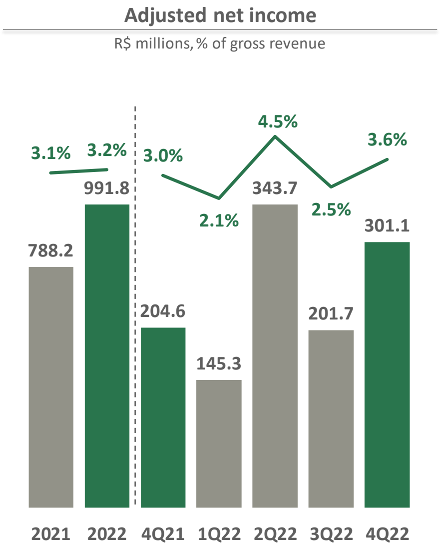
Lastly, we booked R$ 166.7 million in income taxes in the year (R$ 12.5 million in the 4Q22), equivalent to 0.5% of gross revenue (0.1% in the quarter), a 0.4 pp dilution (stable in the 4Q21).







NET INCOME

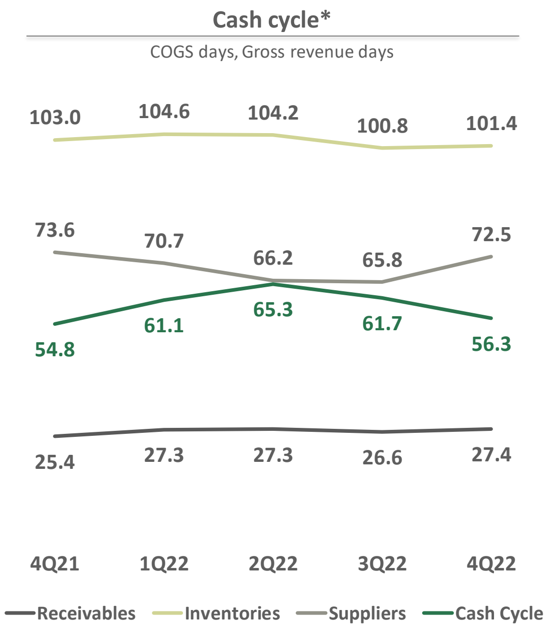


Our adjusted net income totaled a record R$ 991.8 million in 2022 (R$ 301.1 million in the 4Q22), a 25.8% growth in comparison with 2021 (47,1% in the 4Q22).

The adjusted net margin was of 3.2% in the year (3.6% in the 4Q22), a 0.1 pp increase versus 2021 (0.6 p.p. in the quarter).

CASH CYCLE

The cash cycle in the 4Q22 was of 56.3 days, a sequential decrease of 5.4 days and an increase of 1.5 days compared to the same period of the previous year. Compared to the 4Q21, inventories decreased by 1.6 days, accounts payable by 1.1 days, and receivables increased by 2.0 days.



* Adjusted for discounted receivables and advanced payments to suppliers.

CASH FLOW

In 2022, we recorded a negative free cash flow of R$ 7.8 million and a total cash consumption of R$ 652.7 million. Resources from operations totaled R$ 1,805.1 million, equivalent to 5.8% of gross revenue. We recorded a working capital consumption of R$ 792.3 million, resulting in an operating cash flow of R$ 1,012.6 million that almost financed the entire CAPEX of R$ 1,020.6 million.

In the 4Q22, we recorded a positive free cash flow of R$ 206.0 million, with a total cash consumption of R$ 138.3 million. Resources from operations totaled R$ 407.9 million, equivalent to 4.9% of gross revenue. We recorded a reduction in working capital of R$ 119.2 million, resulting in an operating cash flow of R$ 527.1 million, more than financing the CAPEX of R$ 321.1 million.

Of the R$ 1,020.6 million invested in 2022 (R$ 321.1 million in the 4Q22), R$ 431.8 million were used for the opening of new pharmacies (R$ 126.5 million in the 4Q22), R$ 166.4 million for the renovation or expansion of existing units (R$ 21.5 million in the 4Q22), R$ 238.3 million for IT (R$ 83.4 million in the 4Q22), R$ 158.8 million in logistics (R$ 76.8 million in the 4Q22) and R$ 25.3 million in other projects (R$ 12.9 million in the 4Q22).

Throughout 2022, we allocated R$ 209.0 million into investments in subsidiaries (R$ 90.6 million in the 4Q22).

Net financial expenses resulted in payments of R$ 283.6 million in 2022 (R$ 68.9 million in the 4Q22). These payments were partially offset by R$ 202.5 million in tax benefits related to net financial expenses and interest on equity (R$ 54.0 million in the 4Q22).

Lastly, we provisioned R$ 419.5 million in proceeds in 2022 (R$ 90.0 million in the 4Q22), of which R$ 312.0 million were in interest on equity and R$ 107.5 million in dividends, representing a payout of 50,0% of the year's adjusted net income (controller, IFRS 16).

Cash flow	**2022**	**2021**	**4Q22**	**4Q21**
(R$ million)				
Adjusted EBIT	**1,561.1**	**1,180.2**	**414.8**	**276.9**
NPV adjustment	(132.6)	(72.1)	(46.7)	(44.9)
Non-recurring expenses	56.6	40.9	(35.0)	(26.5)
Income tax (34%)	(504.9)	(390.7)	(113.3)	(69.9)
Depreciation	700.2	626.8	183.8	171.1
Others	124.8	65.3	4.3	48.1
Resources from operations	**1,805.1**	**1,450.5**	**407.9**	**354.8**
Cash cycle*	(898.1)	(770.9)	93.3	279.1
Other assets (liabilities)**	105.7	142.0	25.9	(77.4)
Operating cash flow	**1,012.8**	**821.6**	**527.1**	**556.5**
Investments	**(1,020.6)**	**(847.8)**	**(321.1)**	**(287.2)**
Free cash flow	**(7.8)**	**(26.3)**	**206.0**	**269.2**
M&A and other investments	(209.0)	(137.3)	(90.6)	(84.6)
Interest on equity and dividends	(324.1)	(314.8)	(227.8)	(231.1)
Income tax paid over interest on equity	(30.7)	(33.6)	(11.0)	(8.0)
Net financial expenses***	(283.6)	(87.7)	(68.9)	(32.5)
Share buyback	-	(73.2)	-	-
Tax benefit (fin. exp., IoE, dividends)	202.5	99.5	54.0	48.8
Total Cash Flow	**(652.7)**	**(573.4)**	**(138.3)**	**(38.2)**

*Includes adjustments to discounted receivables.

**Includes NPV adjustments.

***Excludes NPV adjustments.

INDEBTEDNESS

Net Debt (R$ millions)	4Q21	1Q22	2Q22	3Q22	4Q22
Short-term Debt	613.8	533.5	228.2	134.8	186.4
Long-term Debt	891.4	1,635.6	2,141.4	2,130.2	2,131.5
Total Gross Debt	**1,505.2**	**2,169.1**	**2,369.6**	**2,265.0**	**2,317.9**
(-) Cash and Equivalents	356.1	466.2	818.8	371.2	433.5
Net Debt	**1,149.1**	**1,702.9**	**1,550.8**	**1,893.8**	**1,884.4**
Discounted Receivables	205.9	-	344.6	-	216.1
Advances to suppliers	-	-	-	(50.7)	(119.5)
Put/Call options of investments (estimated)	37.9	38.7	39.5	64.1	64.7
Adjusted Net Debt	**1,393.0**	**1,741.6**	**1,934.8**	**1,907.3**	**2,045.6**
Adjusted Net Debt / EBITDA	**0.8x**	**1.0x**	**1.0x**	**0.9x**	**0.9x**

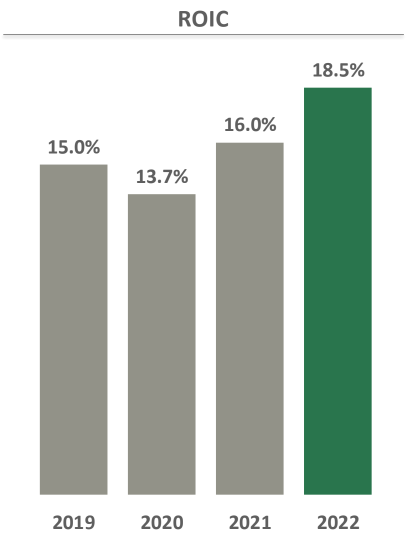
We ended 2022 with an adjusted net debt of R$ 2,045.6 million, corresponding to a leverage of 0.9x the EBITDA of the last twelve months. Adjusted net debt considers R$ 216.1 million in discounted receivables, R$ 119.5 million in advanced payments to suppliers in order to optimize the use of available cash, and R$ 64.7 million in liabilities related to the put option granted and/or call option obtained for the acquisition of shares of invested companies.

At the end of 2022, our gross debt totaled R$ 2,317.9 million, of which 83.2% corresponds to the debentures issued in 2018, 2019, and 2022, to the Certificate of Real Estate Receivables issued in 2019 and 2022. The rest (16.8%) corresponds to other credit lines. Of the total indebtedness, 92% is long-term, and 8% is short-term. We ended the quarter with a total cash position (cash and financial investments) of R$ 433.5 million.

RETURN ON INVESTED CAPITAL

In 2022, our ROIC reached 18.5%, a testament to the success of RD's new strategy, with a 3.5 pp gain vs. 2019, the year we began investing on providing an omnichannel experience and improving customer experience through digitalization.

This reflects an improvement on the profitability of our assets over the years and a greater fiscal efficiency in 2022 due to the higher long-term interest rates (TJLP), which allowed an increase of interest on capital, reducing the effective income tax rate. It is important to highlight that the calculated ROIC excludes the goodwill stemming from the merger between Raia and Drogasil, since it was a share exchange at market value without any effective payments by either party.

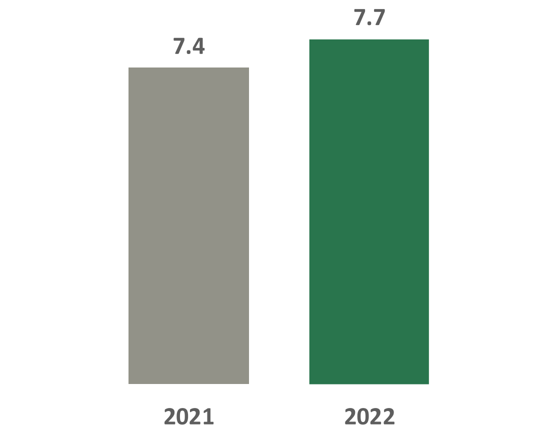


SHARED VALUE CREATION

In 2022 we shared R$ 7.7 billion in added value, divided as follows: R$ 2.3 billion was shared with our government, in the federal, state and municipal levels in the form of taxes and fees, R$ 3.0 billion with our employees, R$ 1.4 billion with the landlords of properties we rent and with financial institutions and R$ 1,0 billion with our shareholders.

Total Value Added*

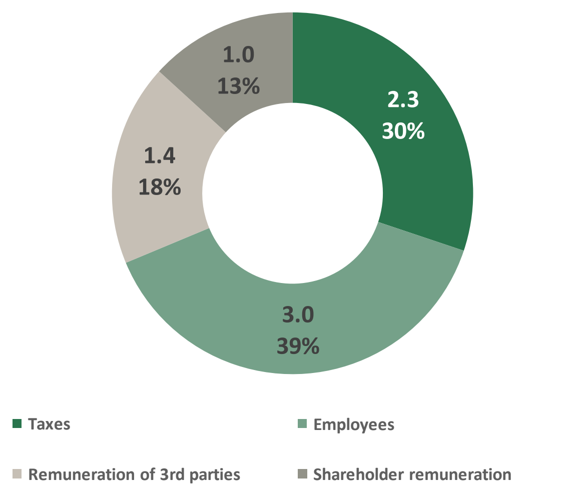
R$ billions



* Adjusted for effective rentals and excludes NPV impacts.

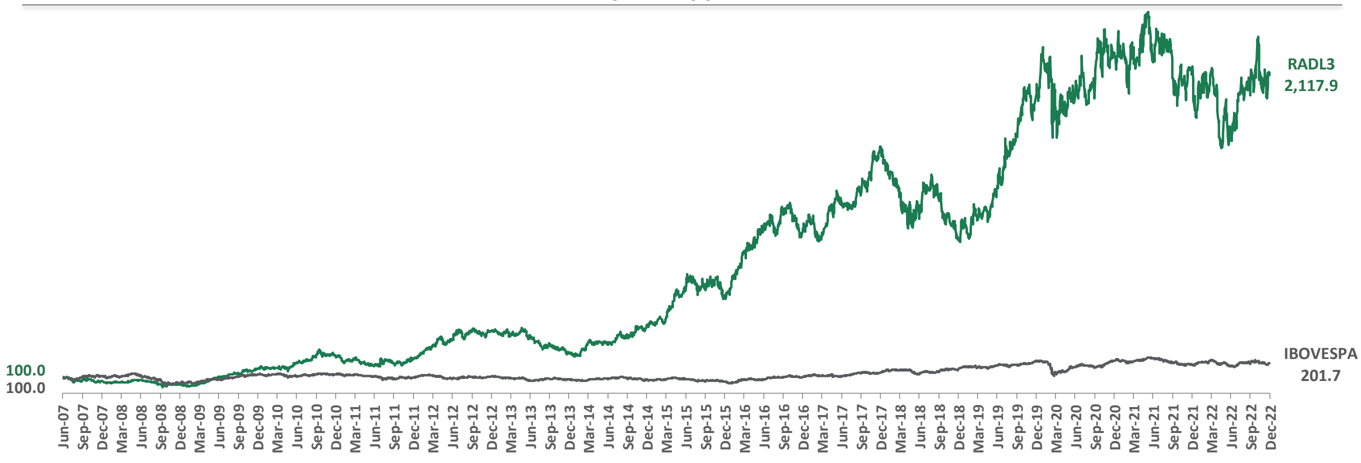
Value Added per Stakeholder

R$ billions, % of the Yearly Total



TOTAL SHAREHOLDER RETURNS

Stock price appreciation



Our share price decreased by 2.4% in 2022. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 2,018% versus a return of only 102% for the IBOVESPA. Including the payment of interest on equity and dividends, we generated an average annual total return to shareholders of 22.2%.

Considering the IPO of Raia in December of 2010, the cumulative return amounted to 714% versus an increase of only 61% of the IBOVESPA. Considering the payment of interest on equity and dividends, this resulted in an average annual total return to shareholders of 19.6%. Lastly, our shares recorded an average daily trading volume of R$ 154 million in the year.

SUSTAINABILITY

Our ambition is to become, by 2030, the company that contributes the most towards a healthier society in Brazil. We operate in three major dimensions to guide our ESG initiatives: Healthier People, Healthier Businesses and Healthier Planet. These dimensions unfold into 35 long-term initiatives, and we highlight below the main actions which were our focus in 2022 and their indicators:

Pillar	Commitment	2030 Target	2022 Target	2022 Results
People	% reduction of risk factors in employees	50%	19%	20.6%
	% of chronic employees in health programs	100%	28%	36.8%
	Customers under the Healthy Life profile	Expand the base	1,900,000	2,022,000
	% of RD employees engaged in volunteer activities	20%	11%	11.1%
Businesses	% of women in executive leadership positions	50%	28.1%	29.3%
	% of women in mid-level leadership positions	50%	43.3%	44.1%
	% of women in operational leadership positions	50%	68.5%	68.9%
	Employees graduated with RD incentives (since Jan/2021)	7,000	1,200	1,586
	Opportunities for increased income every year	10,000	10,000	14,108
Planet	% of cities covered by our Conscious Disposal program	100%	100%	100%

Healthier People: Our pharmacies play an increasingly important role in promoting health with our customers. We launched a pharmaceutical follow-up service by telephone with a select group of customers, to assist them with their treatment. In 2022, there were more than 3.4 million contacts. We continue to invest in health services in our pharmacies, increasing the portfolio and expanding to 1.2 thousand pharmacies. We supplied 5.2 million COVID-19 tests, provided more than 1.5 million health services and served 143 thousand vaccines doses.

We also care for the communities in which we are present. We revised our social investment strategy and leveraged initiatives that contributed to improving the overall health of vulnerable people. We invested around R$ 30 million in 2022 in the caring for communities, comprising donations from our customers, tax incentives and company resources. Among the results, we highlight our support for mental health projects and the engagement with *Sorria* and *Todos* magazines. 2.9 million copies were sold, totaling over R$ 5.3 million donated to 28 social institutions.

Lastly, the commitment to Healthier People involves our employees. We fostered our "My Best Version" program, which provides solutions for the physical, mental, social, environmental and spiritual dimensions. Every six months, we map and monitor our employees' health indicators and define action plans. In 2022, 36.8% of employees with chronic diseases joined the programs, and 20.6% of the eligible showed a reduction in risk factors. We also put in place an intranet portal that brings together all of our solutions, promoting initiatives and allowing over 150 thousand visits by our 53 thousand employees. In particular, the employee's free of charge telemedicine service enabled more than 54 thousand consultations.

Healthier Businesses: The promotion of a diverse and inclusive environment is one of the most important values for RD. In 2022, we held a "D-Day" event with 2,736 leaders of our operations, distribution centers and management, with the aim of empowering them as the Company's multipliers of diversity. The "*RD+Diversa*" program brought good results in terms of gender equity. Women now represent 64% of the total staff, with 44.1% in mid-level leadership and 29.3% in executive leadership.

We remain firm in our commitment to career development. 100% of our pharmacy leadership team comes from entry-level positions and can reach the managerial level as fast as five years. In 2022, we promoted 468 new leaders across the country. We totaled more than 5.8 million hours of training in various formats and surpassed the mark of 3,000 leaders trained in different fields. Since 2021, we have already encouraged 1,586 employees to pursue their studies with the support of scholarships and exclusive partnerships for graduate and undergraduate students.

Healthier Planet: We are pioneers in the area of pharmaceutical waste management in Brazil, and this year we reached the mark of 100% of our pharmacies equipped with our Conscious Disposal program's collectors, allowing the correct disposal of expired or damaged medicine, avoiding contamination of the environment. This initiative allowed the collection of 192 tons of materials during 2022, a volume 40% higher compared to the previous year.

Fiscal 2022 was a year of meaningful progress on climate change initiatives. We initiated the adoption of more sustainable logistics practices, including 6 electric trucks in our fleet, and established partnerships with last-mile startups for the use of electric motorcycles, bicycles and tuk-tuks. Sustainable mobility deliveries now represent 9.0% of the total, an increase of 6 pp in the year. Renewable energy sources were also a key priority. Currently, 45% of pharmacies are supplied by small hydroelectric plants, photovoltaic cells or biomass. We also improved our Greenhouse Gases (GhG) Inventory, identifying the most relevant categories for Scope 3. Finally, we advanced in value chain engagement, inviting our main suppliers to disclose emissions and climate management practices according to the CDP Supply Chain guidance.

We continue to be part of the ISE index - Corporate Sustainability portfolio of B3, the Brazilian Stock Exchange. Our MSCI ESG Rating has moved to the BBB level (from BB). Finally, we gained two levels reaching a score of B in the CDP questionnaire, the major international tool for measuring the quality of management regarding climate change.

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.

	4Q22			2022		
Income Statement *(R$ millions)*	**IAS 17**	**IFRS 16**	**Change**	**IAS 17**	**IFRS 16**	**Change**
Gross Revenue	**8,351.1**	**8,351.1**	**0.0**	**30,950.6**	**30,950.6**	**(0.0)**
Gross Profit	**2,338.2**	**2,338.2**	**0.0**	**8,809.5**	**8,809.5**	**(0.0)**
Gross Margin	28.0%	28.0%	0.0%	28.5%	28.5%	(0.0%)
Selling Expenses	(1,429.5)	(1,175.3)	254.3	(5,450.2)	(4,488.0)	962.2
G&A	(309.2)	(308.3)	0.9	(1,097.1)	(1,094.4)	2.7
Total Expenses	**(1,738.7)**	**(1,483.6)**	**255.1**	**(6,547.3)**	**(5,582.5)**	**964.9**
as % of Gross Revenue	20.8%	17.8%	(3.1%)	21.2%	18.0%	(3.1%)
Adjusted EBITDA	**599.4**	**854.6**	**255.1**	**2,262.1**	**3,227.0**	**964.9**
as % of Gross Revenue	7.2%	10.2%	3.1%	7.3%	10.4%	3.1%
Non-Recurring Expenses / Revenues	(35.0)	(5.7)	29.3	56.6	86.5	29.9
Depreciation and Amortization	(184.7)	(388.7)	(204.0)	(701.1)	(1,473.4)	(772.3)
Financial Results	(99.1)	(166.0)	(66.9)	(401.0)	(646.1)	(245.1)
Equity Equivalence	(2.0)	(1.3)	0.7	(1.5)	(0.8)	0.7
Income Tax	(0.6)	(5.2)	(4.6)	(185.9)	(178.2)	7.7
Net Income	**278.0**	**287.6**	**9.6**	**1,029.2**	**1,015.0**	**(14.2)**
as % of Gross Revenue	3.3%	3.4%	0.1%	3.3%	3.3%	(0.0%)

	4Q22		Change
Balance Sheet *(R$ millions)*	**IAS 17**	**IFRS 16**	**Δ 4Q22**
Assets	**13,807.3**	**17,185.3**	**3,378.0**
Current Assets	**9,577.1**	**9,577.1**	**0.0**
Non-Current Assets	**4,230.2**	**7,608.2**	**3,378.0**
Other Credits	21.8	21.4	(0.5)
Right of use	0.0	3,378.5	3,378.5
Liabilities and Shareholder's Equity	**13,807.3**	**17,185.3**	**3,378.0**
Current Liabilities	**5,618.5**	**6,367.2**	**748.7**
Financial Leases	0.0	759.3	759.3
Other Accounts Payable	282.3	271.7	(10.6)
Non-Current Liabilities	**2,553.8**	**5,415.2**	**2,861.4**
Financial Leases	0.0	2,980.7	2,980.7
Income Tax and Social Charges Deferred	137.0	17.7	(119.4)
Shareholder's Equity	**5,635.0**	**5,402.9**	**(232.0)**
Income Reserves	2,781.2	2,549.2	(232.0)
Non Controller Interest	62.1	62.1	(0.1)

Cash Flow *(R$ millions)*	4Q22 IAS 17	4Q22 IFRS 16	4Q22 Change	2022 IAS 17	2022 IFRS 16	2022 Change
Adjusted EBIT	**414.8**	**465.9**	**51.1**	**1,561.1**	**1,753.6**	**192.6**
Non-Recurring Expenses	(35.0)	(5.7)	29.3	56.6	86.5	29.9
Income Tax (34%)	(113.3)	(140.6)	(27.3)	(504.9)	(580.5)	(75.6)
Depreciation	183.8	388.7	204.9	700.2	1,473.4	773.2
Rental Expenses	0.0	(284.4)	(284.4)	0.0	(994.7)	(994.7)
Others	4.3	30.7	26.5	124.8	199.5	74.8
Resources from Operations	**407.9**	**407.9**	**0.0**	**1,805.1**	**1,805.1**	**0.0**
Operating Cash Flow	**527.1**	**527.1**	**0.0**	**1,012.8**	**1,012.8**	**0.0**
Investments	**(321.1)**	**(321.1)**	**0.0**	**(1,080.7)**	**(1,080.7)**	**0.0**
Free Cash Flow	**206.0**	**206.0**	**0.0**	**(67.9)**	**(67.9)**	**0.0**
Total Cash Flow	**(138.3)**	**(138.3)**	**0.0**	**(652.7)**	**(652.7)**	**0.0**

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

4Q22 Results Conference Calls: March 08th, 2023

Portuguese
at 10:00 am (BRT)

English
at 12:00 pm (BRT)

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

For more information, please contact our Investor Relations department.

E-mail: ri@rd.com.br

Consolidated Adjusted Income Statement *(R$ thousands)*	4Q21	4Q22	2021	2022
Gross Revenue	**6,853,140**	**8,351,126**	**25,605,684**	**30,950,564**
Taxes, Discounts and Returns	(379,315)	(514,878)	(1,478,682)	(1,883,183)
Net Revenue	**6,473,825**	**7,836,249**	**24,127,002**	**29,067,380**
Cost of Goods Sold	(4,522,021)	(5,498,082)	(16,920,834)	(20,257,912)
Gross Profit	**1,951,805**	**2,338,166**	**7,206,168**	**8,809,468**
Operational (Expenses) Revenues				
Sales	(1,261,758)	(1,429,542)	(4,606,314)	(5,450,205)
General and Administrative	(241,936)	(309,186)	(792,611)	(1,097,141)
Operational Expenses	**(1,503,695)**	**(1,738,729)**	**(5,398,925)**	**(6,547,345)**
EBITDA	**448,110**	**599,438**	**1,807,243**	**2,262,123**
Depreciation and Amortization	(171,187)	(184,668)	(626,995)	(701,051)
Operational Earnings before Financial Results	**276,923**	**414,770**	**1,180,248**	**1,561,072**
Financial Expenses	(102,557)	(191,085)	(235,445)	(694,617)
Financial Revenue	32,799	91,971	80,017	293,586
Financial Expenses/Revenue	**(69,758)**	**(99,114)**	**(155,427)**	**(401,031)**
Equity Equivalence	1,694	(2,032)	(1,128)	(1,532)
Earnings before Income Tax and Social Charges	**208,859**	**313,624**	**1,023,693**	**1,158,509**
Income Tax and Social Charges	(4,220)	(12,523)	(235,520)	(166,685)
Net Income	**204,639**	**301,101**	**788,173**	**991,824**

Consolidated Income Statement *(R$ thousands)*	4Q21	4Q22	2021	2022
Gross Revenue	**6,853,140**	**8,351,126**	**25,605,684**	**30,950,564**
Taxes, Discounts and Returns	(379,315)	(514,878)	(1,478,682)	(1,883,183)
Net Revenue	**6,473,825**	**7,836,249**	**24,127,002**	**29,067,380**
Cost of Goods Sold	(4,522,021)	(5,498,082)	(16,920,834)	(20,257,912)
Gross Profit	**1,951,805**	**2,338,166**	**7,206,168**	**8,809,468**
Operational (Expenses) Revenues				
Sales	(1,261,758)	(1,429,542)	(4,606,314)	(5,450,205)
General and Administrative	(241,936)	(309,186)	(792,611)	(1,097,141)
Other Operational Expenses, Net	(26,491)	(34,987)	40,874	56,628
Operational Expenses	**(1,530,186)**	**(1,773,716)**	**(5,358,051)**	**(6,490,717)**
EBITDA	**421,619**	**564,450**	**1,848,117**	**2,318,751**
Depreciation and Amortization	(171,187)	(184,668)	(626,995)	(701,051)
Operational Earnings before Financial Results	**250,431**	**379,783**	**1,221,122**	**1,617,700**
Financial Expenses	(102,557)	(191,085)	(235,445)	(694,617)
Financial Revenue	32,799	91,971	80,017	293,586
Financial Expenses/Revenue	**(69,758)**	**(99,114)**	**(155,427)**	**(401,031)**
Equity Equivalence	1,694	(2,032)	(1,128)	(1,532)
Earnings before Income Tax and Social Charges	**182,367**	**278,637**	**1,064,567**	**1,215,137**
Income Tax and Social Charges	4,788	(628)	(249,417)	(185,939)
Net Income	**187,155**	**278,009**	**815,150**	**1,029,198**

Assets	**4Q21**	**4Q22**
(R$ thousands)		
Current Assets		
Cash and Cash Equivalents	356,117	433,541
Accounts Receivable	1,710,057	2,295,640
Inventories	5,117,799	6,126,056
Taxes Receivable	195,730	393,299
Other Accounts Receivable	290,837	266,905
Anticipated Expenses	48,359	61,614
	7,718,899	9,577,056
Non-Current Assets		
Deposit in Court	29,952	137,623
Taxes Receivable	132,929	121,434
Income Tax and Social Charges deferred	49,047	10,357
Other Credits	28,454	21,837
Investments	830	4,479
Property, Plant and Equipment	1,999,020	2,196,405
Intangible	1,486,252	1,738,113
	3,726,484	4,230,249
ASSETS	**11,445,383**	**13,807,305**

Liabilities and Shareholder's Equity	**4Q21**	**4Q22**
(R$ thousands)		
Current Liabilities		
Suppliers	3,656,605	4,258,917
Loans and Financing	613,831	186,356
Salaries and Social Charges Payable	420,356	561,623
Taxes Payable	154,772	213,298
Dividend and Interest on Equity	76,787	62,417
Provision for Lawsuits	43,560	53,584
Other Accounts Payable	245,170	282,298
	5,211,081	5,618,493
Non-Current Liabilities		
Loans and Financing	891,393	2,131,548
Provision for Lawsuits	52,915	55,012
Income Tax and Social Charges deferred	200,660	137,016
Other Accounts Payable	153,466	230,257
	1,298,434	2,553,833
Shareholder's Equity		
Common Stock	2,500,000	2,500,000
Capital Reserves	89,914	112,762
Revaluation Reserve	11,514	11,353
Income Reserves	2,267,879	2,781,229
Equity Adjustments	3,261	(22)
Non Controller Interest	41,170	62,132
Additional Dividend Proposed	22,129	167,526
	4,935,868	5,634,979
LIABILITIES AND SHAREHOLDERS' EQUITY	**11,445,383**	**13,807,305**

Cash Flow	**4Q21**	**4Q22**	**2021**	**2022**
(R$ thousands)				
Earnings before Income Tax and Social Charges	**188,109**	**242,976**	**1,043,195**	**1,193,209**
Adjustments				
Depreciation and Amortization	171,064	183,811	626,812	700,166
Compensation plan with restricted shares, net	5,470	7,298	15,113	22,604
Interest over additional stock option	734	595	2,819	26,769
P,P&E and Intangible Assets residual value	12,427	4,341	23,865	29,233
Provisioned Lawsuits	14,406	22,871	42,030	64,669
Provisioned Inventory Loss	(1,122)	(380)	4,418	27,084
Provision for Doubtful Accounts	3,871	3,793	7,732	7,245
Provisioned Store Closures	8,072	6,068	(105)	(1,072)
Interest Expenses	29,658	79,830	86,179	274,962
Debt Issuance Costs Amortization	968	1,320	4,321	4,639
Equity Equivalence Result	(1,694)	(2,033)	1,128	(1,532)
Discount on rentals	(767)	-	(6,390)	-
	431,196	**550,490**	**1,851,117**	**2,347,976**
Assets and Liabilities variation				
Clients and Other Accounts Receivable	136,050	30,843	(158,093)	(583,601)
Inventories	(399,419)	(293,492)	(896,809)	(1,035,341)
Other Short Term Assets	17,378	24,572	(38,768)	12,120
Long Term Assets	(27,507)	(30,702)	(28,649)	(68,294)
Suppliers	747,893	503,173	489,893	611,538
Salaries and Social Charges	(65,688)	(55,622)	109,273	141,266
Taxes Payable	(13,247)	(22,963)	26,088	(103,595)
Other Liabilities	116,690	45,629	154,147	56,868
Rents Payable	(455)	3,517	10,065	6,431
Cash from Operations	**942,891**	**755,445**	**1,518,264**	**1,385,368**
Interest Paid	(17,175)	(60,425)	(64,861)	(258,674)
Income Tax and Social Charges Paid	(121,783)	(12,032)	(373,976)	(233,175)
Paid lawsuits	(13,522)	(13,210)	(51,072)	(54,185)
Net Cash from (invested) Operational Activities	**790,411**	**669,778**	**1,028,355**	**839,334**
Investment Activities Cash Flow				
Cash acquired from business combination	1,380	-	14,655	-
P,P&E and Intangible Acquisitions	(350,967)	(413,734)	(954,736)	(1,188,782)
P,P&E Sale Payments	134	-	809	-
Acquisitions and capital contributions in investments, net	(4,510)	2,000	(12,636)	(40,000)
Loans granted to subsidiaries	(17,350)	-	(18,450)	(800)
Cash from incorporated company	(479)	-	(14,771)	-
Net Cash from Investment Activities	**(371,792)**	**(411,734)**	**(985,129)**	**(1,229,582)**
Financing Activities Cash Flow				
Funding	(702)	32,201	338,235	1,460,247
Payments	(77,852)	(40)	(517,646)	(668,493)
Share Buyback	-	-	(73,228)	-
Interest on Equity and Dividends Paid	(231,106)	(227,835)	(314,828)	(324,082)
Net Cash from Funding Activities	**(309,660)**	**(195,674)**	**(567,467)**	**467,672**
Cash and Cash Equivalents net increase	**108,959**	**62,370**	**(524,241)**	**77,424**
Cash and Cash Equivalents in the beggining of the period	**247,157**	**371,170**	**880,357**	**356,116**
Cash and Cash Equivalents in the end of the period	**356,116**	**433,540**	**356,116**	**433,540**

PROFIT ALLOCATION

Following legal and statutory provisions, we propose the following allocation for the retained earnings which amount to R$ 996,888 thousand:

Legal Reserve	R$ 49,806 thousand
Statutory Reserve	R$ 224,901 thousand
Interest on Capital (R$ 0.189349233 per share)	R$ 312,000 thousand
Tax Incentive Reserve	R$ 223,681 thousand
Additional dividend proposed	R$ 186,500 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 2022, Ernst & Young Auditores Independentes S.S. provided independent audit services related to the financial statements for 2022.

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, 2022**, 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 **2022** was R$ 1,514 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 sheets
December 31, 2022
All amounts in thousands of reais

Gente, Saúde e Bem-estar.
RaiaDrogasil S.A.

Assets	Note	Parent Company Dec/2022	Parent Company Dec/2021	Consolidated Dec/2022	Consolidated Dec/2021
Current assets					
Cash and cash equivalents	5	364,374	316,654	433,541	356,118
Trade receivables	6	1,923,938	1,487,204	2,295,640	1,710,057
Inventories	7	6,000,509	4,990,021	6,126,056	5,117,799
Recoverable taxes	8	387,496	190,377	393,336	195,777
Other current assets	-	259,929	288,078	266,881	290,814
Prepaid expenses	-	60,808	47,996	61,614	48,359
		8,997,054	**7,320,330**	**9,577,068**	**7,718,924**
Non-current assets					
Long-term receivables					
Judicial deposits	15	20,792	25,872	137,624	29,951
Recoverable taxes	8	98,250	120,669	121,434	132,929
Deferred income tax and social contribution	16.3	-	-	10,357	49,047
Prepaid expenses		3,147	5,189	3,149	5,189
Related parties	-	8,179	34,936	13,801	22,227
Other non-current assets	-	469	533	4,426	571
		130,837	187,199	**290,791**	**239,914**
Investments	9	581,174	322,840	4.479	830
Fixed assets	10.2	2,181,832	1,992,728	2,196,405	1,999,020
Right-of-use lease	14	3,374,779	3,327,624	3,378,452	3,330,567
Intangible assets	10.3	1,405,794	1,290,414	1.738.111	1,486,251
		7,543,579	**6,933,606**	**7,317,447**	**6,816,668**
		7,674,416	**7,120,805**	**7,608,238**	**7,056,582**
Total assets		**16,671,470**	**14,441,135**	**17,185,306**	**14,775,506**

Liabilities and equity	Note	Parent Company Dec/2022	Parent Company Dec/2021	Consolidated Dec/2022	Consolidated Dec/2021
Current liabilities					
Suppliers	12	3.993.411	3.361.957	4.252.361	3.533.236
Suppliers - Forfait	12.2	6.556	123.371	6.556	123.371
Borrowings	13	108,279	571,549	186,356	613,831
Leases payable	14	757,265	697,738	759,301	699,170
Salaries and social charges	-	542,583	405,782	561,624	420,356
Taxes and contributions	-	193,069	151,785	211,508	154,411
Dividends and interest on capital	-	62,417	76,787	62,417	76,787
Income tax and social contribution	-	-	-	1,790	362
Provision for legal claims	15	53,584	43,560	53,584	43,560
Other current liabilities	-	264,043	219,670	271,671	231,109
		5,981,207	**5,652,199**	**6,367,168**	**5,896,193**
Non-current liabilities					
Borrowings	13	2,131,327	890,613	2,131,548	891,391
Leases payable	14	2,978,958	2,972,087	2,980,707	2,973,728
Provision for legal claims	15	54,855	52,915	55,012	53,108
Deferred income tax and social contribution	16.3	16,360	87,519	17,660	89,011
Payables to subsidiary's shareholder	9.2	64,710	37,383	64,710	37,943
Provisions for losses on investments	9	-	-	1,756	432
Other non-current liabilities	-	103,191	70,746	163,804	114,898
		5,349,401	**4,111,263**	**5,415,197**	**4,160,511**
Total liabilities		**11,330,608**	**9,763,462**	**11,782,365**	**10,056,704**
Equity	18				
Attributable to owners of the Company					
Share capital	-	2,500,000	2,500,000	2,500,000	2,500,000
Capital reserves	-	112,762	89,914	112,762	89,914
Revenue reserves	-	2,549,243	2,050,855	2,549,243	2,050,855
Proposed additional dividend	-	167,526	22,129	167,526	22,129
Carrying value adjustments	-	11,331	14,775	11,331	14,775
		5,340,862	**4,677,673**	**5,340,862**	**4,677,673**
Noncontrolling interests	-	-	-	62,079	41,129
Total equity		**5,340,862**	**4,677,673**	**5,402,941**	**4,718,802**
Total liabilities and equity		**16,671,470**	**14,441,135**	**17,185,306**	**14,775,506**

All amounts in thousands of reais, except earnings per capital share

Statements of income

	Note	Parent Company Dec/22	Parent Company Dec/21	Consolidated Dec/22	Consolidated Dec/21
Net sales revenue	19	27,321,332	22,841,005	29,067,380	24,127,002
Cost of sales	20	(18,762,377)	(15,800,532)	(20,257,912)	(16,920,834)
Gross profit		**8,558,955**	**7,040,473**	**8,809,468**	**7,206,168**
Operating (expenses) income					
Selling expenses	20	(5,716,927)	(4,892,307)	(5,805,992)	(4,966,819)
General and administrative expenses	20	(1,176,075)	(869,519)	(1,249,847)	(912,404)
Other comprehensive income that will affect the result in a subsequent period	21	18,620	38,251	86,516	40,654
Equity in the results of subsidiaries	9	91,568	33,720	(821)	(1,127)
		(6,782,814)	**(5,689,855)**	**(6,970,144)**	**(5,839,696)**
Profit before finance results		**1,776,141**	**1,350,618**	**1,839,324**	**1,366,472**
Finance income (costs)					
Finance income	22	255,821	74,929	293,586	80,016
Finance costs	22	(902,540)	(448,038)	(939,701)	(459,226)
		(646,719)	**(373,109)**	**(646,115)**	**(379,210)**
Profit before income tax and social contribution		**1,129,422**	**977,509**	**1,193,209**	**987,262**
Income tax and social contribution					
Current	-	(204,386)	(210,745)	(210,820)	(221,249)
Deferred	-	71,076	(14,830)	32,579	(1,880)
	16	**(133,310)**	**(225,575)**	**(178,241)**	**(223,129)**
Profit for the year		**996,112**	**751,934**	**1,014,968**	**764,133**
Attributable to:					
Owners of the Company	-	-	-	996,112	751,934
Noncontrolling interests	-	-	-	18,856	12,199
		996,112	**751,934**	**1,014,968**	**764,133**
Basic earnings per share	17	0.60456	0.45592	0.60456	0.45592
Diluted earnings per share	17	0.60236	0.45467	0.60236	0.45467

Statements of comprehensive income

	Note	Parent Company Dec/22	Parent Company Dec/21	Consolidated Dec/22	Consolidated Dec/21
Profit for the year		**996,112**	**751,934**	**1,014,968**	**764,133**
Components of comprehensive income					
Other comprehensive income	-	(3,283)	-	-	-
Total comprehensive income for the year		**992,829**	**751,934**	**1,014,968**	**764,133**
Attributable to:					
Owners of the Company	-	992,829	751,934	996,112	751,934
Noncontrolling interests	-	-	-	18,856	12,199
Total		**992,829**	**751,934**	**1,014,968**	**764,133**

The accompanying notes are an integral part of these financial statements

Statements of changes in equity
Years ended December 31, 2022 and 2021
All amounts in thousands of reais

RaiaDrogasil S.A.

	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	Other comprehensive income	Total	Noncontrolling interests	Total equity
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 30, 2022	-	-	-	-	-	-	-	-	-	(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)	-	-	-	-	-	-	-
ICP – "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**
Interest on capital for 2021 approved at the AGM of April 14, 2022	-	-	-	-	-	-	-	-	-	(22,129)	-	-	-	(22,129)	-	(22,129)
Interest on capital expired	-	-	-	-	-	-	-	-	614	-	-	-	-	614	-	614
Realization of revaluation reserve, net of income tax and social contribution	-	-	-	-	-	-	-	-	161	-	(161)	-	-	-	-	-
Restricted share plan - Vesting period	-	-	-	-	22,688	-	-	-	-	-	-			22,688	-	22,688
Restricted share plan - Delivery	-	-	(1,438)	11,267	(9,710)	-	-	-	-	-	-	-	-	119	-	119
Restricted shares - delivery of 4Bio shares	-	-	-	121	(81)	-	-	-	-	-	-	-	-	40	-	40
Profit for the year	-	-	-	-	-	-	-	-	996,113	-	-	-	-	996,113	20,950	1,017,063
Allocation of profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	49,806	-	-	(49,806)	-	-	-	-	-	-	-
Tax incentive reserve	-	-	-	-	-	-	-	223,681	(223,681)	-	-	-	-	-	-	-
Minimum dividends (note 18)	-	-	-	-	-	-	-	-	(180,697)	-	-	-	-	(180,697)	-	(180,697)
ICP and additional dividends "- R$ 0.3025136699 per share"	-	-	-	-	-	-	-	-	(317,803)	317,803	-	-	-	-	-	-
Early dividends approved at the BDM of September 30, 2022	-	-	-	-	-	-	-	-	-	(107,500)	-	-	-	(107,500)	-	(107,500)
Withholding tax on ICP	-	-	-	-	-	-	-	-	-	(42,777)	-	-	-	(42,777)	-	(42,777)
Statutory reserve	-	-	-	-	-	-	224,901	-	(224,901)	-	-	-		-	-	-
Other comprehensive income - adjustments to financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	(3,283)	(3,283)	-	(3,283)
At December 31, 2022	**2,500,000**	**10,191**	**134,127**	**(80,606)**	**49,049**	**265,756**	**1,761,339**	**522,147**	**-**	**167,526**	**11,354**	**3,262**	**(3,283)**	**5,340,862**	**62,079**	**5,402,941**

The accompanying notes are an integral part of these financial statements

Statements of cash flows
Years ended December 31, 2022 and 2021
All amounts in thousands of reais

	Note	Parent Company Dec/22	Parent Company Dec/21	Consolidated Dec/22	Consolidated Dec/21
Cash flows from operating activities					
Profit before income tax and social contribution	-	**1,129,422**	**977,509**	**1,193,209**	**987,262**
Adjustments					
Depreciation and amortization	20	1,504,742	1,319,198	1,515,538	1,327,110
Compensation plan with restricted shares, net	-	22,846	15,112	22,604	15,086
Interest on additional stock option	-	27,328	2,819	26,769	2,819
Loss (profit) on sale/write-off of fixed assets and intangible assets	-	26,803	23,685	29,233	23,865
Provision for legal claims	15	64,707	42,025	64,670	42,029
Provision for inventory losses	7	27,084	4,418	27,084	4,418
(Reversal of) provision for impairment of trade receivables	6	3,363	4,490	7,245	7,732
(Reversal of) provision for pharmacies closure	10.2	822	(105)	(1,072)	(105)
Interest expenses – borrowings	-	266,529	87,772	274,962	86,180
Interest expenses – leases	14	(258,410)	235,462	258,640	235,667
Amortization of transaction costs of debentures and promissory notes	13	4,639	4,321	4,639	4,321
Equity in the results of subsidiaries	9	(91,568)	(33,720)	(820)	1,127
Discounts on property rental	20	(1,105)	(6,390)	(1,105)	(6,390)
		3,244,022	**2,676,596**	**3,421,596**	**2,734,898**
Changes in assets and liabilities					
Trade and other receivables	-	(404,756)	(121,980)	(583,602)	(161,869)
Inventories	-	(1,037,572)	(881,597)	(1,035,341)	(896,809)
Other current assets	-	16,798	(39,154)	12,121	(38,768)
Long-term receivables	-	7,189	1,180	(69,009)	40,587
Suppliers	-	640,680	386,032	728,351	341,316
Suppliers – Forfait	-	(116,815)	49,438	(116,815)	49,438
Salaries and social charges	-	136,801	102,949	141,268	109,274
Taxes and contributions	-	(204,575)	(71,406)	(160,200)	(36,003)
Other obligations	-	167,452	146,150	137,575	119,319
Rentals payable	-	10,971	21,123	10,985	21,128
Other					
Interest paid	13	(249,252)	(64,089)	(258,674)	(64,861)
Income tax and social contribution paid	-	(233,175)	(373,976)	(233,175)	(373,976)
Interest paid – leases	14	(258,410)	(235,462)	(258,640)	(235,667)
Legal claims - paid	15	(54,185)	(51,072)	(54,185)	(51,072)
Net cash provided by operating activities		**1,665,173**	**1,544,732**	**1,682,255**	**1,556,935**
Cash flows from investing activities					
Acquisition and capital contribution in investees, net of cash acquired	9.3	(166,692)	(172,385)	(40,000)	(12,636)
Cash acquired in business combination	-	-	-	-	14,655
Net assets acquired in business combination	-	-	-	-	(14,732)
Purchases of fixed assets and intangible assets	-	(1,032,625)	(738,611)	(1,188,782)	(855,596)
Proceeds from sale of fixed assets	-	-	809	-	809
Loans granted to subsidiary	-	(8,677)	26,799	(800)	(18,450)
Net cash used in investing activities		**(1,207,994)**	**(883,388)**	**(1,229,582)**	**(885,950)**
Cash flows from financing activities					
Borrowings taken	13	1,277,858	298,874	1,460,248	338,234
Repayment of borrowings	13	(522,330)	(484,717)	(668,493)	(517,646)
Leases paid	-	(840,905)	(675,852)	(842,923)	(677,560)
Interest on capital and dividends paid	-	(324,082)	(265,025)	(324,082)	(265,025)
Repurchase of shares	-	-	(73,227)	-	(73,227)
Net cash used in financing activities		**(409,459)**	**(1,199,947)**	**(375,250)**	**(1,195,224)**
Increase (decrease) in cash and cash equivalents		47,720	(538,603)	77,423	(524,239)
Cash and cash equivalents at January 1	5	316,654	855,257	356,118	880,357
Cash and cash equivalents at December 31	5	**364,374**	**316,654**	**433,541**	**356,118**

The accompanying notes are an integral part of these financial statements

Statements of value added
Years ended December 31, 2022 and 2021
All amounts in thousands of reais

RaiaDrogasil S.A.

	Parent Company		Consolidated	
	Dec/22	Dec/21	Dec/22	Dec/21
Revenue	**28,627,603**	**24,003,661**	**30,400,776**	**25,363,010**
Gross sales and services	28,629,199	23,988,319	30,403,039	25,350,150
Other income	9,854	17,014	9,854	17,037
Provision for (reversal of) impairment of trade receivables	(11,450)	(1,672)	(12,117)	(4,177)
Inputs acquired from third parties	**(20,335,591)**	**(15,939,888)**	**(21,820,272)**	**(17,106,964)**
Cost of sales and services	(18,504,491)	(14,399,387)	(19,998,660)	(15,518,483)
Materials, energy, outsourced services and other	(1,831,100)	(1,540,501)	(1,821,612)	(1,588,481)
Impairment/recovery of assets	-	-	-	-
Gross value added	**8,292,012**	**8,063,773**	**8,580,504**	**8,256,046**
Depreciation and amortization	(1,461,523)	(1,284,216)	(1,473,204)	(1,292,372)
Net value added generated by the entity	**6,830,489**	**6,779,557**	**7,107,300**	**6,963,674**
Value added received through transfer	**396,473**	**137,238**	**338,532**	**107,752**
Equity in the results of subsidiaries	91,569	33,720	(820)	(1,127)
Finance income	287,833	92,781	322,282	98,141
Other	17,071	10,737	17,070	10,738
Total value added to distribute	**7,226,962**	**6,916,795**	**7,445,832**	**7,071,426**
Distribution of value added				
Personnel	**2,896,779**	**2,362,195**	**2,959,144**	**2,411,632**
Direct remuneration	2,272,312	1,853,331	2,312,176	1,883,105
Benefits	437,207	349,389	456,505	366,735
Unemployment compensation fund	187,260	159,475	190,463	161,792
Taxes and contributions	**2,211,802**	**3,192,677**	**2,312,523**	**3,272,505**
Federal	827,035	820,482	887,680	829,292
State	1,345,089	2,331,643	1,381,691	2,401,812
Municipal	39,678	40,552	43,152	41,401
Providers of capital	**1,122,269**	**609,989**	**1,159,199**	**623,156**
Interest	902,253	447,516	936,518	458,412
Rentals	220,016	162,473	222,681	164,744
Interest on capital and dividends	**996,112**	**751,934**	**1,014,966**	**764,133**
Interest on capital	312,000	343,871	312,000	343,871
Retained earnings for the year	497,612	385,934	497,469	385,934
Dividends and interest on capital proposed	186,500	22,129	186,500	22,129
Noncontrolling interests in retained earnings	-	-	18,997	12,199
Value added distributed and retained	**7,226,962**	**6,916,795**	**7,445,832**	**7,071,426**

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 was created in November 2011 from the merger between Droga Raia and Drogasil chains that, together, combine more than 200 years of history. Droga Raia was founded in 1905 and Drogasil in 1935 and today form the leading chain, both in number of pharmacies and in revenues.

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 2,697 pharmacies (2,490 pharmacies - Dec/21), present in all 26 Brazilian states and the Federal District (26 states and the Federal District - Dec/21), as presented below:

	Consolidated	
State	**Dec/22**	**Dec/21**
Southeast region	**1,580**	**1,526**
São Paulo	1,146	1,120
Minas Gerais	197	189
Rio de Janeiro	182	166
Espírito Santo	55	51
Northeast region	**392**	**348**
Pernambuco	92	86
Bahia	90	84
Ceará	73	58
Maranhão	36	26
Sergipe	24	22
Alagoas	20	20
Paraíba	20	19
Rio Grande do Norte	20	17
Piauí	17	16
South region	**336**	**287**
Paraná	145	137
Rio Grande do Sul	109	78
Santa Catarina	82	72
Midwest region	**278**	**245**
Goiás	106	98
Distrito Federal	83	80
Mato Grosso do Sul	47	33
Mato Grosso	42	34
North region	**111**	**84**
Pará	48	43
Amazonas	20	13
Tocantins	16	14
Rondônia	13	10
Amapá	5	2
Acre	5	1
Roraima	4	1
Total	**2,697**	**2,490**

During the current year, 260 pharmacies were opened and 53 pharmacies were closed (240 pharmacies were opened and 68 pharmacies were closed in 2021). All pharmacies closures were carried out to optimize our pharmacies portfolio, with positive expectations of return. Raia Drogasil's pharmacies, 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 Special Medicines through telesales and the delivery is made directly to the customer's location or through its five call centers in the states of São Paulo, Tocantins, Pernambuco, Paraná and Rio de Janeiro.

Vitat Serviços em Saúde Ltda. ("Vitat") has as objective to integrate the Group's Health Platform, both with the development of digital platforms for the promotion and engagement in 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.

RD Ads Ltda ("RD Ads") is RD's Retail Media solution, a platform that offers a high reach potential through personalized audiences with retail data and high accuracy of results. This allows advertisers to analyze the performance of online and offline campaigns and to be present at all times of the consumer journey.

SafePill Comercio Varejista de Medicamentos Manipulados Ltda ("SafePill") is focused on adherence to treatments and offers services for Management of Self-Care Home Treatments.

ZTO Tecnologia e Serviços de Informação na Internet Ltda ("Manipulaê") is the first startup of the Brazilian compounding pharmacies market, operating as a marketplace platform that provides customers with immediate online access to compounding pharmacies.

Hereinafter, the seven 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 March 7, 2023.

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, 2022 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, 2022.

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, Manipulaê, SafePill, RD Ads 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 fixed 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.

Impacts of Covid-19 pandemic

In compliance with CVM Circular Letter SNC/SEP 03/2020, the Company has constantly monitored any impacts on its operations.

In the year ended December 31, 2022, there were no restrictions on the operation of pharmacies due to Covid-19. 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.

(All amounts in thousands of reais unless otherwise stated)

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

New and revised standards applied for first time in 2022

As a result of the annual amendments related to the 2018-2020 improvement cycle, the standards listed below have been amended and became effective for the first time for annual periods beginning on or after January 1, 2022. These amendments had no significant impact on the Company's financial statements.

Amendments to NBC TG 27: Property, Plant and Equipment – Proceeds before Intended Use	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the Group's financial statements, as the Company no longer adopted the practice of deducting any proceeds of the sale of goods from the cost of an item of property, plant and equipment acquired to produce these goods.
Reference to the Conceptual Framework	The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 – Business Combinations (corresponding to NBC TG 15 (R1)) to avoid the issue of potential gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (corresponding to NBC TG 25) or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the Group's financial statements as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	On January 1, 2023, the amendments to IAS 1 (corresponding to CPC 26 (R1)) and IFRS Practice Statement 2 *Making Materiality Judgments* became effective, which 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. The Company is currently reassessing its accounting policy information disclosures to ensure consistency with the amended requirements.

Amendments to IAS 1 / NBC TG 26: Classification of Liabilities as Current or Non-current	The amendment to IAS 1 (corresponding to NBC TG 26) became effective on January 1, 2023, and aims to promote consistency in the application of the standard's requirements, by helping entities determine if loans and financing, as well as other liabilities with an uncertain settlement date, should be classified as current or non-current in the balance sheet. The Company is currently assessing the impact the amendments would have on current practice and whether existing loan agreements could require renegotiation.
Amendments to IAS 8 / NBC TG 23: Definition of Accounting Estimates	On January 1, 2023, the changes proposed by this amendment to IAS 8 (corresponding to NBC TG 23) became effective, which 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 the Company's financial statements.
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	These amendments became effective on January 1, 2023, and clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences in the period of initial recognition. The Company is assessing possible impacts.

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.

The Group recognizes the discounts offered as a reduction in the cost of sales against an amount receivable or a reduction of liabilities from contracts with suppliers.

(ii) marketing and advertising funds arising from the display of products in stores and promotion 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 balancing 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 10b.

(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:

(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.

(All amounts in thousands of reais unless otherwise stated)

5.2. Balance breakdown

	Parent Company		Consolidated	
Cash and cash equivalents items	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Cash and banks	110,435	138,189	118,469	141,132
Debentures held under repurchase agreements(i)	96,363	118,905	123,628	137,069
Automatic investments(ii)	157,576	56,347	164,836	63,857
Bank Deposit Certificates - CDB(iii)	-	3,213	26,085	7,924
Investment fund(iv)	-	-	523	6,136
Total	**364,374**	**316,654**	**433,541**	**356,118**

(i) 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) 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.

(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, Itaú, Safra, and Santander.

The Company's exposure to interest rate risks on financial investments is disclosed in Note 23 a.

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 according to their maturity.

6.2. Balance breakdown

	Parent Company		Consolidated	
Trade receivables items	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Trade receivables	1,944,320	1,498,665	2,325,300	1,727,115
(-) Expected credit losses	(1,431)	(1,117)	(6,068)	(5,045)
(-) Adjustment to present value	(18,951)	(10,344)	(23,592)	(12,013)
Total	**1,923,938**	**1,487,204**	**2,295,640**	**1,710,057**

(All amounts in thousands of reais unless otherwise stated)

The aging of trade receivables is presented below:

	Parent Company		Consolidated	
Maturities	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Not yet due	1,944,110	1,494,586	2,303,201	1,702,961
Overdue:				
Between 1 and 30 days	112	2,234	13,324	9,628
Between 31 and 60 days	69	793	3,292	3,576
Between 61 and 90 days	11	110	1,707	2,515
Between 91 and 180 days	18	942	1,536	5,435
Between 181 and 360 days	-	-	2,240	3,000
(-) Expected credit losses	(1,431)	(1,117)	(6,068)	(5,045)
(-) Adjustment to present value	(18,951)	(10,344)	(23,592)	(12,013)
Total	**1,923,938**	**1,487,204**	**2,295,640**	**1,710,057**

Days sales outstanding, represented by credit and debit cards and partnerships with companies and the Government, are approximately 42 days (35 days in 2021), term that is considered part of the normal conditions inherent in the 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.

The changes in expected credit losses are presented below:

Changes in expected losses	**Parent Company**	**Consolidated**
At January 1, 2021	**(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)**
Additions	(8,981)	(21,688)
Reversals	5,618	14,443
Losses	3,049	6,222
At December 31, 2022	**(1,431)**	**(6,068)**

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, 2022.

(All amounts in thousands of reais unless otherwise stated)

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.

7.2. Balance breakdown

	Parent Company		Consolidated	
Inventory items	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Goods for resale	6,045,905	5,031,442	6,171,452	5,159,810
Consumables	14,302	15,308	14,302	15,308
(-) Provision for inventory losses	(59,698)	(32,614)	(59,698)	(32,614)
(-) Adjustment to present value	-	(24,115)	-	(24,705)
Total inventory	**6,000,509**	**4,990,021**	**6,126,056**	**5,117,799**

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

Changes in expected losses on goods	**Parent Company**	**Consolidated**
At January 1, 2021	**(28,196)**	**(28,196)**
Additions	(9,379)	(9,379)
Write-offs	4,961	4,961
At December 31, 2021	**(32,614)**	**(32,614)**
Additions	(28,719)	(28,719)
Write-offs	1,635	1,635
At December 31, 2022	**(59,698)**	**(59,698)**

For the year ended December 31, 2022, as described in Note 20, the cost of goods sold recognized in the statement of income was R$ 18,749,839 (R$ 15,788,340 – 2021) for the Parent Company and R$ 20,223,406 (R$ 16,901,753 - 2021) for the Consolidated accounts, including the amount of write-offs of inventories recognized as losses for the year, amounting to R$ 240,591 (R$ 171,610 - 2021) for the Parent Company and R$ 241,553 (R$ 173,067 - 2021) 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		Consolidated	
	Dec/22	Dec/21	Dec/22	Dec/21
Taxes on profit recoverable				
Withholding Income Tax (IRRF)	8,754	3,633	9,372	4,012
Corporate Income Tax (IRPJ)(i)	91,565	64,605	104,192	73,046
Social Contribution on Net Profit (CSLL)(i)	36,762	21,537	43,152	24,479
Subtotal	**137,081**	**89,775**	**156,716**	**101,537**
Other recoverable taxes				
Value Added Tax on Sales and Services (ICMS) – credit balance (i)	125,169	54,479	132,002	57,455
ICMS – Refund of ICMS withheld in advance (ii)	58,671	21,014	58,671	21,014
ICMS on acquisitions of fixed assets	96,157	96,306	96,157	96,306
Social Integration Program (PIS)	12,132	8,592	12,768	9,240
Social Contribution on Revenue (COFINS)	55,975	40,319	57,870	42,568
Social Investment Fund (FINSOCIAL) - 1982 - securities issued to cover court-ordered debts	561	561	561	561
National Institute of Social Security (INSS)	-	-	25	25
Subtotal	**348,665**	**221,271**	**358,054**	**227,169**
Total	**485,746**	**311,046**	**514,770**	**328,706**
Current assets	387,496	190,377	393,336	195,777
Non-current assets	98,250	120,669	121,434	132,929

(i) In the first quarter of 2022, the Company reviewed IRPJ/CSLL calculations from the past five years, specifically addressing the treatment of profit sharing (PLR) payments to its statutory directors, it was identified an addition to the calculation basis of these taxes greater than the amount due. The greater than due amount added to the calculation basis was identified after a reconciliation of profit and loss accounts that highlight the amount of R$ 24,108 of IRPJ and CSLL overpaid.

(i) The ICMS credits amounting to R$ 125,169 and R$ 58,671 (R$ 54,479 and R$ 21,014 - 2021) for the Parent Company and R$ 132,003 and R$ 58,671 (R$ 57,455 and R$ 21,014 - 2021) 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, São Paulo and Paraná in order to supply their branches located in other Brazilian states. In September 2022, after a publication on the Official Gazette of the State of Paraná, the Distribution Center located in Paraná was granted the registration as taxpayer under the Tax Substitute (ST) regime. The respective tax credits have been progressively consumed.

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 tax 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 21), of which R$ 42,025 refers to the principal amount and R$ 16,019 to the monetary adjustment. In March 2022, the Company recognized the amount of R$ 11,928 related to company Drogaria Onofre Ltda., the principal amount of which is R$ 8,557 and the monetary adjustment is R$ 3,371.

(All amounts in thousands of reais unless otherwise stated)

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/22**	**Dec/21**	**Dec/22**	**Dec/21**
In the next 12 months	387,496	190,377	393,336	195,777
Between 13 and 24 months	21,337	46,137	25,509	49,470
Between 25 and 36 months	24,084	24,657	28,018	27,960
Between 37 and 48 months	24,084	24,657	26,700	27,960
Between 49 and 60 months	28,745	25,218	41,207	27,539
Total	**485,746**	**311,046**	**514,770**	**328,706**

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 less 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 an 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) First 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 EBITDAs 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 between 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 2022, and year ending December 31, 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$ 64,710 in December 2022 (R$ 37,383 - 2021), 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 14.15% in December 2022 (12.57% - 2021), (ii) an average growth rate of EBITDA of 14.36% in December 2022 (18.08% - Dec/2021), considering the average of the EBITDAs projected for 2018 to 2021 and the multiple provided for in contract.

The goodwill arising on acquisition of R$ 12,907 in December 2022 (R$ 12,907 – 2021) for the Parent Company and R$ 25,563 in December 2022 (R$ 25,563 – 2019) 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 April 1, 2021, the Company concluded 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 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 and liabilities assumed recognized at the acquisition date.

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.

On November 8, 2021, the Company made a capital increase in Vitat in the total amount of R$ 25,000, which was paid in two installments, the first of which in the amount of R$ 10,000 subscribed and paid up on November 12, 2021 and the second one in the amount of R$ 15,000, fully subscribed and paid up on February 3, 2022. On May 30, 2022, the Company made a capital increase in Vital in the amount of R$ 15,000 and on November 11, 2022, the Company made a contribution for future capital increase in Vitat, in the amount of R$ 10,000.

(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.

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, and the fair values of assets acquired and liabilities assumed recognized at the acquisition date.

As a result, the Company computed goodwill of R$ 10,496 arising from the acquisition, which 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.

(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.

(All amounts in thousands of reais unless otherwise stated)

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. A study was prepared by an independent expert, using as a basis the financial statements of Healthbit at the acquisition date to determine the purchase price allocation for purposes of goodwill allocation, and the fair values of assets acquired and liabilities assumed recognized at the acquisition date.

As a result, the Company computed goodwill of R$ 5,616 arising from the acquisition for the business combination.

On November 4, 2022, the parent company RD Ventures became the holder of a 49.25% equity interest, upon a payment of R$ 10,434, and now holds a 100% interest. On November 7, 2022, the subsidiary RD Venture made a capital increase in Healthbit in the amount of R$ 15,000.

(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 R$ 40,000 equivalent to 1,648,233 shares of RD “Phantom shares”), of which R$ 50,000 was paid in cash and R$ 40,000 was retained for purposes of meeting obligations and purchase price adjustment.

In compliance with NBC-TG 15 (R4)– Business Combinations, RD completed the fair value measurement of the net assets. The appraisal report is being prepared and, therefore, the goodwill presented is provisional. The Company adopted the balance sheet as at December 22, 2021 as the opening balance sheet for purposes of allocating the effects of the acquisition. As a result, the Company computed goodwill of R$ 82,895 arising from the acquisition for the business combination.

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

(f) Business combinations – Eloopz Serviços de Promoção de Vendas EIRELI (Via RD Ads)

On August 23, 2022, the subsidiary RD Ads acquired 100.00% of the equity interest in Eloopz Serviços de Promoção de Vendas EIRELI (“Eloopz”) for R$ 9,263, of which R$ 2,000 was paid in cash and R$ 7,263 was retained for purposes of meeting obligations. The acquisition of eLoopz will allow RD to develop new advertising and publicity solutions , intensifying the performance in out-of-home digital media in our pharmacies, in order to strengthen the marketing strategy of advertisers in physical and digital channels via RD Ads.

In compliance with NBC-TG 15 (R3) – Business Combinations, RD completed the fair value measurement of net assets acquired and liabilities assumed. The appraisal report is being prepared and, therefore, the goodwill presented is provisional. The Company adopted the balance sheet as at September 30, 2022 as the opening balance sheet for purposes of reporting 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	**09/30/2022**	**Liabilities**	**09/30/2022**
Cash and cash equivalents	194	Suppliers	67
Trade receivables	406	Tax, social security and labor obligations	139
Recoverable taxes	-	Borrowings	270
Other credits	1	Other obligations	-
Fixed assets, net	346	**Liabilities**	**476**
Intangible assets, net	385	Equity	856
Total assets	**1,332**	**Total liabilities and equity**	**1,332**

(All amounts in thousands of reais unless otherwise stated)

Allocation of the price of the consideration transferred:

	RD Ads
Purchase price	**9,263**
Equity	856
Adjusted equity	**856**
Goodwill based on expected future profitability	8,407
	9,263

(g) Business combination – SafePill

On November 23, 2022, the Company acquired 100.00% of the equity interest in SafePill Comercio Varejista de Medicamentos Manipulados Ltda ("SafePill") for R$ 50,174.

The acquisition of SafePill will allow RD to provide drug treatment management and pharmaceutical support to patients by delivering customized products to customers at home.

In compliance with NBC-TG 15(R3) – Business Combinations, RD is currently measuring the fair value of the net assets acquired and liabilities assumed.

On November 25, 2022, the Company made a capital increase in SafePill in the amount of R$ 2,000.

(h) Business combination – Manipulaê

On November 28, 2022, the Company acquired 100,00% of the equity interest in ZTO Tecnologia e Serviços de Informação na Internet Ltda ("Manipulaê") for R$ 5,844.

The acquisition of Manipulaê will provide RD with a marketplace of healthcare and wellness products, allowing the Company to operate as an intermediary in sales between retailers of pharmaceutical products and consumers.

In compliance with NBC-TG 15(R3) – Business Combinations, RD is currently measuring the fair value of the net assets acquired and liabilities assumed.

On December 1, 2022, the Company made a capital increase in Manipulaê in the amount of R$ 4,100.

(All amounts in thousands of reais unless otherwise stated)

9.3. Composition and changes in investments

At December 31, 2022 and 2021, the Company's investment balance is presented below:

		Dec/22			Dec/21		
Investee	**Main activity**	**Interest (%)**	**Parent Company**	**Consolidated**	**Interest (%)**	**Parent Company**	**Consolidated**
Direct interest							
4Bio	Retail of special medicines	85.00%	279,118	-	85.00%	164,890	-
Stix Fidelidade	Platform of products and services for the accumulation and redemption of points	33.33%	2,396	2,396	33.33%	830	830
RD Ventures FIP	Private equity investment fund	100.00%	139,134	-	100.00%	94,435	-
Vitat	Supporting health management and promoting healthy habits	100.00%	45,960	-	100.00%	47,274	-
Dr. Cuco	Digital care platform focused on adherence to treatment	100.00%	14,804	-	100.00%	15,411	-
RD Ads	Advisory and consultancy in advertising and marketing	100.00%	37,644	-	100.00%	-	-
SafePill	Management of Self-Care Home Treatments	100.00%	52,174	-	-	-	-
Manipulaê	Marketplace of Compounding Pharmacies	100.00%	9,944	-	-	-	-
Indirect interest							
Healthbit	Big data technology to reduce claims	100.00%	-	-	50.75%	-	-
Conecta Lá (i)	Seller center platform that offers a unique solution to sellers	12.50%	-	(1,756)	12.50%	-	(432)
Amplimed	Online platform that offers a complete solution for managing clinics and offices	100.00%	-	-	100.00%	-	-
Labi	Healthtech focused on laboratory tests, tests, check-ups and vaccines.	20.25%	-	917	-	-	
Eloopz	Startup that develops media solutions for retailers with the implementation and maintenance of screens installed in physical and software stores for smart management of these assets.	100.00%	-	1,166	-	-	
Total			**581,174**	**2,723**		**322,840**	**398**
Reclassification to "Other liabilities", as provision for losses on investments			**-**	**1,756**		**-**	**432**
Classified as investments			**581,174**	**4,479**		**322,840**	**830**

The provision for losses on investments at December 31, 2022 and 2021 is recorded in "Other provisions".

(All amounts in thousands of reais unless otherwise stated)

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

Changes in investments	4BIO	Stix	RD VENTURES	Vitat	Cuco Health	RD ads	SafePill	Manipula	**Total**
	Subsidiary	Associate	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	
At January 1, 2021	73,768	(4,578)	4,498	-	-	-	-	-	**73,688**
Capital contribution	-	6,508	92,000	10,000	400	1	-	-	**108,909**
Business combinations	-	-		58,073	15,000		-	-	**73,073**
Equity in the results of subsidiaries	57,138	(1,128)	(1,504)	(20,799)	11	(1)	-	-	**33,717**
Restricted share compensation plan – 4Bio	(39)	-	-	-	-	-	-	-	**(39)**
Stock options	-	-	(559)	-	-	-	-	-	**(559)**
Adjustment in percentage of interest	34,023	28	-	-	-	-	-	-	**34,051**
At 12/31/2021	**164,890**	**830**	**94,435**	**47,274**	**15,411**	**-**	**-**	**-**	**322,840**
Classified as investments	**164,890**	**830**	**94,435**	**47,274**	**15,411**	**-**	**-**	**-**	**322,840**
At January 1, 2022	**164,890**	**830**	**94,435**	**47,274**	**15,411**	**-**	**-**	**-**	**322,840**
Capital contribution	-	-	52,700	40,000	-	13,431	2,000	4,100	**112,231**
Business combinations	-	-	-	-	-	-	50,174	5,844	**56,018**
Write-off goodwill	-	-	-	(1,555)	-	-	-	-	**(1,555)**
Equity in the results of subsidiaries	114,156	1,566	(8,001)	(39,759)	(607)	24,213	-	-	**91,568**
Restricted share compensation plan – 4Bio	72	-	-	-	-	-	-	-	**72**
At 12/31/2022	**279,118**	**2,396**	**139,134**	**45,960**	**14,804**	**37,644**	**52,174**	**9,944**	**581,174**

(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, 2022 and 2021:

	Parent Company								
Changes in investments	4BIO	stix	RD VENTURES	vitat	CUCO HEALTH	RD ads	SafePill	Manipula	Total
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**
Profit (loss) for the year	114,361	1,565	(8,000)	(35,180)	22	24,218	-	-	**96,986**
Amortization of surplus value arising from business combination	(206)	-	-	(4,581)	(631)	-	-	-	**(5,418)**
Equity in the results of subsidiaries at 12/31/2022	**114,155**	**1,565**	**(8,000)**	**(39,761)**	**(609)**	**24,218**	**-**	**-**	**91,568**

	Parent Company								
Adjusted equity	4BIO	stix	RD VENTURES	vitat	CUCO HEALTH	RD ads	SafePill	Manipula	Dec/22
Investment at book value	264,844	2,396	139,134	11,749	744	24,213	(2,833)	(363)	439,884
Purchase price allocation (surplus value of assets)	2,209	-	-	13,325	3,564	-	55,007	10,307	97,843
Deferred income tax liability on allocation adjustments	(821)	-	-	-	-	-	-	-	(821)
Restricted share compensation plan	(21)	-	-	-	-	-	-	-	(21)
Total adjusted equity	**266,211**	**2,396**	**139.134**	**25,074**	**4,308**	**24,213**	**52,174**	**9,944**	**536,885**
Goodwill based on expected future profitability	**12,907**	**-**	**-**	**20,886**	**10,496**	**13,431**	-	-	**44,289**
Investment balance	**279,118**	**2,396**	**139.134**	**45,960**	**14,804**	**37,644**	**52,174**	**9,944**	**581,174**

(All amounts in thousands of reais unless otherwise stated)

	Parent Company						
Adjusted equity	4BIO	Stix	RD VENTURES	Vitat	Cuco Health	RD ads	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**	**4,915**	-	**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**

10. Fixed assets and intangible assets

10.1. Accounting policy

Fixed assets and intangible assets are stated at acquisition, formation or installation cost of pharmacies, 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 fixed assets 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.

Fixed assets 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. Fixed assets - breakdown and changes

Fixed assets are broken down as follows:

		Parent Company					
		Dec/22			Dec/21		
	Average annual depreciation rates (%)	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	-	32,124	-	32,124	32,125	-	32,125
Buildings	2.5 - 2.7	69,837	(30,531)	39,306	69,837	(28,710)	41,127
Furniture, fittings and facilities	7.4 - 10	1,434,220	(647,044)	787,176	1,258,303	(539,910)	718,393
Machinery and equipment	7.1 - 15.8	931,454	(526,858)	404,596	821,295	(441,779)	379,516
Vehicles	20 - 23.7	114,212	(58,513)	55,699	87,988	(46,612)	41,376
Leasehold improvements	13 - 20	1,981,381	(1,118,450)	862,931	1,588,521	(808,330)	780,191
Total		**4,563,228**	**(2,381,396)**	**2,181,832**	**3,858,069**	**(1,865,341)**	**1,992,728**

		Consolidated					
		Dec/22			Dec/21		
	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	(30,531)	39,306	69,837	(28,710)	41,127
Furniture, fittings and facilities	7.4 - 10	1,437,156	(648,362)	788,794	1,260,584	(541,060)	719,524
Machinery and equipment	7.1 - 15.8	946,424	(531,347)	415,077	828,057	(444,701)	383,356
Vehicles	20 - 23.7	114,213	(58,514)	55,699	87,989	(46,612)	41,377
Leasehold improvements	13 - 20	1,986,701	(1,121,296)	865,405	1,592,141	(810,629)	781,512
Total		**4,586,455**	**(2,390,050)**	**2,196,405**	**3,870,732**	**(1,871,712)**	**1,999,020**

(All amounts in thousands of reais unless otherwise stated)

Changes in the Parent Company's fixed assets are as follows:

Changes in cost	**Jan 1, 2021**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of pharmacies closure**	**Dec/21**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of pharmacies closure**	**Dec/22**
Land	32,124	-	-	-	32,124	-	-	-	32,124
Buildings	69,837	-	-	-	69,837	-	-	-	69,837
Furniture, fittings and facilities	1,096,992	177,205	(17,066)	1,172	1,258,303	207,459	(26,440)	(5,102)	1,434,220
Machinery and equipment	705,530	127,929	(12,163)	-	821,296	130,119	(19,961)	-	931,454
Vehicles	73,711	15,179	(902)	-	87,988	26,622	(398)	-	114,212
Leasehold improvements	1,435,389	339,258	(186,012)	(114)	1,588,521	413,005	(20,537)	392	1,981,381
Total	**3,413,583**	**659,571**	**(216,143)**	**1,058**	**3,858,069**	**777,205**	**(67,336)**	**(4,710)**	**4,563,228**

Changes in accumulated depreciation	**Jan 1, 2021**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of pharmacies closure**	**Dec/21**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of pharmacies closure**	**Dec/22**
Land	-	-	-	-	-	-	-	-	-
Buildings	(26,886)	(1,824)	-	-	(28,710)	(1,821)	-	-	(30,531)
Furniture, fittings and facilities	(443,290)	(108,780)	12,519	(359)	(539,910)	(124,139)	13,607	3,398	(647,044)
Machinery and equipment	(361,320)	(91,413)	10,954	-	(441,779)	(102,161)	17,082	-	(526,858)
Vehicles	(38,306)	(9,141)	835	-	(46,612)	(12,231)	330	-	(58,513)
Leasehold improvements	(689,570)	(297,678)	178,589	329	(808,330)	(321,182)	11,337	(275)	(1,118,450)
Total	**(1,559,372)**	**(508,836)**	**202,897**	**(30)**	**(1,865,341)**	**(561,534)**	**42,356**	**3,123**	**(2,381,396)**

(All amounts in thousands of reais unless otherwise stated)

Changes in the Consolidated fixed assets are as follows:

Changes in cost	Jan 1, 2021	Addition by business combination	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/21	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/22
Land	32,124	-	-	-	-	32,124	-	-	-	32,124
Buildings	69,837	-	-	-	-	69,837	-	-	-	69,837
Furniture, fittings and facilities	1,098,912	371	177,264	(17,134)	1,172	1,260,585	208,113	(26,440)	(5,102)	1,437,156
Machinery and equipment	709,103	1,381	129,736	(12,163)	-	828,057	138,328	(19,961)	-	946,424
Vehicles	74,058	-	15,179	(1,248)	-	87,989	26,622	(398)	-	114,213
Leasehold improvements	1,438,562	181	339,525	(186,014)	(114)	1,592,140	414,706	(20,537)	392	1,986,701
Total	**3,422,596**	**1,933**	**661,704**	**(216,559)**	**1,058**	**3,870,732**	**787,769**	**(67,336)**	**(4,710)**	**4,586,455**

Changes in accumulated depreciation	Jan 1, 2021	Addition by business combination	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/21	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/22
Land	-	-	-	-	-	-	-	-	-	-
Buildings	(26,886)	-	(1,824)	-	-	(28,710)	(1,821)	-	-	(30,531)
Furniture, fittings and facilities	(444,070)	(238)	(108,951)	12,558	(359)	(541,060)	(124,307)	13,607	3,398	(648,362)
Machinery and equipment	(362,736)	(897)	(92,024)	10,956	-	(444,701)	(103,728)	17,082	-	(531,347)
Vehicles	(38,499)	-	(9,141)	1,028	-	(46,612)	(12,232)	330	-	(58,514)
Leasehold improvements	(691,185)	(95)	(298,268)	178,590	329	(810,629)	(321,729)	11,337	(275)	(1,121,296)
Total	**(1,563,376)**	**(1,230)**	**(510,208)**	**203,132**	**(30)**	**(1,871,712)**	**(563,817)**	**42,356**	**3,123**	**(2,390,050)**

(All amounts in thousands of reais unless otherwise stated)

10.3. Intangible assets - Breakdown and changes

Intangible assets are broken down as follows:

	Average annual amortization rates (%)	Parent Company Dec/22 Cost	Dec/22 Accumulated amortization	Dec/22 Net book value	Dec/21 Cost	Dec/21 Accumulated amortization	Dec/21 Net book value
Points of sale	17 - 23.4	268,037	(205,977)	62,060	249,992	(174,779)	75,213
Software license	20	632,372	(249,752)	382,620	407,985	(156,542)	251,443
Goodwill on business acquisition – Vison	(i)	22,275	(2,387)	19,888	22,275	(2,387)	19,888
Goodwill on business acquisition – Raia	(i)	780,084	-	780,084	780,084	-	780,084
Trademarks with finite useful life	20	19,052	(10,673)	8,379	19,046	(8,483)	10,563
Trademarks with indefinite useful life	(i)	151,000	-	151,000	151,000	-	151,000
Customers portfolio	6.7 - 25	41,700	(39,937)	1,763	41,700	(39,477)	2,223
Total		**1,914,520**	**(508,726)**	**1,405,794**	**1,672,082**	**(381,668)**	**1,290,414**

	Average annual amortization rates (%)	Consolidated Dec/22 Cost	Dec/22 Accumulated amortization	Dec/22 Net book value	Dec/21 Cost	Dec/21 Accumulated amortization	Dec/21 Net book value
Points of sale	17 - 23.4	269,934	(205,975)	63,959	249,992	(174,778)	75,214
Software license and systems implementation	20	649,850	(253,882)	395,968	415,862	(159,605)	256,257
Goodwill on business acquisition – Vison	(i)	22,275	(2,387)	19,888	22,275	(2,387)	19,888
Goodwill on business acquisition – Raia	(i)	780,084	-	780,084	780,084	-	780,084
Goodwill on business acquisition - 4Bio	(i)	25,563	-	25,563	25,563	-	25,563
Goodwill on business acquisition - Vitat	(i)	20,886	(5,145)	15,741	20,886	-	20,886
Goodwill on business acquisition – Cuco	(i)	10,524	-	10,524	10,524	-	10,524
Goodwill on business acquisition – Healthbit	(i)	15,501	-	15,501	5,617	-	5,617
Goodwill on business acquisition - Conecta Lá	(i)	7,120	-	7,120	7,120	-	7,120
Goodwill on business acquisition – Amplimed	(i)	82,895	-	82,895	90,086	-	90,086
Goodwill on business acquisition – Labi	(i)	52,328	-	52,328	-	-	-
Goodwill on business acquisition – Eloopz	(i)	8,407	-	8,407	-	-	-
Goodwill on business acquisition - SafePill	(i)	52,174	-	52,174	-	-	-
Goodwill on business acquisition - Manipulaê	(i)	9,944	-	9,944	-	-	-
Platform	20	25,386	(2,475)	22,911	18,853	(2,475)	16,378
Non-compete agreement	20	4,833	(600)	4,233	4,833	(600)	4,233
Trademarks with finite useful life	20	25,962	(16,759)	9,203	27,500	(14,569)	12,931
Trademarks with indefinite useful life	(i)	153,930	(39,937)	113,993	153,930	-	153,930
Customers portfolio (Raia S.A.)	6.7 - 25	41,700	(3,420)	38,280	41,700	(39,477)	2,223
Customer relationship	20	9,395	-	9,395	8,737	(3,420)	5,317
Total		**2,268,691**	**(530,580)**	**1,738,111**	**1,883,562**	**(397,311)**	**1,486,251**

(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 1, 2021	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/21	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/22
Points of sale	271,276	18,634	(38,173)	(1,745)	249,990	21,530	(4,187)	704	268,037
Software license	255,240	164,274	(11,536)	7	407,987	224,542	(157)	-	632,372
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	26,835	2,611	(10,400)	-	19,046	122	(116)	-	19,052
Trademarks with indefinite useful life	151,000	-	-	-	151,000	-	-	-	151,000
Customers portfolio	41,700	-	-	-	41,700	-	-	-	41,700
Total	**1,548,410**	**185,519**	**(60,109)**	**(1,738)**	**1,672,082**	**246,194**	**(4,460)**	**704**	**1,914,520**

Changes in accumulated amortization	Jan 1, 2021	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/21	Additions	Disposals and write-offs	(Provision for) / Reversal of pharmacies closure	Dec/22
Points of sale	(171,884)	(40,314)	36,598	821	(174,779)	(33,869)	2,611	60	(205,977)
Software license	(105,344)	(62,348)	11,156	(6)	(156,542)	(93,229)	19	-	(249,752)
Goodwill on business acquisition – Vison	(2,387)	-	-	-	(2,387)	-	-	-	(2,387)
Trademarks with finite useful life	(995)	(8,595)	1,107	-	(8,483)	(2,197)	7	-	(10,673)
Customers portfolio	(39,017)	(460)	-	-	(39,477)	(460)	-	-	(39,937)
Total	**(319,627)**	**(111,717)**	**48,861**	**815**	**(381,668)**	**(129,755)**	**2,637**	**60**	**(508,726)**

(All amounts in thousands of reais unless otherwise stated)

Changes in the consolidated intangible assets are as follows:

Changes in cost	**Jan 1, 2021**	**Addition by business combination**	**Additions**	**Disposals and write-offs**	**(Provision for) / Reversal of pharmacies closure**	**Dec/21**	**Additions**	**Transfers**	**Disposals and write-offs**	**(Provision for) / Reversal of pharmacies closure**	**Dec/22**
Points of sale	271,278	-	18,632	(38,173)	(1,745)	249,992	21,530	-	(4,187)	2,599	269,934
Software license	259,418	439	167,534	(11,536)	7	415,862	235,402	-	(1,414)	-	649,850
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	-	-	-	-	20,886
Goodwill on business acquisition – Cuco	-	-	10,524	-	-	10,524	-	-	-	-	10,524
Goodwill on business acquisition – Healthbit	-	-	5,617	-	-	5,617	11,868	(1,984)	-	-	15,501
Goodwill on business acquisition - Conecta Lá	-	-	7,120	-	-	7,120	-	-	-	-	7,120
Goodwill on business acquisition – Amplimed	-	-	90,086	-	-	90,086	-	(7,191)	-	-	82,895
Goodwill on business acquisition – Labi	-	-	-	-	-	-	52,328	-	-	-	52,328
Goodwill on business acquisition – Eloopz	-	-	-	-	-	-	8,407	-	-	-	8,407
Goodwill on business acquisition – SafePill	-	-	-	-	-	-	52,174	-	-	-	52,174
Goodwill on business acquisition - Manipulaê	-	-	-	-	-	-	9,944	-	-	-	9,944
Platform	-	-	18,853	-	-	18,853	-	6,553	-	-	25,386
Non-compete agreement	-	-	4,833	-	-	4,833	-	-	-	-	4,833
Trademarks with finite useful life	31,204	1,691	5,005	(10,400)	-	27,500	134	-	(1,672)	-	25,962
Trademarks with indefinite useful life	151,700	-	2,230	-	-	153,930	-	-	-	-	153,930
Customers portfolio - Raia	41,700	-	-	-	-	41,700	-	-	-	-	41,700
Customer relationship	7,928	-	809	-	-	8,737	-	658	-	-	9,395
Total	**1,591,150**	**2,130**	**352,129**	**(60,109)**	**(1,738)**	**1,883,562**	**391,787**	**(1,984)**	**(7,273)**	**2,599**	**2,268,691**

(All amounts in thousands of reais unless otherwise stated)

Changes in accumulated amortization	Jan 1, 2021	Addition by business combinations	Additions	Disposals and write-offs	Provision for / (Reversal of) pharmacies closure	Dec/21	Additions	Disposals and write-offs	Provision for / (Reversal of) pharmacies closure	Dec/22
Points of sale	(171,883)	-	(40,314)	36,598	821	(174,778)	(33,869)	2,612	60	(205,975)
Software license	(107,033)	(367)	(63,355)	11,156	(6)	(159,605)	(94,678)	401	-	(253,882)
Goodwill on business acquisition – Vison	(2,387)	-	-	-	-	(2,387)	-	-	-	(2,387)
Goodwill on business acquisition – Vitat	-	-	-	-	-	-	(5,145)	-	-	(5,145)
Goodwill on business acquisition – SafePill	-	-	-	-	-	-	-	-	-	-
Goodwill on business acquisition – Manipulaê	-	-	-	-	-	-	-	-	-	-
Platform	-	-	(2,475)	-	-	(2,475)	-	-	-	(2,475)
Non-compete agreement	-	-	(600)	-	-	(600)	-	-	-	(600)
Trademarks with finite useful life	(6,149)	(572)	(8,954)	1,106	-	(14,569)	(2,197)	7	-	(16,759)
Customers portfolio - Raia	(39,017)	-	(460)	-	-	(39,477)	(460)	-	-	(39,937)
Customer relationship	(2,972)	-	(448)	-	-	(3,420)	-)	-	-	(3,420)
Total	**(329,441)**	**(939)**	**(116,606)**	**48,860**	**815**	**(397,311)**	**(136,349)**	**3,020**	**60**	**(530,580)**

(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	10,496	11/19/2021
Healthbit Performasys Tecnologia Inteligência	5,616	03/09/2021
Amplisoftware Tecnologia	82,895	12/22/2021
Full Nine Digital Consultoria	7,120	12/10/2021
Labi Exames	52,328	08/05/2022
Eloopz	8,407	08/23/2022
SafePill	52,174	25/11/2022
Manipulaê	9,944	01/12/2022

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$ 113,455 at December 31, 2022 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 18.8% p.a. (17.1% p.a. in 2021). The growth rate used to extrapolate the unit's cash flow for a period over five years is 3.3% (3.2% in 2021).

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$ 5,851,956 at December 31, 2022 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 16.0% p.a. (14.3% p.a. in 2021). The growth rate used to extrapolate the unit's cash flow for a period over five years is 3.3% (3.2% in 2021).

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$ 169,416 at December 31, 2022 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 18.9% p.a. (12.6% p.a. in 2021). The growth rate used to extrapolate the unit's cash flow for a period over five years is 3.3% (3.3% in 2021).

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$ 82,895 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.

Labi Exames S.A. - The Company computed goodwill of R$ 52,328 in the acquisition of interest in Labi Exames S.A., occurred on August 5, 2022, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

Eloopz Serviços de Promoção de Vendas EIRELI - The Company computed goodwill of R$ 8,407 in the acquisition of interest in *Eloopz* Serviços de Promoção de Vendas EIRELI, occurred on August 23, 2022, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

SafePill. - The Company computed goodwill of R$ 52,174 in the acquisition of interest in *SafePill*, occurred on November 25, 2022, which is based on expected future profitability arising from the difference between the balances of assets assigned and those received.

Manipulaê - The Company computed goodwill of R$ 9,944 in the acquisition of interest in *Manipulaê*, occurred on December 01, 2022, 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 pharmacies closure

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

	Provision	Depreciation	Total properties	Provision	Amortization	Total intangible assets	Total provisions
At January 1, 2021	**(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
At 12/31/2021	**(16,835)**	**8,306**	**(8,529)**	**(4,025)**	**2,257**	**(1,768)**	**(10,297)**
Additions	(45,165)	24,532	(20,633)	(4,910)	3,476	(1,434)	(22,067)
Reversals	40,455	(21,409)	19,046	5,615	(3,416)	2,199	21,245
Changes, net	**(4,710)**	**3,123**	**(1,587)**	**705**	**60**	**765**	**(822)**
Balance at 12/31/2022	**(21,545)**	**11,429**	**(10,116)**	**(3,320)**	**2,317**	**(1,003)**	**(11,119)**

(All amounts in thousands of reais unless otherwise stated)

11.Employee benefits

(a) Profit sharing program

The Group has a profit sharing and bonus program intended mainly to measure the performance of employees in 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 20).

(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).

12.Suppliers and Suppliers - Forfait

12.1. Accounting policy

Installment sale transactions are adjusted to their present value at the transaction date. The discount rate used to adjust the suppliers 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 under suppliers against finance income (costs), over their term in the case of suppliers. The balance of suppliers is measured at amortized cost, using the effective interest rate method.

12.2. Balance breakdown

	Parent Company		Consolidated	
Supplier items	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Goods suppliers	3,857,221	3,327,184	4,112,176	3,496,652
Service providers	171,752	141,496	177,645	144,064
Materials suppliers	26,916	37,800	27,238	38,024
Assets suppliers	10,265	19,492	10,638	19,802
Adjustment to present value	(66,187)	(40,644)	(68,780)	(41,935)
Total	**3,999,967**	**3,485,328**	**4,258,917**	**3,656,607**
Suppliers	3,993,411	3,361,957	4,252,361	3,533,236
Suppliers - Forfaiting	6,556	123,371	6,556	123,371

12.2. Suppliers – Forfaiting

In 2022, certain suppliers assigned their rights to receive Company notes to financial institutions, allowing suppliers to receive in advance their amounts receivable. The financial institutions become creditors of the operation and RD settles the notes on the same date originally agreed with its supplier. RD receives a commission from the financial institutions for this intermediation and confirmation of notes payable. This advance on credit notes generated a financial gain to the

Company in the amount of R$ 6,646 (R$ 13,138 in 2021). 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 receivables. In addition, there is no obligation that results in expenses for the Company.

At December 31, 2022, the balance payable negotiated by suppliers and accepted by RD amounted to R$ 6,556 in the Parent company and Consolidated (R$ 123,371 in 2021).

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 since the economic substance of the transaction is maintained, there are no changes in the conditions originally agreed with suppliers.

(All amounts in thousands of reais unless otherwise stated)

13.Borrowings, debentures and promissory notes

(a) Breakdown

		Parent Company		Consolidated	
Borrowings items	**Average annual long-term interest rate**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Promissory Notes					
1st issue of promissory notes	100.00% of CDI + 3.00%	-	333,460	-	333,460
Total Promissory Notes		**-**	**333,460**	**-**	**333,460**
Debentures					
1st issue of debentures	104.75% of CDI	-	33,808	-	33,808
2nd issue of debentures	104.50% of CDI	45,943	135,773	45,943	135,773
3rd issue of debentures - CRIs	98.50% of CDI	256,264	250,947	256,264	250,947
4th issue of debentures	106.99% of CDI	301,211	300,804	301,211	300,804
5th issue of debentures	100.00% of CDI + 1.49% p.a.	530,393	-	530,393	-
6th issue of debentures - CRIs	100.00% of CDI + 0.70% p.a.	256,123	-	256,123	-
7th issue of debentures - CRIs	100.00% of CDI + 0.75% p.a.	537,698	-	537,698	-
Total Debentures		**1,927,632**	**721,332**	**1,927,632**	**721,332**
Borrowings					
Direct loans - Law 4,131	100.00% of CDI + 2.61%	311,974	307,163	311,974	307,163
Direct loans - Law 4,131	100.00% of CDI + 3.30%	-	100,052	-	100,052
Direct loans - Law 4,131	100.00% of CDI + 1.37%	-	-	77,966	-
Other	100.00% of CDI + 2.95%	-	-	332	43,060
Other BNDES – Subloan	-	-	155	-	155
Total Borrowings		**311,974**	**407,270**	**390,272**	**450,430**
Total		**2,239,606**	**1,462,162**	**2,317,904**	**1,505,222**
Current liabilities		108,279	571,549	186,356	613,831
Non-current liabilities		2,131,327	890,613	2,131,548	891,391

(All amounts in thousands of reais unless otherwise stated)

The amounts above have the following payment flow forecast:

Payment forecast	Parent Company		Consolidated	
	Dec/22	Dec/21	Dec/22	Dec/21
2022	-	571,549	-	613,831
2023	108,279	43,105	186,356	43,883
2024	295,476	298,897	295,697	298,897
2025 and thereafter	1,835,851	548,611	1,835,851	548,611
Total	**2,239,606**	**1,462,162**	**2,317,904**	**1,505,222**

(b) 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.

The contract was fully settled on April 25, 2022, on the due date.

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
5th Issue – Single Series	R$ 500,000	500,000	01/25/2022	2022-2029	100% of CDI + 1.49% p.a	R$ 1
6th Issue – Single Series	R$ 250,000	250,000	03/07/2022	2022-2027	100% of CDI + 0.70% p.a	R$ 1
7th Issue – Single Series	R$ 550,000	550,000	06/26/2022	2028-2029	100% of CDI + 0.75% p.a	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.

The contract of the 1st issue of simple debentures was fully settled on the due date, on April 19, 2022.

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 eight 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.

On January 25, 2022, the Company carried out the 5th issue of non-convertible, simple unsecured debentures in a single series in the total amount of R$ 500,000 for public distribution with restricted efforts (CVM 476), with settlement on February 16, 2022, in the amount of R$ 500,000, with remuneration of 100% of CDI, plus a surcharge of 1.49% per year, 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 January 25, 2029. The funds will be used to improve the working capital.

On March 7, 2022, the Company carried out the 6th issue of non-convertible, simple unsecured debentures in a single series in the total amount of R$ 250,000 for public distribution with restricted efforts (CVM 476), with settlement on March 17, 2022, in the amount of R$ 250,000, with remuneration of 100% of CDI, plus a surcharge of 0.70% per year, and payment term of five 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 8, 2027. The funds raised will be 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 True Securitizadora, which will be issued with guarantee in the "CRI" debentures, object of a public offering for distribution under CVM Instruction 400.

On June 26, 2022, the Company carried out the 7th issue of non-convertible, simple unsecured debentures in a single series in the total amount of R$ 550,000 for public distribution with restricted efforts (CVM No. 476), with settlement on June 29, 2022, in the amount of R$ 550,000, with remuneration of 100% of the cumulative variation of the average daily rates of the DI, plus a surcharge of 0.75% per year and payment term of five 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 25, 2029. The funds raised will be 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 No. 400.

The costs incurred on the issues of the Company's debentures (2017 - 1st issue, 2018 - 2nd issue, 2019 - 3rd and 4th issues, 2022 - 5th, 6th and 7th issues), including fees, commissions and other costs, totaled R$ 37,621 and are classified in the line item of the respective debentures and promissory notes, and are being recognized over the total period of the debt. At December 31, 2022, the amount to be recognized was R$ 23,279 (R$ 5,430 in 2021), 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 / EBTIDA: 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 are not included in the net debt calculation.

Covenants are measured quarterly and, in the year ended December 31, 2022, 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, 2022, the Company was in compliance with these covenants.

(c) 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 two years. Interest payments were made on a quarterly basis and principal was repaid on March 29, 2022, in the amount of R$ 100,000

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 CDIs, plus a surcharge of 2.61% per year and payment term of three 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 two years, and 0.30% referring to the amount of R$ 300,000, with a term of three 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, 2022, the amount to be recognized was R$ 350 (R$ 693 in 2021), and is presented net in the borrowings balance.

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

(All amounts in thousands of reais unless otherwise stated)

(d) 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/22**	**Dec/21**	**Dec/22**	**Dec/21**
Short-term borrowings	108,279	571,549	186,356	613,831
Long-term borrowings	2,131,327	890,613	2,131,548	891,391
Total debt	**2,239,606**	**1,462,162**	**2,317,904**	**1,505,222**
(-) Cash and cash equivalents (Note 5)	(364,374)	(316,654)	(433,541)	(356,118)
Net debt	**1,875,232**	**1,145,508**	**1,884,363**	**1,149,104**

	Parent Company		
Changes in net debt	**Borrowings**	**Cash and cash equivalents**	**Net debt**
Net debt at January 1, 2020	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**
Funding	1,277,858	-	1,277,858
Accrued interest	266,529	-	266,529
Payment of interest	(249,252)	-	(249,252)
Amortization of principal	(522,330)	-	(522,330)
Amortization of transaction costs	4,639	-	4,639
Increase in cash and cash equivalents	-	(47,720)	(47,720)
Net debt at December 31, 2022	**2,239,606**	**(364,374)**	**1,875,232**

	Consolidated		
Changes in net debt	**Borrowings**	**Cash and cash equivalents**	**Net debt**
Net debt at January 1, 2020	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**
Funding	1,460,248	-	1,460,248
Accrued interest	274,962	-	274,962
Payment of interest	(258,673)	-	(258,673)
Amortization of principal	(668,493)	-	(668,493)
Amortization of transaction costs	4,639	-	4,639
Increase in cash and cash equivalents	-	(77,423)	(77,423)
Net debt at December 31, 2022	**2,317,905**	**(433,541)**	**1,884,364**

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.

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:

	Parent Company		Consolidated	
Right-of-use asset	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Operating real estate	2,963,118	3,041,467	2,963,409	3,041,468
Residential real estate	18,024	11,537	18,688	12,207
Distribution/administrative centers	391,396	274,018	394,113	276,290
Vehicles	2,241	602	2,242	602
Total	**3,374,779**	**3,327,624**	**3,378,452**	**3,330,567**

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 01/01/2021	**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**
New agreements	399,272	13,416	36,647	1,505	-	450,840
Remeasurements [(i)]	311,108	(2,668)	147,716	307	-	456,463
Termination of agreements	(45,228)	(1,441)	-	(26)	-	(46,695)
Depreciation	(743,501)	(2,820)	(66,985)	(147)	-	(813,453)
At 12/31/2022	**2,963,118**	**18,024**	**391,396**	**2,241**	**-**	**3,374,779**

	Consolidated					
	Operating real estate	**Residential real estate**	**Distribution / administrative centers**	**Vehicles**	**Equipment**	**Total**
At 01/01/2021	**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**
New agreements	399,640	13,476	36,889	1,505	-	451,510
Remeasurements [(i)]	311,108	(2,637)	149,745	307	-	458,523
Termination of agreements	(45,228)	(1,441)	(81)	(26)	-	(46,776)
Depreciation	(743,578)	(2,917)	(68,730)	(147)	-	(815,372)
At 12/31/2022	**2,963,409**	**18,688**	**394,113**	**2,242**	**-**	**3,378,452**

(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/22**	**Dec/21**	**Dec/22**	**Dec/21**
Operating real estate	3,258,705	3,333,958	3,258,975	3,333,958
Residential real estate	(8,442)	(3,287)	(7,827)	(2,668)
Distribution/administrative centers	487,898	342,049	490,798	344,503
Vehicles	(1,860)	(2,817)	(1,860)	(2,817)
Equipment	(78)	(78)	(78)	(78)
Total	**3,736,223**	**3,669,825**	**3,740,008**	**3,672,898**

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 01/01/2021	**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	(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**
New agreements	399,272	13,416	36,647	1,505	-	450,840
Remeasurements (i)	311,108	(2,668)	147,716	307	-	456,463
Interest	229,329	1,419	27,231	431	-	258,410
Payments	(1,014,962)	(17,322)	(65,745)	(1,286)	-	(1,099,315)
At 12/31/2022	**3,258,706**	**(8,442)**	**487,897**	**(1,860)**	**(78)**	**3,736,223**

	Consolidated					
	Operating real estate	**Residential real estate**	**Distribution / administrative centers**	**Vehicles**	**Equipment**	**Total**
At 01/01/2021	**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	(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**
New agreements	399,640	13,476	36,889	1,505	-	451,510
Remeasurements (i)	311,108	(2,637)	149,745	307	-	458,523
Interest	229,330	1,429	27,450	431	-	258,640
Payments	(1,015,061)	(17,427)	(67,789)	(1,286)	-	(1,101,563)
At 12/31/2022	**3,258,976**	**(7,827)**	**490,797**	**(1,860)**	**(78)**	**3,740,008**

(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:

	Parent Company		Consolidated	
Analysis of maturities - Lease liabilities	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Less than 1 year	757,265	697,738	759,301	699,170
Current	**757,265**	**697,738**	**759,301**	**699,170**
1 to 5 years	2,417,623	2,517,686	2,419,372	2,519,327
Over 5 years	561,335	454,401	561,335	454,401
Non-current	**2,978,958**	**2,972,087**	**2,980,707**	**2,973,728**
Total	**3,736,223**	**3,669,825**	**3,740,008**	**3,672,898**

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	595,845	55,116
1 to 2 years	596,753	55,200
2 to 3 years	519,090	48,016
3 to 4 years	414,478	38,339
4 to 5 years	307,460	28,440
Over 5 years	686,886	63,537
Total	**3,120,512**	**288,648**

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 the users of the Group's financial statements, the analysis of contract maturities and installments not yet discounted at December 31, 2022 is presented below:

	Parent Company			Consolidated		
Year	**Amounts of installments not yet discounted**	**Estimated interest (future) (i)**	**Net present value**	**Amounts of installments not yet discounted**	**Estimated interest (future) (i)**	**Net present value**
2023	992,464	(232,986)	759,478	994,178	(232,663)	761,515
2024	895,254	(182,674)	712,580	895,254	(182,674)	712,580
2025	757,582	(136,963)	620,619	757,582	(136,963)	620,619
2026	593,152	(98,507)	494,645	593,152	(98,507)	494,645
2027	417,733	(68,504)	349,229	419,124	(68,146)	350,978
2028 and thereafter	937,499	(137,828)	799,671	937,498	(137,828)	799,670
Total	**4,593,684**	**(857,462)**	**3,736,222**	**4,596,788**	**(856,781)**	**3,740,007**

(i) The present value of the leases payable was calculated considering the projection of future fixed payments, discounted at the rate of 12.90% p.a. (6.69% p.a. In 2021), 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/22**	**Dec/21**	**Dec/22**	**Dec/21**
Amortization of right-of-use asset	813,453	698,646	811,534	700,297
Interest on lease liabilities	258,410	235,463	258,640	235,668
Adjustment for lease write-off (contracts terminated)	(29,888)	20	(29,888)	220
Variable payments not included in the measurement of lease liabilities	45,856	45,831	46,926	46,789
Revenue on subleases of right-of-use assets	(2,959)	(2,891)	(2,959)	(2,891)
Expenses related to short-term and/or low-value leases	18,911	16,970	18,911	16,970
Discounts on property rental	(1,105)	(6,390)	(1,105)	(6,390)

(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, 2022 amounted to R$ 5,370 (R$ 4,456 in 2021) 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/22**	**Dec/21**
Less than 1 year	1,984	1,816
1 to 2 years	1,676	1,391
2 to 3 years	1,084	1,124
3 to 4 years	562	656
4 to 5 years	515	186
Over 5 years	2,121	883
Total	**7,942**	**6,056**

(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, 2022 and 2021, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

	Parent Company		Consolidated	
Judicial deposits items	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Labor and social security	94,267	86,900	94,267	86,900
Tax	14,185	16,217	14,342	16,410
Civil	7,673	2,487	7,673	2,487
Subtotal	**116,125**	**105,604**	**116,282**	**105,797**
(-) Corresponding judicial deposits	(7,686)	(9,129)	(7,686)	(9,129)
Total	**108,439**	**96,475**	**108,596**	**96,668**
Current liabilities	53,584	43,560	53,584	43,560
Non-current liabilities	54,855	52,915	55,012	53,108

(All amounts in thousands of reais unless otherwise stated)

Changes in the provision are as follows:

Changes in the contingencies	**Parent Company**	**Consolidated**
At January 1, 2021	**114,651**	**114,840**
Additions of new lawsuits and review of estimate	48,377	48,377
Reversals by concluded lawsuits	(16,587)	(16,587)
Write-offs for payments	(51,072)	(51,072)
Constitution/(Reversals) due to changes in lawsuits	3,269	3,269
Revaluation of amounts	(232)	(232)
Monetary adjustment	7,198	7,202
At December 31, 2021	**105,604**	**105,797**
Additions of new lawsuits and review of estimate	57,829	57,844
Reversals by concluded lawsuits	(8,282)	(8,282)
Write-offs for payments	(54,185)	(54,185)
Constitution/(Reversals) due to changes in lawsuits	(2,925)	(2,925)
Revaluation of amounts	10,951	10,951
Monetary adjustment	7,133	7,082
At December 31, 2022	**116,125**	**116,282**

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, 2022 and 2021, the Group had 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$ 193,753 (R$ 47,779 in 2021) for Parent Company and Consolidated, of which R$ 4,868 (R$ 2,583 in 2021) refers to labor/social security contingencies, R$ 4,266 (R$ 4,591 in 2021) to civil contingencies and R$ 184,619 (R$ 40,605 in 2021) to tax contingencies.

Judicial deposits

At December 31, 2022 and 2021, the Group had the following judicial deposit amounts for which no corresponding provision had been set up:

	Parent Company		**Consolidated**	
Analysis of judicial deposits	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Labor and social security	3,202	10,575	3,202	10,575
Tax	13,809	13,844	130,641	17,923
Civil	3,781	3,470	3,781	3,470
(-) Corresponding judicial deposits	-	(2,017)	-	(2,017)
Total	**20,792**	**25,872**	**137,624**	**29,951**

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 fixed assets were given as security for tax, social security and labor proceedings:

	Parent Company / Consolidated	
Guarantees for lawsuits	**Dec/22**	**Dec/21**
Furniture and facilities	6	10
Machinery and equipment	85	85
Total guarantees for lawsuits	**91**	**95**

16.Income tax and social contribution

16.1. 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 adjusted in case the study indicates the expectation of its realization has changed.

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

Notes to the individual and consolidated financial statements December 31, 2022 (All amounts in thousands of reais unless otherwise stated)

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

	Parent Company		Consolidated	
Income tax and social contribution paid items	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Profit before income tax and social contribution	1,129,422	977,509	1,193,209	987,262
Interest on capital and additional interest on capital proposed	(312,000)	(205,000)	(312,000)	(205,000)
Taxable profit	**817,422**	**772,509**	**881,209**	**782,262**
Combined tax rate (25% for income tax and 9% for social contribution)	34.00%	34.00%	34.00%	34.00%
Theoretical tax expense	**(277,923)**	**(262,653)**	**(299,611)**	**(265,969)**
Permanent additions	(5,550)	(25,337)	(5,895)	(25,781)
Equity in the results of subsidiaries	33,504	11,465	(56)	(383)
Reduction of taxes due to incentives (P.A.T)	4,090	4,098	4,090	4,098
Investment grant (i)	76,052	31,144	76,111	56,349
Tax loss and negative CSLL basis	-	-	(13,752)	(6,100)
Provisions with no deferred charges	-	-	192	5
Technological innovation	15,104	9,212	15,504	9,288
Other (revaluation reserve + additional income tax exemption ceiling)	16,359	227	40,522	(905)
Tax incentives – donations	5,055	6,269	5,055	6,269
Result of current income tax and social contribution	**(204,386)**	**(210,745)**	**(210,820)**	**(221,249)**
Result of deferred income tax and social contribution	**71,076**	**(14,830)**	**32,579**	**(1,880)**
Income tax and social contribution expense	**(133,310)**	**(225,575)**	**(178,241)**	**(223,129)**
Effective tax rate (ii)	**11.80%**	**23.08%**	**14.94%**	**22.60%**

(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 year ended December 31, 2022 was R$ 223,681 (R$ 91,600 in 2021).

(ii) As set forth in Technical Pronouncement CPC 15 – Business Combinations, on the acquisition of an investment, the "Surplus Value" should be calculated net of Deferred Taxes (34% as IRPJ and CSLL). According to this guidance, the Group recognized R$ 7,994 equivalent to deferred tax liabilities, referring to t4ransactions carried out in 2021, including with Vitat Serviços de Saúde Ltda. ("Vitat") on April 1, 2021 and Dr. Cuco Desenvolvimento de Software Ltda. ("Dr. Cuco") on November 18, 2022. Additionally, the Group also recognized R$ 2,371 equivalent to deferred tax assets related to surplus values of assets, corresponding to the partial accounting amortization of these amounts.

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

Deferred income tax and social contribution assets amounting to R$ 331,032 (R$ 278,462 in 2021) for the Parent Company and R$ 341,389 (R$ 327,509 in 2021) 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$ 347,392 (R$ 365,981 in 2021) for the Parent Company and R$ 348,692 (R$ 367,473 in 2021) 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, 2022 and 2021, deferred income and social contribution were as follows:

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
Temporary differences	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Revaluation at fair value of land and buildings	(6,631)	(6,715)	(6,631)	(6,715)	-	-	-	-
Amortization of the goodwill on future profitability	(243,033)	(245,152)	(243,033)	(245,152)	(1,484)	127	(1,484)	127
Non-deductible intangible assets - merger of Raia	(59,270)	(53,803)	(59,270)	(53,803)	5,467	(156)	5,467	(156)
Non-deductible intangible assets - acquisition of 4Bio	-	-	(1,302)	(1,492)	-	-	-	(164)
Gain on bargain purchase – acquisition of Onofre	(37,694)	(60,311)	(37,694)	(60,311)	(22,617)	(22,617)	(22,617)	(22,617)
Tax losses to be offset against future taxable profits	-	-	-	22,697	-	-	22,697	11,919
Adjustment to present value	(16,060)	(2,103)	(15,163)	(1,774)	13,958	1,719	13,390	1,457
Adjustment to fair value	15,764	6,473	15,764	6,473	(9,291)	(959)	(9,291)	(959)
Provision for inventory losses	20,297	11,089	20,297	11,089	(9,209)	(1,502)	(9,209)	(1,502)
Provision for sundry obligations	85,655	73,317	85,876	73,461	(11,924)	3,678	(12,001)	3,551
Provision for employee profit sharing	35,357	24,169	37,728	25,701	(11,188)	38,312	(12,027)	37,170
Provision for contingencies	36,048	32,919	41,322	32,919	(3,544)	23,765	14,163	23,765
Expected credit losses	1,309	1,346	2,872	25,662	37	(266)	(383)	(23,434)
Lease (depreciation x consideration)	119,770	115,018	119,803	115,047	(4,752)	(27,894)	(4,755)	(27,900)
Other adjustments	32,128	16,234	32,128	16,234	(16,529)	623	(16,528)	623
Effective income tax and social contribution expense	-	-	-	-	**(71,076)**	**14,830**	**(32,579)**	**1,880**
Deferred tax liabilities, net	**(16,360)**	**(87,519)**	**(7,303)**	**(39,964)**				
Reflected in the balance sheet as follows:								
Deferred tax assets	331,032	278,462	331,032	278,462				
Deferred tax liabilities	(347,392)	(365,981)	(348,692)	(367,473)				
Deferred tax liabilities, net	**(16,360)**	**(87,519)**	**(17,660)**	**(89,011)**				
Deferred tax assets – Subsidiary – 4Bio	**-**	**-**	**10,357**	**49,047**				
Reconciliation of deferred tax assets (liabilities), net								
At the beginning of the year	(87,518)	(72,772)	(39,964)	(38,168)				
Expense recognized in the statement of income	71,076	(14,830)	32,579	(1,880)				
Realization of deferred tax recognized in equity	82	84	82	84				
Balance at the end of the year	**(16,360)**	**(87,518)**	**(7,303)**	**(39,964)**				

(All amounts in thousands of reais unless otherwise stated)

16.4. 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/22**	**Dec/21**	**Dec/22**	**Dec/21**
2022	-	132,204	-	160,740
2023	202,008	51,000	212,365	62,412
2024	46,526	37,740	46,526	44,556
2025	34,580	20,579	34,580	22,856
2026 and thereafter	47,918	36,939	47,918	36,945
Total	**331,032**	**278,462**	**341,389**	**327,509**
Deferred tax assets on temporary differences, recorded net in liabilities	331,032	278,462	331,032	278,462
Deferred tax assets on tax losses in subsidiaries	-	-	10,357	49,047

16.5. 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$ 29,303, 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.

17.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/22**	**Dec/21**
Basic		
Profit for the year	996,112	751,934
Weighted average number of common shares	1,647,653	1,649,271
Basic earnings per share - R$	**0.60456**	**0.45592**
Diluted		
Profit for the year	996,112	751,934
Weighted average number of common shares adjusted for dilution effect	1,653,674	1,653,785
Diluted earnings per share - R$	**0.60236**	**0.45467**

(All amounts in thousands of reais unless otherwise stated)

18. Equity

(a) Capital

At December 31, 2022, the fully paid-up capital amounted to R$ 2,500,000 (R$ 2,500,000 in 2021), represented by 1,651,930,000 book-entry registered common shares, with no par value, of which 1,209,031,054 were outstanding common shares (1,184,571,787 common shares in 2021).

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, 2022, the Company's ownership structure was as follows:

	Number of shares		Interest (%)	
Ownership interest	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Controlling shareholders	438,719,134	462,587,838	26.56	28.00
Shares outstanding	1,209,031,054	1,184,571,787	73.19	71.71
Treasury shares	4,179,812	4,770,375	0.25	0.29
Total	**1,651,930,000**	**1,651,930,000**	**100.00**	**100.00**

The ownership interest of the controlling shareholders 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 1, 2021	1,072,442,905
(Purchase)/sale of restricted shares, net	112,128,882
At December 31,2021	**1,184,571,787**
(Purchase)/sale of restricted shares, net	24,459,267
At December 31, 2022	**1,209,031,054**

At December 31, 2022, the Company's common shares were quoted at R$ 23.72 (closing quote) (R$ 24.30 at December 31, 2017).

(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.

(c) Treasury shares

(All amounts in thousands of reais unless otherwise stated)

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 cancellation, 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, 2022 are summarized below:

	Parent Company	
Changes in treasury shares	**Number of shares**	**Amount of shares**
At January 1, 2021	**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 shareholders (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**
Shares delivered to executives related to the 3rd tranche of the 2018 grant, 2nd tranche of the 2019 grant and 1st tranche of the 2020 grant	(581,512)	(11,214)
Shares delivered to executives related to the 1st tranche of 2020, 2nd tranche of 2019 and 3rd tranche of 2018 of 4Bio.	(6,296)	(121)
Shares delivered to executives related to the tranche of the 2020 grant	(2,755)	(53)
At December 31, 2022	**4,179,812**	**80,605**

At December 31, 2022, the market value of the treasury shares, having as reference the quotation of R$ 23.72 per share (R$ 24.30 in 2021), corresponds to R$ 99,145 (R$ 115,920 in 2021).

(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/22**	**Dec/21**
Profit for the year	996,112	751,934
Legal reserve	(49,806)	(37,597)
Realization of the revaluation reserve in the year	161	162
Investment grant reserve (Note 18b)	(223,681)	(91,600)
Dividend calculation basis (a)	**722,786**	**622,899**
Minimum mandatory dividends, according to statutory provision (25%)	180,697	155,725
Proposed dividend	186,500	161,000
Interest on capital and additional interest on capital proposed	312,000	205,000
Withheld income tax on interest on capital	(42,777)	(27,146)
Remuneration net of withheld income tax (b)	455,723	338,854
% distributed on the dividend calculation basis (b ÷ a)	63.05%	54.40%
Amount in excess of the mandatory minimum dividend	**275,026**	**183,129**
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)
Early payment of dividends approved at the BDM of 09/30/2022	(107,500)	-
Balance in excess of dividends payable	**167,526**	**22,129**

The Company's management allocated R$ 223,681 from its profit for 2022 to tax incentive reserves, described in the accounting policy.

The Company recognized interest on capital of R$ 312,000 (R$ 205,000 - 2021), observing both the limit of the Long-Term Interest Rate (TJLP) variation in 2022 and 2021 and the expense deductibility limits for income and social contribution tax calculation, pursuant to Law 9,249/95.

At December 31, 2022 , the amount of R$ 275,026 (R$ 183,129 - 2021) in excess of the minimum mandatory dividend established in the Company's bylaws was recorded in equity as proposed additional dividend.

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

	Parent Company	
Changes in dividend and interest on capital obligations	**Dec/22**	**Dec/21**
At January 1, 2021	**76,787**	**16,492**
Additions	310,326	408,334
Payment	(324,082)	(347,450)
Write-offs	(614)	(589)
At December 31, 2022	**62,417**	**76,787**

(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 7 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 be 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/22		Dec/21	
Changes in restricted shares	**Shares**	**Amount**	**Shares**	**Amount**
Opening balance at January 1	2,079,742	36,152	1,261,394	27,206
Granted shares for the year	2,617,050	22,688	1,527,473	15,086
Value of the shares at the delivery date	(587,808)	(9,792)	(709,125)	(6,140)
Closing balance at December 31	**4,108,984**	**49,048**	**2,079,742**	**36,152**

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					
2019 - 3rd tranche	03/01/2019	334,695	02/28/2023	02/28/2023	R$ 12.77
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
2022 - 1st tranche	03/01/2022	419,742	02/28/2024	02/28/2024	R$ 23.90
2022 - 2nd tranche	03/01/2022	419,742	02/28/2025	02/28/2025	R$ 23.90
2022 - 3rd tranche	03/01/2022	419,742	02/28/2026	02/28/2026	R$ 23.90
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$ 33.99
2022 - 1st tranche	01/01/2022	305,348	02/01/2026	01/01/2027	R$ 31.18

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

19.Net sales revenue

19.1. 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 final consumers, carried out both through physical pharmacies 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)

19.2. Balance breakdown

	Parent Company		Consolidated	
Breakdown of net revenue	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Sales revenue	29,042,180	24,141,834	30,832,700	25,514,071
Service revenue	62,445	75,554	117,864	91,613
Gross sales revenue	**29,104,625**	**24,217,388**	**30,950,564**	**25,605,684**
Taxes on sales	(1,331,040)	(1,147,316)	(1,373,403)	(1,218,499)
Returns, rebates and other	(452,253)	(229,067)	(509,781)	(260,183)
Net sales revenue	**27,321,332**	**22,841,005**	**29,067,380**	**24,127,002**

20.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:

	Parent Company		Consolidated	
Nature of expenses	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Costs of inventories sold (Note 7)	(18,749,839)	(15,788,340)	(20,223,406)	(16,901,753)
Personnel expenses	(3,457,413)	(2,826,429)	(3,565,669)	(2,890,025)
Occupancy expenses (i)	(346,090)	(322,552)	(348,735)	(324,608)
Depreciation and amortization (ii)	(1,461,525)	(1,284,218)	(1,473,350)	(1,292,310)
Discounts on property rental (iii)	1,105	6,390	1,105	6,390
Service provider expenses(iv)	(396,506)	(355,484)	(414,916)	(368,999)
Expenses on card operator fees	(409,858)	(305,813)	(412,483)	(307,876)
Other	(835,253)	(685,912)	(876,297)	(720,876)
Total	**(25,655,379)**	**(21,562,358)**	**(27,313,751)**	**(22,800,057)**

Classified in the statement of income as:

Function of expenses	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Costs of sales and services	(18,762,377)	(15,800,532)	(20,257,912)	(16,920,834)
Selling	(5,716,927)	(4,892,307)	(5,805,992)	(4,966,819)
General and administrative	(1,176,075)	(869,519)	(1,249,847)	(912,404)
Total	**(25,655,379)**	**(21,562,358)**	**(27,313,751)**	**(22,800,057)**

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

(ii) Depreciation and amortization in 2022 totaled R$ 1,461,525 (R$ 1,284,218 in 2021) for the Parent Company, of which R$ 1,316,151 (R$ 1,169,249 in 2021) refer to the sales area and R$ 145,374 (R$ 114,970 in 2021) to the administrative area, and totaled R$ 1,472,176 (R$ 1,292,311 in 2021) for the Consolidated accounts, of which R$ 1,317,946 (R$ 1,170,739 in 2021) refer to the sales area and R$ 154,230 (R$ 121,572 in 2021) 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$ 43,218 (R$ 34,980 - 2021).

(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.

(All amounts in thousands of reais unless otherwise stated)

21.Other operating (income)/expenses, net

In 2022, other operating income / (expenses) totaled R$ 18,620 (R$ 38,251 in 2021) for the Parent company and R$ 86,516 (R$ 40,654 in 2021) for the Consolidated accounts. These amounts comprise non-recurring expenses and revenues, as presented below:

	Parent Company		Consolidated	
Nature of income / (expenses)	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Write-off of fixed assets and intangible assets due to the pharmacies closure	(28,345)	(23,391)	(28,345)	(23,391)
Donations	(884)	(15,903)	(884)	(15,903)
Social investment	(7,762)	-	(7,762)	-
Consulting and advisory expenses	-	70	-	70
Revaluations - judicial deposits	-	548	-	548
Recognition of INSS credits from 2016 to 2019	-	1,142	-	1,142
Adjustment of provision for labor risks - Selic rate	-	3,410	-	3,410
Refund of ICMS-ST on 2020 sales(i)	10,210	13,706	10,210	13,706
Exclusion of ICMS from PIS/COFINS calculation basis (Note 8)	11,689	58,044	15,943	58,044
Credits from prior periods, mainly from PIS and COFINS	-	-	-	2,238
Credits from prior periods, mainly related to PVA - Inventories	24,115	-	24,115	-
Additional income and expenses due to the DC closure	-	(21)	-	(21)
Other tax income(ii)	-	-	64,129	-
Other	9,597	646	9,110	811
Total	**18,620**	**38,251**	**86,516**	**40,654**

(i) ICMS in the substitute taxpayer regime (ICMV-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.

(ii) The Group is involved in lawsuits challenging the collection of indirect taxes, considering the lawsuits with final and unappealable decisions favorable to the Company, the discussions held with legal advisors and the judicial deposits received, the Company decided to reverse the provision for the deposited amounts.

(All amounts in thousands of reais unless otherwise stated)

22.Finance income (costs)

	Parent Company		Consolidated	
Finance income	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Present value adjustment	220,550	57,298	248,087	64,339
Short-term investment yields	22,892	8,229	27,799	9,513
Discounts obtained	8,160	475	8,162	503
Monetary losses	3,295	4,999	3,986	5,218
Interest on intercompany loans	924	3,928	487	64
Other income	-	-	5,065	379
Total finance income	**255,821**	**74,929**	**293,586**	**80,016**
Finance costs	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Present value adjustment	(340,226)	(124,811)	(365,469)	(132,110)
Interest on leases[(i)]	(244,852)	(223,552)	(244,623)	(223,757)
Charges on debentures and promissory notes	(219,274)	(58,262)	(219,274)	(58,262)
Charges on borrowings	(47,255)	(29,511)	(47,259)	(29,511)
Interest on payables to subsidiary's shareholder	(28,314)	(2,819)	(28,368)	(2,849)
Interest, charges and bank fees	(17,139)	(1,361)	(19,699)	(1,624)
Amortization of transaction costs	(5,194)	(4,315)	(5,194)	(4,315)
Monetary losses	(286)	(3,407)	(9,721)	(6,233)
Discounts granted to customers	-	-	(94)	(565)
Total finance costs	**(902,540)**	**(448,038)**	**(939,701)**	**(459,226)**
Finance income (costs)	**(646,719)**	**(373,109)**	**(646,115)**	**(379,210)**

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

23.Financial instruments and risk management policy

23.1. 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

(All amounts in thousands of reais unless otherwise stated)

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.

23.2. Financial instruments by category

	Parent Company		Consolidated	
Financial instruments items	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Assets				
At amortized cost				
Cash and cash equivalents (Note 5)	364,374	316,654	433,541	356,118
Trade receivables (Note 6)	1,923,938	1,487,204	2,295,640	1,710,057
Other receivables	271,255	328,190	287,744	318,230
Judicial deposits (Note 15)	20,792	25,872	137,624	29,951
Total assets	**2,580,359**	**2,157,920**	**3,154,549**	**2,414,356**
Liabilities				
Liabilities at fair value through profit or loss				
Payables to subsidiary's shareholder (Note 9a)	64,710	37,383	64,710	37,943
Subtotal	**64,710**	**37,383**	**64,710**	**37,943**
Other liabilities				
Suppliers (Note 12)	3,999,967	3,485,328	4,258,917	3,656,607
Borrowing (Note 13)	2,239,606	1,462,162	2,317,904	1,505,222
Other payables	367,234	290,416	436,712	346,201
Leases payable (Note 14)	3,736,223	3,669,825	3,740,008	3,672,898
Subtotal	**10,343,030**	**8,907,731**	**10,753,541**	**9,180,928**
Total liabilities	**10,407,740**	**8,945,114**	**10,818,251**	**9,218,871**

(All amounts in thousands of reais unless otherwise stated)

23.3. 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 (R$); 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, 2022, the Group did not have any derivative transactions.

Interest rate risk

The operation with BNDES is carried out based on the TJLP rate, while other Company borrowings are linked to the CDI + bank spread. 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.

(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/22**	**Dec/21**	**Dec/22**	**Dec/21**
Rating - Notional scale				
brAAA	96,369	95,827	155,751	115,371
brAA+	18,729	26,767	20,735	33,020
brA	170	1,691	180	1,692
(*) n/a - Cash and automatic investments	249,106	192,369	256,352	199,900
(*) n/a - Investment funds	-	-	523	6,136
Total - Notional scale	**364,374**	**316,654**	**433,541**	**356,118**

(*) 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. For the year ended December 31, 2022, credit sales represented 61% (57% in 2021) for the Parent Company and 63% (59% in 2021) for the Consolidated accounts, of which 89% (94% in 2021) for the Parent Company and 82% (87% in 2021) for the Consolidated accounts related to credit card sales which, based on the history of losses, posed an extremely low risk. The remaining 11% (6% in 2021) for the Parent Company and 18% (13% in 2021) for the Consolidated accounts refer to credits from Medicine Benefit Programs (PBMs) and special plans that pose a low risk, due to customer selectivity.

(All amounts in thousands of reais unless otherwise stated)

(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 Company prepares a sensitivity analysis of financial instruments indexed to interest rates to which the Company is exposed.

All of the Company's borrowings are currently indexed to the Interbank Deposit Certificate (CDI). Due to the scenario of stability of the basic interest rate (Selic), it is not necessary to analyze scenarios with an increase in the interest curve, given that all market analysis consider a decrease in the basic interest rate as from the second half of 2023.

(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 shareholders.

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/22**	**Dec/21**	**Dec/22**	**Dec/21**
Short- and long-term borrowings	2,239,606	1,462,162	2,317,904	1,505,222
(-) Cash and cash equivalents	(364,374)	(316,654)	(433,541)	(356,118)
Net debt	**1,875,232**	**1,145,508**	**1,884,363**	**1,149,104**
Equity attributable to the shareholders of the parent	5,340,862	4,677,673	5,340,862	4,677,114
Noncontrolling interests	-	-	62,079	41,129
Total equity	5,340,862	4,677,673	5,402,941	4,718,243
Total capital	**7,216,094**	**5,823,181**	**7,287,304**	**5,867,347**
Gearing ratio	**25,99**	**19.67**	**25,86**	**19.58**

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, 2022, the balance of lease liabilities in the Parent Company and Consolidated accounts corresponded to R$ 3,736,223 and R$ 3,740,008 respectively. Considering the lease liability in the capital management calculation, the gearing ratio of the Company and the Group would be 51.24% in the Parent Company and 51.00% in the Consolidated. 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/22**	**Dec/21**	**Dec/22**	**Dec/21**
Net debt	1,875,232	1,145,508	1,884,363	1,149,104
Lease liabilities	3,736,223	3,669,825	3,740,008	3,672,898
Adjusted net debt	**5,611,455**	**4,815,333**	**5,624,371**	**4,822,002**
Total equity	5,340,862	4,677,673	5,402,941	4,718,243
Total adjusted capital	**10,952,317**	**9,493,006**	**11,027,312**	**9,540,245**
Adjusted gearing ratio (%)	**51.24**	**50.73**	**51.00**	**50.54**

(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/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
BNDES	-	155	-	155	-	155	-	155
Debentures and promissory notes	1,927,632	1,054,793	1,927,632	1,054,793	1,927,632	1,054,793	1,927,632	1,054,793
Other	311,974	407,214	311,974	407,214	390,272	450,274	390,272	450,274
Total	**2,239,606**	**1,462,162**	**2,239,606**	**1,462,162**	**2,317,904**	**1,505,222**	**2,317,904**	**1,505,222**

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, 2022, 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, 2022:

	Parent Company/Consolidated	
	Payables to subsidiary's shareholder	
Changes in payables to subsidiary's shareholder	**2022**	**2021**
Balance at January 1	37,383	46,448
(-) Payment for the exercise of the 1st Call Option of shares	-	(11,884)
Expenses recognized in the statement of income:	27,328	2,819
Balance at December 31	64,711	37,383
Total expenses for the year recognized in the statement of income	**27,328**	**2,819**
Changes in unrealized expenses for the year included in the statement of income	**27,328**	**2,819**

Notes to the individual and consolidated financial statements December 31, 2022 (All amounts in thousands of reais unless otherwise stated)

24.Transactions with related parties

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

		Parent Company		Consolidated		Parent Company		Consolidated	
		Assets				Transacted amount			
Related parties	**Relationship**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Receivables									
Special plans[i]		-	-	-	-	-	-	-	-
Regimar Comercial S.A.	Shareholder/Family	15	15	15	15	32	32	32	32
Heliomar Ltda.	Shareholder/Board Member	1	-	1	-	5	5	5	5
Natura Cosméticos S.A. [ii]	Shareholder/Related party	-	197	-	197	430	387	430	387
4Bio Medicamentos S.A. [v]	Subsidiary	69	51	-	51	137	88	-	88
Vitat	Subsidiary	2	-	-	-	9	-	-	-
Subtotal		**87**	**263**	**16**	**263**	**613**	**512**	**467**	**512**
Other receivables from related parties									
Commercial agreements		-	-	-	-	-	-	-	-
Natura Cosméticos S.A. [ii]	Shareholder/Related party	-	-	-	-	-	146	-	146
Advances to suppliers		-	-	-	-	-	-	-	-
Cfly Consultoria e Gestão Empresarial Ltda. [iii]	Family	232	171	232	171	-	-	-	-
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados [iv]	Shareholder/Family	20	45	20	45	-	-	-	-
Loan and other receivables		-	-	-	-	-	-	-	-
4Bio Medicamentos S.A. [v]	Subsidiary	436	32,765	-	-	771	3,455	-	-
Full Nine Digital Consultoria (Conecta Lá) [xii]	Associate	1,320	1,134	1,320	1,134	185	1,134	185	1,134
Healthbit Performasys Tecnologia [viii]	Subsidiary	-	1,380	-	1,380	275	1,380	275	1,380
ZTO Tecn. e Ser. de Infor. na Int. Ltda. (Manipulaê)[xi]	Associate	5,622	-	5,622	4,616	1,006	12	1,006	1,616
Labi Exames S.A. [xiii]	Associate	-	-	-	15,098	-	-	-	15,098
Stix Fidelidade e Inteligência S.A. [x]	Associate	4,322	17,752	4,322	17,752	14,208	17,752	14,208	17,752
SafePill Comercio Varejista de Med. Manip. Ltda [xiv]	Associate	5,518	-	5,518	-	5,518	-	5,518	-
Subtotal		**17,470**	**53,247**	**17,034**	**40,196**	**21,963**	**23,879**	**21,192**	**37,126**
Total receivables from related parties		**17,557**	**53,510**	**17,050**	**40,459**	**22,576**	**24,391**	**21,659**	**37,638**

(All amounts in thousands of reais unless otherwise stated)

		Parent Company		Consolidated		Parent Company		Consolidated	
		Liabilities				Transacted amount			
Related parties	**Relationship**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**	**Dec/22**	**Dec/21**
Payables									
Rentals (vi)									
Heliomar Ltda.	Shareholder/Board Member	30	52	30	52	394	299	394	299
Antonio Carlos Pipponzi	Shareholder/Board Member	10	9	10	9	133	60	133	60
Rosalia Pipponzi Raia	Shareholder/Board Member	10	9	10	9	133	60	133	60
Cristiana Almeida Pipponzi	Shareholder/Board Member	4	4	4	4	44	20	44	20
André Almeida Pipponzi	Shareholder/Board Member	4	4	4	4	44	20	44	20
Marta Almeida Pipponzi	Shareholder/Board Member	4	4	4	4	44	20	44	20
Subtotal		**62**	**82**	**62**	**82**	**792**	**479**	**792**	**479**
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (iv)	Shareholder/Family	141	-	141	-	5,176	2,998	5,176	2,998
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (vii)	Shareholder/Family	203	1,999	203	1,999	3,457	214	3,457	214
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	73	36	73	36	3,139	3,270	3,139	3,270
Cristina Ribeiro Sobral Sarian (Anthea Consultoria Empresarial) (viii)	Shareholder/Alternate Board Member until April 2021	-	-	-	-	542	450	542	450
Cesar Nivaldo Gon (CI&T IOT Comercio de HardWare e Software Ltda. and CI&T Softwares S.A.) (ix)	Shareholder/Board Member as from May 2021	3,234	11	3,234	11	27,349	159	27,349	159
Amplisoftware Tecnologia Ltda. (xv)	Subsidiary	8	-	-	-	75	-	-	-
Eloopz Serviços de Promoção (xvi)	Subsidiary	213	-	-	-	2,451	-	-	-
Stix Fidelidade e Inteligência S.A. (x)	Associate	11,452	8,187	11,452	8,187	51,552	8,187	51,552	8,187
Healthbit Performasys Tecnologia (viii)	Subsidiary	156	-	-	-	3,149	694	-	694
Cesar Nivaldo Gon (Sensedia S.A.) (xvii)	Shareholder/Board Member as from May 2021	1,300	-	1,300	-	1,378	-	1,378	-
Subtotal		**16,780**	**10,233**	**16,403**	**10,233**	**98,268**	**15,972**	**92,593**	**15,972**
Total payables to related parties		**16,842**	**10,315**	**16,465**	**10,315**	**99,060**	**16,451**	**93,385**	**16,451**

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

(i) 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. and 4Bio Medicamentos S.A. 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 contract signed in 2019, and mature in December 2022. In March 2022, the operation was completely settled.

Other receivables comprises commissions on Raia Drogasil S.A. referrals (R$ 436), recognized in "other receivables".

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

(vii) The 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 provision of consulting services in the areas of health and sustainability and to a 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 suppliers referring to the STIX points program.

(xi) Loan transactions between subsidiary RD Ventures and ZTO Tecnologia e Servicos de Informacao na Internet Ltda. in the monthly amounts of R$ 300 for July/2020, R$ 675 for August, September and December 2020, and January 2021, and R$ 1,000 for November 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 and Labi Exames S.A. in the amount of R$ 15,000 in 2021 and R$ 13,000 in 2022, with monetary adjustment based on CDI + 3.00% p.a., maturing in May 2023 and August 2023, respectively. As disclosed in Note 9.2.(e), the option to convert Labi shares was exercised in August 2022, reversing the loan balance to equity interest.

(xiv) Loans transactions between Raia Drogasil S.A. and SafePill Comercio Varejista de Med. Manip. Ltda in the amount of R$ 400 in August 2022, with remuneration linked to CDI + 3.26% p.a. and maturity in August 2024.

(All amounts in thousands of reais unless otherwise stated)

(xv) The balances and transactions refer to the provision of services related to implementation of electronic medical records for physicians and systems in drugstores so that customers are able to schedule exams and consultations in drugstores.

(xvi) The balances and transactions refer to service agreements related to the implementation of screens in stores, increasing the impact of end customers and leveraging sales with advertisers.

(xvii) The balances and transactions refer to agreements for provision of services related to digital transformation implementation.

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.

(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/22**	**Dec/21**	**Dec/22**	**Dec/21**
Share-based payment	22,388	17,265	26,537	18,581
Bonuses and social charges	13,739	6,839	13,739	6,839
Subtotal bonuses and social charges	**36,127**	**24,104**	**40,276**	**25,420**
Fees and social charges	25,984	23,576	28,630	26,597
Fringe benefits	358	420	358	420
Total	**62,469**	**48,100**	**69,264**	**52,437**

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.

25.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:

	Parent Company/Consolidated
Insurance items	**Dec/22**
Inventory loss risks	858,545
D&O*	100,000
Civil liability risks	40,000

* The Parent company's coverage extends to the subsidiaries

26.Non-cash transactions

At December 31, 2022, 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 24);
(iii) the installment purchase of fixed assets items in the amount of R$ 10,265 (R$ 19,491 in 2021);
(iv) recognition of lease liability with a balancing item in right-of-use asset, with additions of new agreements in the amount of R$ 450,840 (R$ 319,051 in 2021), remeasurements of R$ 456,463 (R$ 598,677 in 2021) and termination of agreements in the amount of R$ 46,695 (R$ 49,851 in 2021).

27. Events after the reporting period

Recently, the Federal Supreme Court established an understanding that has an effect on res judicata decisions related to tax matters, specifically the so-called legal relationships with an ongoing agreement. The effect of this decision, the judgment of which has not yet been published, will reach beyond the parties involved, and shall mandatorily be complied with by all others, since it has been issued within the ambit of the General Repercussion system (Topics 881 and 885).

We have analyzed the final and unappealable decisions, on an individual basis, and, together with our legal advisors, we have not identified any case in which the Federal Supreme Court has subsequently ruled differently, in a General Repercussion proceeding.

São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo – SP - Brasil

T: +55 11 2573-3000
ey.com.br

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, 2022 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, 2022, 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

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Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo – SP - Brasil

T: +55 11 2573-3000
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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 addressedthem, 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 we considered relevant for the generation of information that directly impact their financial statements. The assessment of ITGCs included audit procedures to assess controls over logical access, change management, information technology operation management, report processing and other aspects of technology.

With regard to the audit of logical accesses, we analyze 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.

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

We identified deficiencies in revocation and access controls, opportunities for improvement in the third-party management process and change management related to weaknesses in the segregation of functions.

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, 2022 financial statements. Taking this into consideration, 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, measurement and timely accounting of commercial agreements;

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

• 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.

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ey.com.br

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, 2022, 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

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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.

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 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 communicate with those charged with governance regarding, among other things, the planned scope, timing of the audit, and significant audit findings, including any significant deficiencies in internal controls that we 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, March 7, 2023.

ERNST & YOUNG
Auditores Independentes S.S.
CRC- SP-034519/O

Patricia Nakano Ferreira
Accountant CRC-1SP234620/O

In this section, pursuant to CVM Instruction 480/09, we compare the store opening projections for the Company with the data on pharmacies 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	260 openings
2023	240 openings (*)	260 openings	-
2024	240 openings (*)	260 openings	-
2025	240 openings (*)	260 openings	-

(*) The projections for 2023 to 2025 result from compliance with Warning Letter No. 18/222/CVM/SEP/GEA-2

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. On October 31, 2022, we revised the previous projection for the periods 2023 to 2025 from 240 openings per year to 260 openings per year.

The Company ended 2022 with 260 store openings and reiterates the projections of 260 openings from 2023 to 2025.

Raia Drogasil S.A.

Supervisory Board's Opinion

December 31, 2022

To the Board of Directors and Shareholders

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, 2022 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, March 7, 2023.

Paulo Sérgio Buzaid Tohmé
Supervisory Board Member

Gilberto Lério
Supervisory Board Member

Antônio Edson Maciel dos Santos
Supervisory Board Member

Adeildo Paulino
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, 2022.

São Paulo, March 7, 2023.

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

Celso Pissi Filho
Accountant in Charge
CRC 1SP236090/O-5

Raia Drogasil S.A.

Officers' Representation on Independent Auditor's Report December 31, 2022

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, 2022.

São Paulo, March 7, 2023.

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

Celso Pissi Filho
Accountant in Charge
CRC 1SP236090/O-5