Raia Drogasil S.A.

Financial Statements
December 31, 2014
with Independent Auditor's Report

EARNINGS RELEASE 2014

São Paulo, February 26th, 2015. Raia Drogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 4th quarter of 2014 (4Q14) and for the fiscal year of 2014. The consolidated financial statement of Raia Drogasil S.A. for the period ended December 31st, 2014 was prepared in accordance with IFRS and was reviewed by our independent auditors in accordance with Brazilian and international standards of auditing. Such financial statement was prepared in Reais and all growth rates are related to the same period of 2013.

As a result of the creation of RaiaDrogasil, we incurred both in 2014 and in 2013 on non-recurring expenses related to the integration. To facilitate a better understanding of our operating performance, we supplementally present adjusted results for 2014 and 2013 excluding the effects of non-recurring expenses.

In April and in May of 2013 we recorded a reduction in social charges on labor, a line which was classified as part of Taxes, Discounts and Returns since it was calculated as a percentage of revenues. In order to maintain historical comparability, we reclassified such charges to Sales Expenses.

HIGHLIGHTS:

- **Drugstores: 1,091 stores in operation (131 openings and 11 closures in 2014)**
- **Gross Revenues: R$ 7.7 billion, 18.5% of growth (11.4% for same-store sales)**
- **Gross Margin: 27.6% of gross revenues, a 0.8 percentage point margin increase**
- **Adjusted EBITDA: R$ 506.2 million, an EBITDA margin of 6.6% and an increase of 41.8%**
- **Adjusted Net Income: R$ 270.4 million, a net margin of 3.5% and an increase of 53.8%**
- **Cash Flow: R$ 55.1 million positive free cash flow, R$ 2.9 million total cash flow**
- **ROIC: 15.0%, an increase of 4.7%**

RADL3: **R$ 28.05/share**

Number of Shares: **330,386,000**

Market Cap: **R$ 9,267 million**

Closing: **February 25th, 2015**

IR Contacts:

Eugênio De Zagottis
Gabriel Rozenberg
Corina Steindler

Phone: +55 11 3769-7159

E-mail: ri@raiadrogasil.com.br

Summary	2013	2014	4Q13	1Q14	2Q14	3Q14	4Q14
(R$ thousand)							
# of Stores (end of period)	967	1,091	967	986	1,015	1,045	1,091
Store Openings	131	131	41	18	29	33	51
Store Closures	(24)	(11)	(4)	(1)	(2)	(3)	(5)
Net Reopenings/(Suspensions)	(4)	4	(1)	2	2	0	0
# of Stores (average)	902	1,020	950	977	1,003	1,031	1,067
Head Count	21,482	23,675	21,482	21,578	22,090	22,753	23,675
Pharmacist Count	3,322	3,927	3,322	3,451	3,587	3,747	3,927
# of Tickets	133,923	145,510	34,803	34,078	36,078	37,536	37,818
Gross Revenues	6,464,103	7,658,890	1,738,649	1,718,910	1,856,576	1,990,328	2,093,076
Gross Profit (Adjusted)	1,732,297	2,110,192	464,412	462,109	522,254	548,200	577,629
% of Gross Revenues	26.8%	27.6%	26.7%	26.9%	28.1%	27.5%	27.6%
EBITDA (Adjusted)	357,035	506,168	96,607	87,323	131,295	139,947	147,603
% of Gross Revenues	5.5%	6.6%	5.6%	5.1%	7.1%	7.0%	7.1%
Net Income (Adjusted)	175,810	270,431	48,067	40,720	73,820	80,494	75,397
% of Gross Revenues	2.7%	3.5%	2.8%	2.4%	4.0%	4.0%	3.8%
Net Income	100,985	221,386	27,818	29,131	62,120	67,979	62,157
% of Gross Revenues	1.6%	2.9%	1.6%	1.7%	3.3%	3.4%	3.1%
Free Cash Flow	90,676	55,086	73,552	(118,953)	52,571	25,461	96,006

LETTER TO OUR SHAREHOLDERS

Fiscal 2014 represented a landmark year for Raia Drogasil, the first year in which we operated as a fully unified Company. The successful conclusion of our integration empowered us to start sharing our unique assets and capabilities across our two iconic brands, fulfilling the vision that guided the formation of Raia Drogasil three years ago. As a result, we achieved a leap in execution, in customer service, and in value creation to our shareholders.

On February 28th, 2014, we concluded the integration of our systems and processes by rolling-out our new, unified ERP to all our stores and distribution centers. This allowed us to deploy advanced, proprietary functionalities, such as in pricing, promotions, inventory management and in CRM, which resulted in better service to our clients and in enhanced productivity for the Company. Additionally, we also unified our logistics operations and employed our fully-integrated supply chain network at the service of both our brands, which resulted in a reduction in shipping distances, route overlaps and delivery lead-times, as well as in increased delivery frequency to our stores, allowing us to reduce both our costs and stock-outs. We believe there will be further gains to be realized as we conclude the unification of our store POS system and deploy other value-creating functionalities to better service our customers.

We ended the year with R$ 7.7 billion in gross revenues, an 18.5% growth when compared to 2013, which is a testament both to the defensive nature of our industry as well as to the improvements we achieved in our execution. We opened 131 stores for the second consecutive year and closed 11 stores. Over the last five years, we opened a total of 569 stores, an unparalleled growth pace in the Brazilian drugstore industry. Our organic expansion, coupled with our same-store sales growth, generated a revenue increase of R$ 1.2 billion in 2014, approximately the total revenues of the eighth largest drugstore chain in the market, which further consolidated our leadership of the Brazilian drugstore market. We highlight our successful expansion in the Northeast, where we opened 22 new stores and entered into five new states in 2014. We reiterate our guidance of 130 new store openings for 2015 and our belief in being able to sustain significant growth for many years to come.

Our EBITDA totaled R$ 506.2 million, an increase of 41.8% over 2013. The EBITDA margin reached 6.6%, a 1.1 percentage point expansion when compared to 2013. Adjusted net income amounted to R$ 270.4 million, a net margin of 3.5%. We generated a free cash flow of R$ 55.1 million and total cash flow of R$ 2.9 million, our second consecutive year of positive free and total cash generation. Cash flow from operations totaled R$ 326.1 million, of which R$ 271.0 million were invested in fixed assets with strong financial discipline by seeking marginal returns consistent with our track record. As a result, our ROIC reached 15.0%, a 4.7 percentage point increase over 2014, and is expected to grow further in the future both through productivity gains and through the maturation of our store portfolio. Finally, we posted a Total Shareholder Return of 72.4%, stemming from a 71.5% share appreciation in the year and a dividend yield of 0.5%.

Our emphasis in execution goes beyond the integration: we are undertaking a bold store renovation program (218 stores in 2014 and 250 scheduled for 2015), and significantly strengthened pricing, product assortment and merchandising at Drogasil, analyzed our store processes and systems, identified gaps for reengineering, and strengthened our corporate structure in vital areas like category management and human resources. At the corporate level, we followed on with a rigorous cost management program and launched a restricted shares program to incentivize our key executives and align interests with shareholders.

Over the last three years, the focus of Raia Drogasil was in concluding the integration and in advancing both our brands to the best existing standard of execution. While we recognize there is still improvement opportunities, especially as regarding the new functionalities to be deployed through the unification of our POS systems, our new management agenda that starts in 2015 will be driven by innovation and capability-building, aiming at pushing the envelope of our execution. We have defined four strategic pillars that will allow us to create new differentials to the Company and to deliver better value to our Customers: ***Expanding Organically, Introducing New Formats, Enhancing Category Management and Shopping Experience, and Engaging, Analyzing and Potentializing Customers***.

As we redefine the limits of our execution and work on an ambitious strategic agenda, we are laying the foundation that will empower us to push forward the consolidation of the Brazilian drugstore industry as well as to sustain the prosperity cycle that started in 2014.

CHALLENGES FOR 2015

In spite of our strong performance in 2014, we have much bigger ambitions for the future of our Company. Raia and Drogasil have in their DNA two important elements, which combination can trigger another leap in performance: ***Execution*** and ***Innovation***. In the initial three years after the merger, the focus was solely on execution, aiming at advancing both our brands to the best existing standard of operation. Starting in 2015, our focus has shifted to innovation, by creating new differentials and building new capabilities in order to redefine the limits of our execution and the value creation to our customers and shareholders.

Therefore, we have established three main priorities:

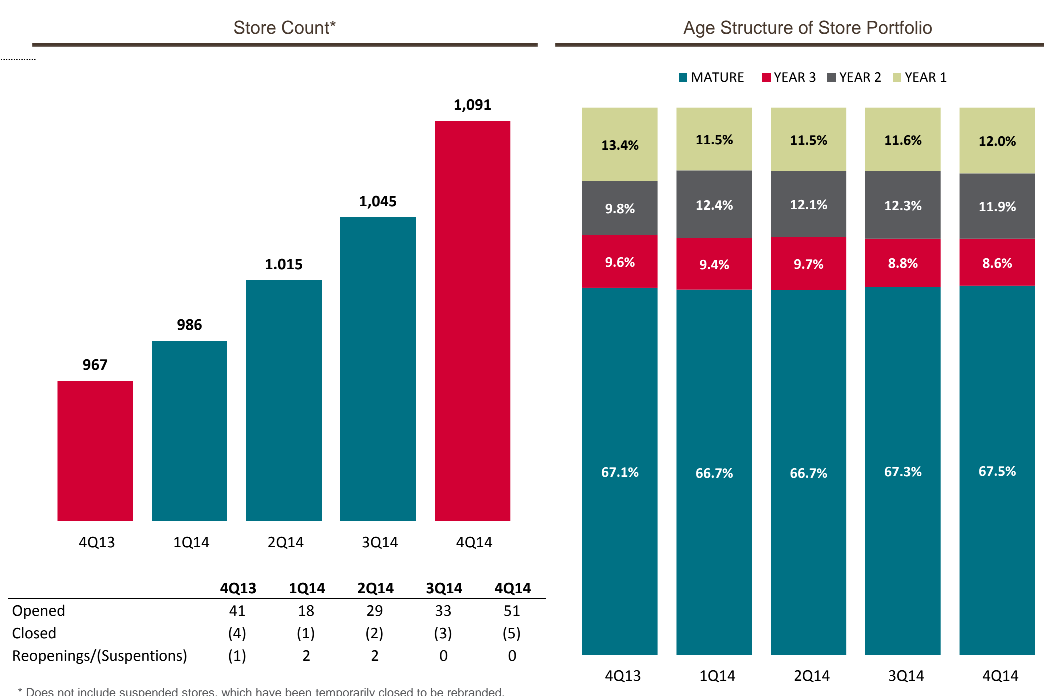
Implement our New Strategic Plan: In 2014, we developed a strategic plan for the next five years that aligns execution and innovation across four different pillars: ***Expanding Organically, Introducing New Formats, Enhancing Category Management and Shopping Experience, and Engaging, Analyzing and Potentializing Customers***. Regarding the expansion, our industry leadership, brand awareness and execution, together with the existing presence in 17 states that account for 89% of the Brazilian pharmaceutical market, enable us to lead the consolidation of our industry. With respect to new formats, the immediate challenge is to consolidate Farmasil as a viable growth lever for the future. Category management and CRM affect our relationship with consumers and their relationship to our stores. We have hundreds of the best corners in Brazil, loyalty programs which customers account for 78% of our revenues and a contact point at the pharmacy counter that allow us to identify and interact with consumers *during* their shopping experience, something that only e-commerce players are generally capable of. Our challenge is in leveraging those assets to potentialize customer experience by improving our store look and feel, product assortment, merchandising, pricing and promotions, employing data and science to drive customer delight and loyalty. We signed an exclusive partnership agreement with Dunnhumby, a leading global Data Science company that will support us in mining our extensive databases to better support our decisions. These strategies can have a significant impact in boosting our growth and margins in the years to come.

Attract, Develop, Engage and Retain People: The implementation of our strategy depends entirely on our capacity of developing competent and engaged employees, who are ready to lead or operate new stores and to service consumers in a courteous and professional way. Its main foundation lies in strengthening operating processes like hiring, training, evaluating and promoting. Until recently, we had execution gaps that we filled through improvements in the Human Resources structure and management. Our main long-term challenge is creating and consolidating a unified and winning culture, which is especially important for a Company recently formed through a merger of equals. The first pillar is offering Growth Opportunities, engaging and retaining the best professionals by challenging them to ascend professionally. This relies on an attractive career program, with robust training, evaluation and promotion processes, as well as on meritocracy, which is driven by objective and transparent career decisions that follow a clear set of criteria. The second pillar is Sense of Purpose, the belief by our employees that their work serves a higher cause, which creates pride and commitment. This can be achieved through the dissemination of firm and real values and beliefs held by the Organization. The creation of a winning culture is a long-term process, but one that can be transformational for Raia Drogasil.

Increase Returns to Shareholders: Our financial strategy is based on the following pillars: Flexibility, Discipline, Reinvestment and Returns to Shareholders. Flexibility derives from a strong balance sheet and positive free cash flows. Discipline is grounded on IRR-driven decision-making and on regular assessments of investment decisions. These pillars serve the business by funding value-creating strategies and serve shareholders by progressively increasing the ROIC, distribution and Total Return to Shareholders. Our challenge is balancing those variables across time, since growth distorts ROIC and limit distributions in the short term. Our ROIC has been historically low due to our aggressive growth, but would abruptly increase if we ceased to open new stores, for example. Even with that distortion, our ROIC has progressively grown, reaching 15.0% in 2014, and our goal for the coming years is to climb further steps by maintaining aggressive but disciplined investments, generating positive free cash flows and increasing our ROIC. By managing them harmonically, these pillars will allow us to maximize Total Returns to Shareholders in the longer term.

STORE DEVELOPMENT

We opened 131 new stores and closed 11 in 2014, ending the year with 1,091 stores in operation, including the reopening of four stores that had been temporarily suspended.



	4Q13	1Q14	2Q14	3Q14	4Q14
Opened	41	18	29	33	51
Closed	(4)	(1)	(2)	(3)	(5)
Reopenings/(Suspentions)	(1)	2	2	0	0

* Does not include suspended stores. which have been temporarily closed to be rebranded.

At the end of the period, 32.5% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenues and profitability

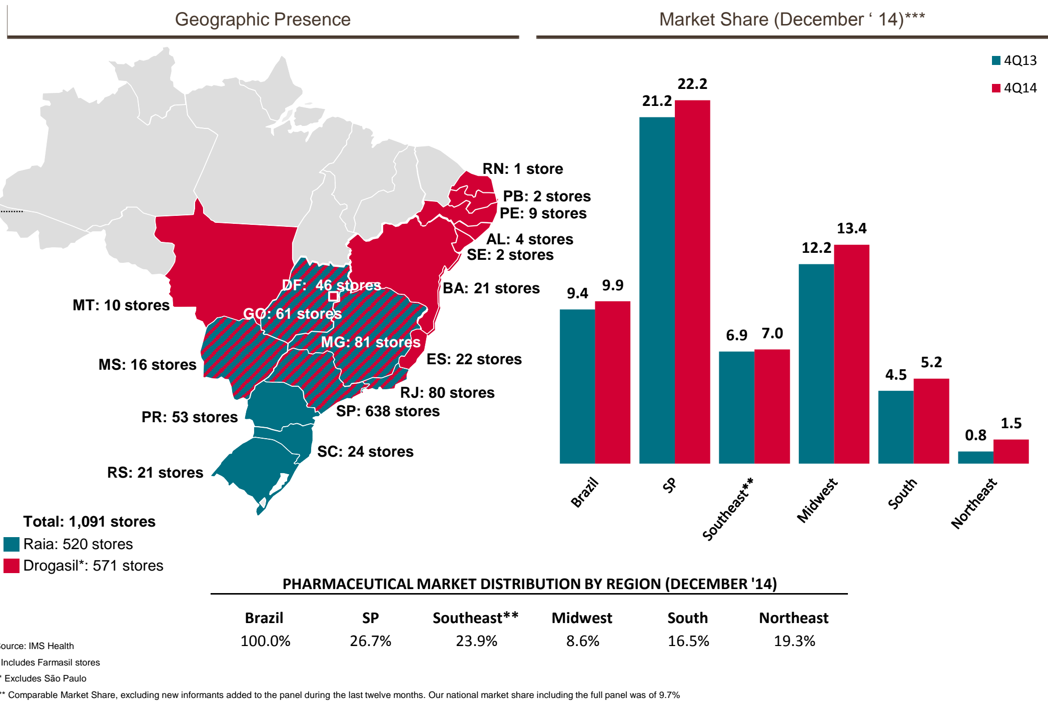
Our comparable national market share reached 9.9%, a 0.5 percentage point increase when compared to 2013. Our market share figures have been adjusted by IMS Health to exclude new informants to preserve historical comparability. Considering the inclusion of new informants, our national market share totaled 9.7%.

We have increased our comparable market share in all our regions. São Paulo was our main highlight, where we recorded a 1.0 percentage point increase leveraged by our organic expansion and by the progressive recovery of one of our brands, which had lost market share in 2013. In the remaining states of the Southeast, our market share increased by 0.1 percentage point.

We recorded a 1.2 percentage point increase in the Midwest driven by strong performances in all states (Mato Grosso do Sul, Mato Grosso, Distrito Federal and Goiás). We also recorded an excellent performance in the Southern region, where our market share increased by 0.7 percentage point, driven by store maturation in Paraná, Santa Catarina and by our growth in Rio Grande do Sul.

Finally, we reached a market share of 1.5% in the Northeast, due to our growth in Bahia as well as to our successful entry in five new states in the region: Pernambuco, Sergipe, Alagoas, Paraíba and Rio Grande do Norte.

At the end of fiscal 2014, we operated 1,091 stores in 17 states (including the Federal District), which account for 89% of the Brazilian pharmaceutical market.



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (DECEMBER '14)

Brazil	SP	Southeast**	Midwest	South	Northeast
100.0%	26.7%	23.9%	8.6%	16.5%	19.3%

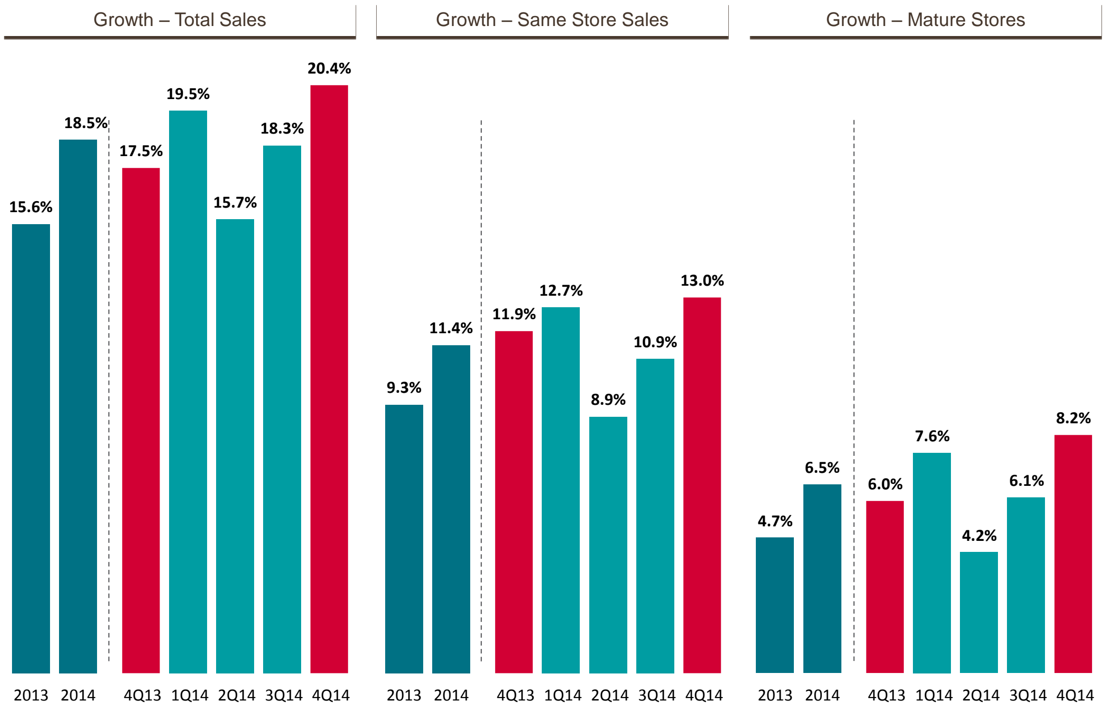
Source: IMS Health

* Includes Farmasil stores

** Excludes São Paulo

*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 9.7%

GROSS REVENUES

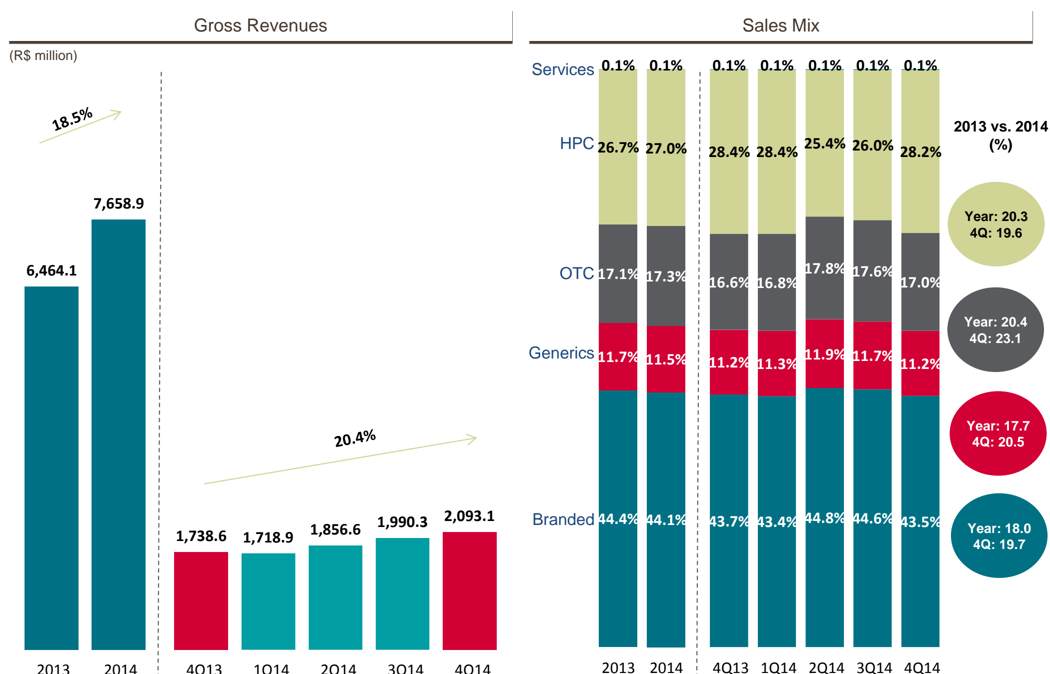


We ended the year with gross revenues of R$ 7,658.9 million, an 18.5% increase over 2013. We recorded an average same store sales growth of 11.4% and an average mature stores growth of 6.5% in the year.

In the 4Q14, our total revenue growth reached 20.4%, which corresponded to an increase in same-store sales of 13.0% and in our mature store sales of 8.2%.

We had a positive calendar effect of 1.0% when compared to the previous year and experienced an unusual seasonal peak in October due to the hot and dry weather.

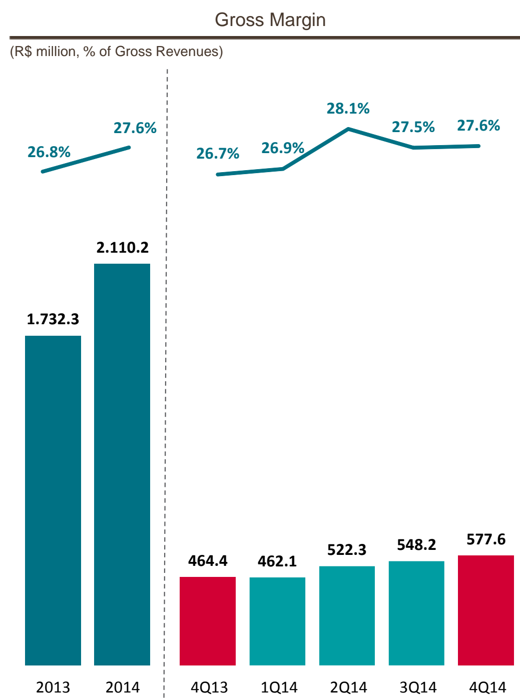
We highlight the growth achieved in the front store in 2014, with increases as a percentage of the sales mix both by HPC (0.3 percentage point) and by OTC (0.2 percentage point).



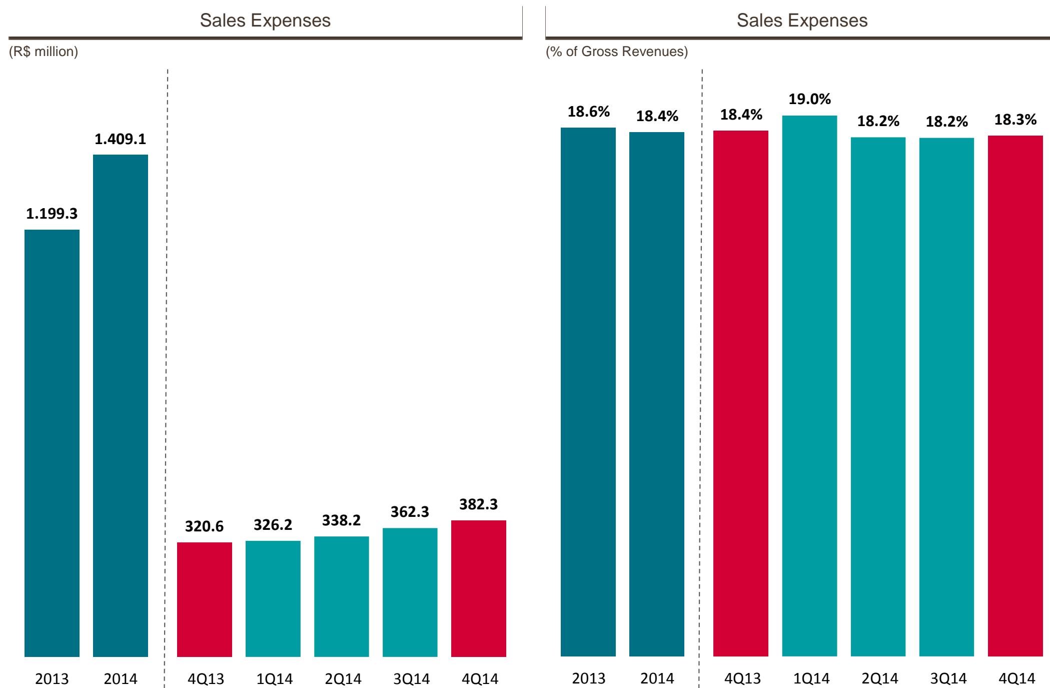
GROSS PROFIT

In 2014 we achieved a gross margin of 27.6%, a 0.8 percentage point increase when compared to 2013. In the 4Q14 our gross margin reached 27.6%, a 0.9 percentage point increase when compared to the 4Q13.

The return to the tax substitution regime in São Paulo in December 2013 relieved the tax burden we had experienced since the 3Q12, generating a positive impact of 0.4 percentage point. Additionally, we secured better purchasing terms with suppliers and pursued tactical changes in pricing, which increased our gross margin by 0.4 percentage point (0.5 percentage point in the quarter).



SALES EXPENSES



Sales expenses amounted to R$ 1,409.1 million in 2014, a 0.2 percentage point dilution over the previous year. The expense pressure arising from new stores decreased by 0.2 percentage point over 2013, driven by the strong sales performance recorded in our recently opened stores. Additionally, we experienced a 0.1

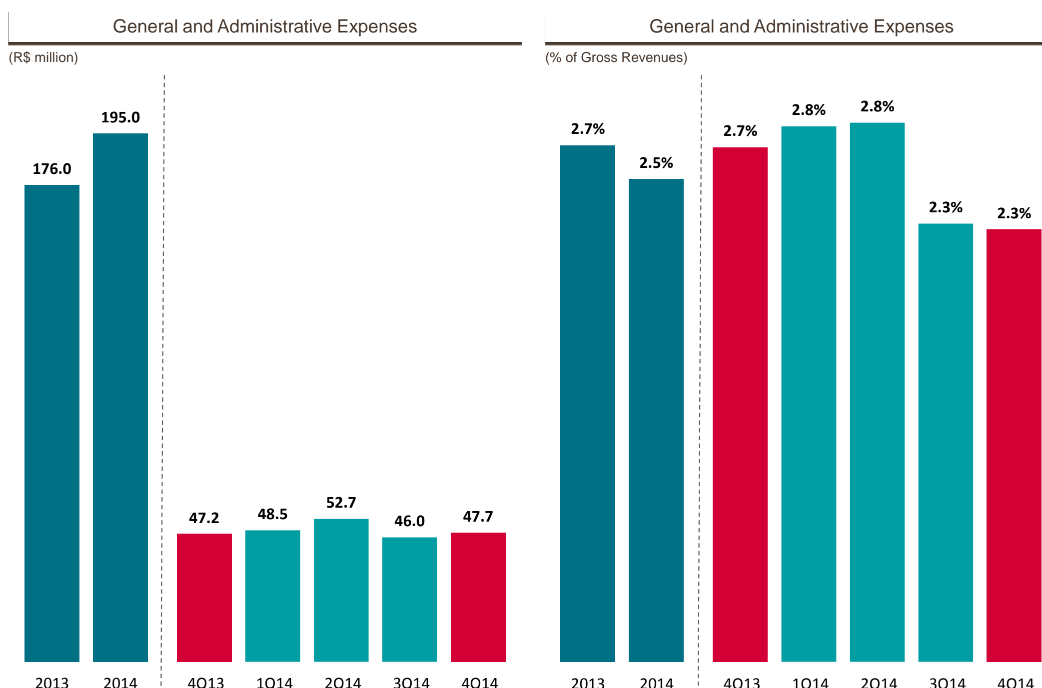
percentage point dilution in payroll, mainly due to the slower pace of staff replenishment at the stores throughout the year, and in other store expenses (0.1%), which were offset by a pressure in rentals (0.2%).

In the 4Q14, sales expenses totaled R$ 382.3 million, a 0.1 percentage point reduction when compared to the 4Q13. Pressures arising from rentals (0.2%) and utilities (0.1%) were fully offset by a dilution in personnel (0.1%), new store (0.2%) and other expenses (0.1%).

It is important to mention that the strong growth in mature stores achieved both in the year (6.5%) and in the quarter (8.5%), contributed significantly to the sales expense dilution, since store expenses have a very high fixed component.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2014, general and administrative expenses amounted to R$ 195.0 million, equivalent to 2.5% of gross revenues, a 0.2 percentage point dilution when compared to the previous year.



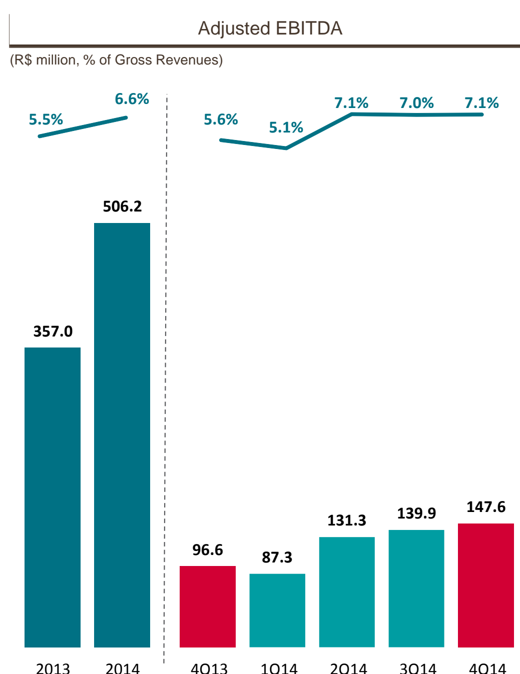
We recorded R$ 47.7 million in general and administrative expenses in the 4Q14, which represented 2.3% of gross revenues, a 0.4 percentage point dilution when compared to the 4Q13. Our variable compensation allowance was reduced by 0.3 percentage point versus the average of the year in order to offset an excess provisioning that happened in the 1H14.

Non-recurring expenses amounted to R$ 3.9 million in the quarter and to R$ 9.5 million in 2014.

EBITDA

We recorded an EBITDA of R$ 506.2 million, a margin expansion of 1.1 percentage point and a 41.8% increase over 2013, driven by a gross margin increase of 0.8 percentage point and by a 0.4 percentage point dilution in the SG&A.

In the 4Q14 we recorded an EBITDA of R$ 147.6 million, equivalent to 7.1% of gross revenues, a 52.8% increase and a 1.5 percentage point expansion over the 4Q13. This margin expansion was driven by a 0.9 percentage point increase in gross margins and by a 0.5 percentage point dilution in SG&A.



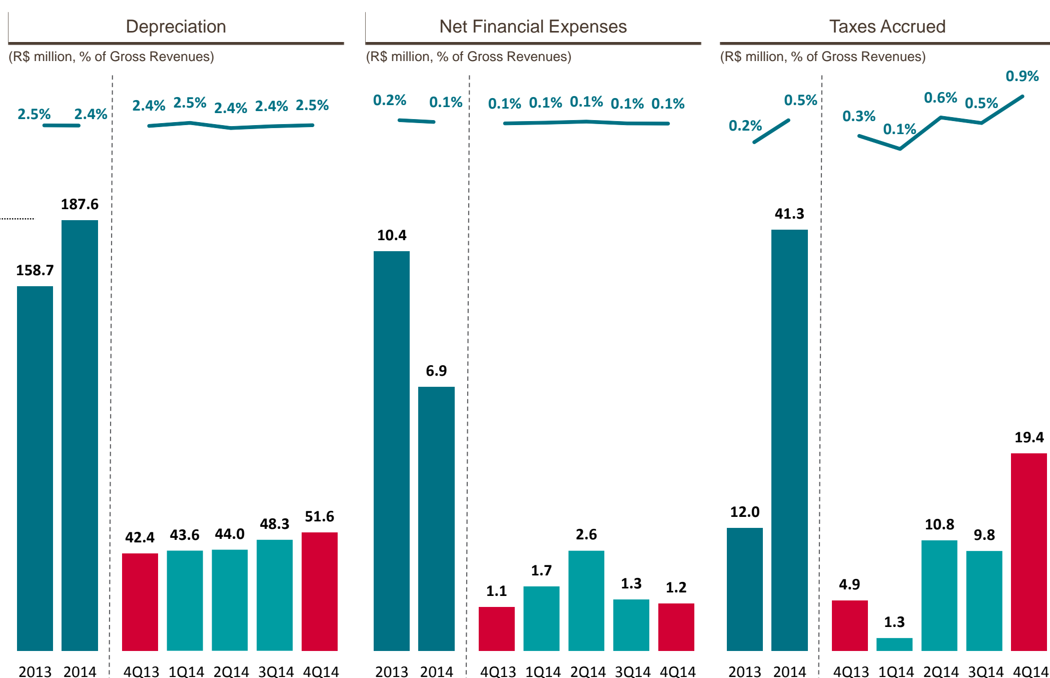
New stores opened in the year, as well as those that were in the opening process, reduced the EBITDA by R$ 26.1 million in 2014 (R$ 5.2 million in the 4Q14). Therefore, if we consider only the 960 stores in operation since the end of 2013 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R$ 532.3 million (R$ 152.8 million in the 4Q14), equivalent to an EBITDA margin of 7.2% over the respective gross revenues (7.7% in the 4Q14).

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

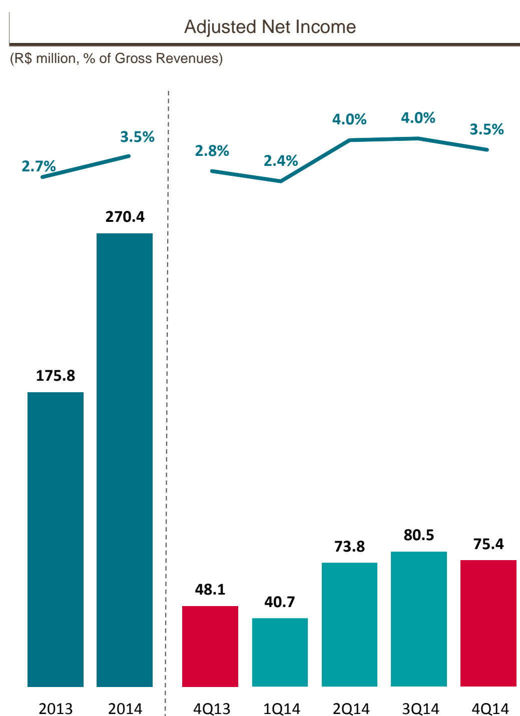
Depreciation expenses totaled R$ 187.6 million in 2014, equivalent to 2.4% of gross revenues, a 0.1 percentage point decrease over the previous year. In the 4Q14, we recorded R$ 51.6 million in depreciation expenses, equivalent to 2.5% of gross revenues, a 0.1 percentage point increase over the 4Q13.

We recorded in 2014 a dilution in net financial expenses of 0.1 percentage point, reflecting the lower net debt and interest expenses as a percentage of revenues versus the previous year. In the 4Q14, these expenses remained constant.

We booked R$ 41.3 million in taxes (R$ 19.4 million in the quarter), equivalent to 0.5% of gross revenues (0.9% in the 4Q14), a 0.3 percentage point increase due to the improvement in margins versus the previous year. This amount includes a tax shield from the goodwill amortization of R$ 42.8 million (R$ 10.7 million in the quarter).



ADJUSTED NET INCOME



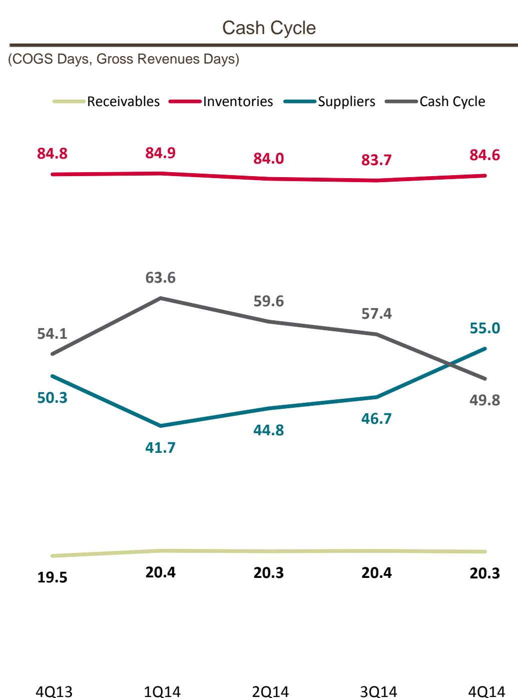
Adjusted net income totaled R$ 270.4 million, a 53.8% increase over 2013. We achieved an adjusted net margin of 3.5%, a 0.8 percentage point margin improvement driven by a 1.1 percentage point increase in the EBITDA margin combined with a reduction in financial expenses of 0.1 percentage point and partially offset by an income tax increase of 0.3 percentage point.

In the 4Q14 our adjusted net income was of R$ 75.4 million, an increase of 56.8% when compared to the same period of the previous year, representing a net margin of 3.6%. The 1.5 percentage point increase in the EBITDA margin, mitigated by an increase of 0.6 percentage point on income tax, led to a 0.8 percentage point expansion in net margin.

It is important to highlight that our reported net income (after non-recurring expenses and not including the tax shield from goodwill amortization) increased 119.2% over the previous year mainly due to the radical reduction in non-recurring expenses.

CASH CYCLE

We ended 2014 with a significant cash cycle reduction of 4.3 days when compared to the previous year.



We recorded a 0.2 day reduction in inventories and a 4.7 days increase in accounts payable, driven by an improvement in our purchasing terms. Finally, receivables increased by 0.8 day when compared to the previous year.

CASH FLOW

We generated a positive free cash flow for the second consecutive year, which totaled R$ 55.1 million in 2014. Our operating cash flow (R$ 326.1 million) has fully financed the investments (R$ 271.0 million) undertaken in the period. Resources from operations amounted to R$ 443.4 million, equivalent to 5.8% of our gross revenues, while working capital employed totaled R$ 117.3 million, resulting in an operating cash flow of R$ 326.1 million in the period.

In the 4Q14 we generated R$ 96.0 million in free cash flow. Resources from operations amounted to R$ 134.3 million, which amounted to 6.4% of gross revenues, while working capital was positive R$ 45.3 million, resulting in an operating cash flow of R$ 179.6 million in the period.

Investments in fixed assets amounted to R$ 271.0 million, versus R$ 236.8 million in 2013, including R$ 172,9 million in new store openings, R$ 39,8 million in existing stores renovation, and R$ 58,3 million in infrastructure.

We generated a positive total cash flow of R$ 2.9 million in 2014 (R$ 72.2 million in the quarter). Net financial expenses totaled R$ 6.9 million (R$ 1.2 million in the 4Q14), while net interest on equity to our shareholders amounted to R$ 41.5 million (R$ 24.5 million in the quarter), which were partially offset by the corresponding tax shield of R$ 27.7 million in the year (R$ 8.4 million in the quarter). We also had a cash outlay related to our share buyback program of R$ 20.9 million in the year.

Finally, we accrued R$ 74.6 million in interest on equity in 2014 (R$ 23.5 million in the quarter).

Cash Flow *(R$ million)*	**4Q14**	**4Q13**	**2014**	**2013**
Adjusted EBIT	**96.0**	**54.2**	**318.6**	**198.3**
Non-Recurring Expenses	(3.9)	(14.5)	(9.5)	(48.5)
Income Tax (34%)	(31.3)	(13.5)	(105.1)	(50.9)
Taxshield from Goodwill Amortization	10.7	2.6	42.8	22.3
Depreciation	51.6	42.4	187.6	158.7
Others	11.2	17.7	9.0	30.0
Resources from Operations	**134.3**	**89.0**	**443.4**	**309.9**
Cash Cycle*	80.4	14.2	(112.1)	(107.2)
Other Assets (Liabilities)	(35.1)	31.9	(5.2)	84.7
Operating Cash Flow	**179.6**	**135.1**	**326.1**	**287.4**
Investments	**(83.6)**	**(61.5)**	**(271.0)**	**(236.8)**
Free Cash Flow	**96.0**	**73.6**	**55.1**	**50.6**
Interest on Equity	(24.5)	(16.4)	(41.5)	(29.3)
Income Tax Paid over Interest on Equity	(6.5)	(2.7)	(10.6)	(5.3)
Net Financial Expenses	(1.2)	(1.1)	(6.9)	(10.4)
Share Buyback	-	-	(20.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	8.4	5.1	27.7	16.8
Total Cash Flow	**72.2**	**58.5**	**2.9**	**22.3**

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

** Does not include financing cash flow

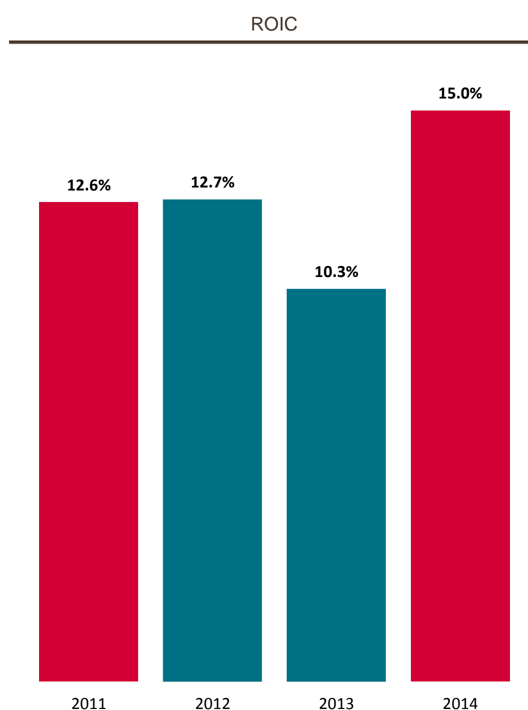
INDEBTEDNESS

At the end of the year, our net debt amounted to R$ 0.0 million, versus R$ 2.9 million recorded in 2013.

Our gross debt totaled R$ 281.2 million, of which 100% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines. Of our total debt, 65.3% is long-term, while 34.7% relates to the short-term parcels of our long-term debt. We ended the quarter with a total cash position (cash and marketable securities) of R$ 281.2 million.

RETURN ON INVESTED CAPITAL

We reached in 2014 a return on invested capital of 15.0%, a 4.7 percentage point increase over 2013.



Our ROIC is heavily penalized by our accelerated organic growth, since 32.5% of our fully invested stores have not yet reached their maturation and their profitability potential.

This effect is especially detrimental for the stores opened in 2014 or that were at the pre-operational stage to be opened in 2015, which consumed a CAPEX of R$ 172.9 million as well as additional working capital investments, yet generated a negative EBITDA of R$ 26.1 million in the fiscal year, since in average, they have not yet reached break-even. Therefore, as the store portfolio matures, the ROIC is expected to escalate.

Finally, the ROIC calculation excludes the effects of the goodwill generated in the merger, since the transaction was a full share swap that did not involve cash.

ROIC *(R$ million)*	**2011**	**2012**	**2013**	**2014**
(+) Current Assets	1,560.0	1,563.6	1,651.3	1,978.4
(-) Cash	(381.1)	(184.2)	(118.8)	(178.8)
(-) Current Liabilities	(708.1)	(749.1)	(823.9)	(1,077.5)
(+) Funding	50.5	58.0	72.3	99.2
(+) Permanent Assets	1,461.4	1,593.1	1,679.6	1,751.3
(-) Goodwill	(931.8)	(931.8)	(931.8)	(931.8)
(=) Invested Capital (LTM Average)	**1,051.0**	**1,349.6**	**1,528.6**	**1,640.9**
(+) Adjusted EBITDA	271.5	325.8	357.0	506.2
(-) Depreciation	(94.4)	(109.5)	(158.7)	(187.6)
(+) PPA Amortization	2.7	16.1	16.1	16.1
(=) EBIT	179.8	232.5	214.4	334.7
(-) Income Tax - (26.4%)	(47.5)	(61.4)	(56.6)	(88.3)
(=) NOPAT (LTM)	**132.4**	**171.1**	**157.9**	**246.4**
ROIC	**12.6%**	**12.7%**	**10.3%**	**15.0%**

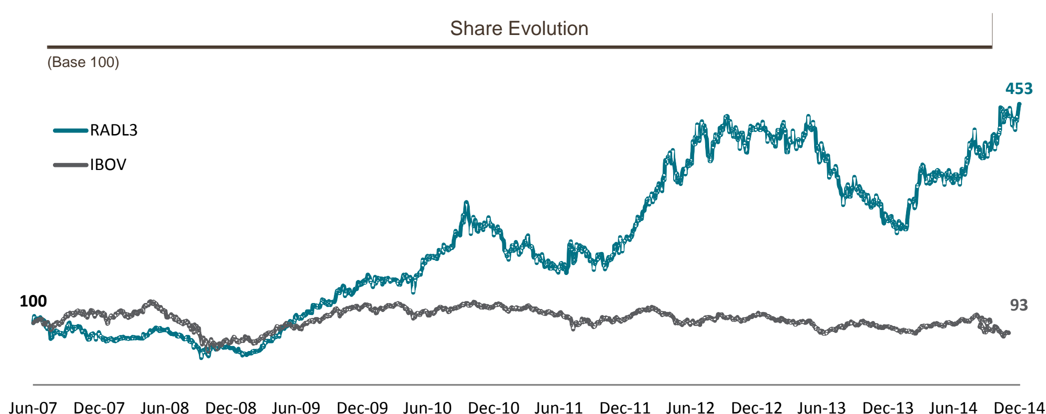
TOTAL SHAREHOLDER RETURN

We generated a Total Shareholder Return of 72.4% in 2014, including both the share price appreciation and distributions to shareholders.

We paid our shareholders R$ 41.5 million as net interest on equity, a distribution percentage of 0.5% of the market capitalization at year-end. The total amount booked in 2014 was of R$ 74.6 million.

Our goal for 2015 is to distribute interest on capital, so as to optimize its fiscal efficiency. Therefore, the amount to be accrued shall be the greater between the fiscal legal limit and 30% of net income, which has been our long-term distribution threshold. As an example, had we applied this mechanics in 2014, it would have resulted in a total booking of R$ 114.8 million in the year, a R$ 40,2 million increase versus the amount actually booked.

Finally, we achieved a share price appreciation of 71.5% in 2014, 74.4 percentage points above the IBOVESPA, which was down by 2.9% over the same period.



Since the IPO of Drogasil, we achieved a cumulative increase of 352.7% when compared to a negative return of 8.1% of the IBOVESPA over the same period. Including the payment of interest on own capital, we generated an average annual total return to shareholders of 23.0%.

Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 147.2% when compared to a decrease of 26.4% by the IBOVESPA. Including the payment of interest on own capital, this resulted in an average annual total return to shareholders of 24.9%.

We had an average daily trading volume of R$ 21.5 million in 2014 and of R$ 24.8 million in the 4Q14.

NET INCOME ALLOCATION

Complying with legal and statutory requirements, we propose the following allocation of the accrued income surplus in the amount of R$ 221,769 thousand:

-Legal Reserve	R$ 11,069 thousand
-Statutory Reserve	R$ 107,182 thousand
-Interest on Equity (R$ 0.226347349 per share)	R$ 74,559 thousand
-Additional Interest on Equity (R$ 0.087947338 per share)	R$ 28,959 thousand

This proposal also includes the input of interest on equity, net from income tax, to the mandatory dividend.

INDEPENDENT AUDITORS

In accordance to the CVM Instruction n. 381/2003 and the SNC/SEP Circular Letter n. 01/2007, the Company hereby informs that, throughout the year of 2014, Ernst & Young Auditores Independentes S/S has provided other services which represented less than 5% (five percent) of the compensation regarding external audit services.

The Company informs that its service hiring policy not related to the external audit is substantiated on the principles that preserve the auditors' independence. These principles are based in the fact that an independent auditor shall not audit its own work, cannot perform management functions, should not advocate on behalf of its client or provide any other service considered prohibited by current regulations, maintaining, therefore, its independence.

Ernst & Young Auditores Independentes S/S is not aware of any relationship between the parties that might be considered as conflicting regarding its independence.

Adjusted Income Statement *(R$ thousand)*	**4Q13**	**4Q14**	**2013**	**2014**
Gross Revenues	**1,738,649**	**2,093,076**	**6,464,103**	**7,658,890**
Taxes, Discounts and Returns	(58,677)	(73,343)	(220,462)	(267,321)
Net Revenues	**1,679,972**	**2,019,733**	**6,243,641**	**7,391,569**
Cost of Goods Sold	(1,215,560)	(1,442,104)	(4,511,345)	(5,281,377)
Gross Profit	**464,412**	**577,629**	**1,732,297**	**2,110,192**
Operational (Expenses) Revenues				
Sales	(320,641)	(382,321)	(1,199,257)	(1,409,067)
General and Administrative	(47,164)	(47,705)	(176,005)	(194,957)
Other Operational Expenses, Net				
Operational Expenses	**(367,805)**	**(430,026)**	**(1,375,262)**	**(1,604,024)**
EBITDA	**96,607**	**147,603**	**357,035**	**506,168**
Depreciation and Amortization	(42,446)	(51,604)	(158,736)	(187,568)
Operational Earnings before Financial Results	**54,161**	**95,999**	**198,299**	**318,600**
Financial Expenses	(4,975)	(6,110)	(20,310)	(25,250)
Financial Revenues	3,830	4,870	9,863	18,347
Financial Expenses/Revenues	**(1,145)**	**(1,241)**	**(10,447)**	**(6,902)**
Earnings before Income Tax and Social Charges	**53,016**	**94,759**	**187,852**	**311,697**
Income Tax and Social Charges	(4,949)	(19,362)	(12,042)	(41,266)
Net Income	**48,067**	**75,397**	**175,810**	**270,431**

Income Statement *(R$ thousand)*	**4Q13**	**4Q14**	**2013**	**2014**
Gross Revenues	**1,738,649**	**2,093,076**	**6,464,103**	**7,658,890**
Taxes, Discounts and Returns	(58,677)	(73,343)	(231,184)	(267,321)
Net Revenues	**1,679,972**	**2,019,733**	**6,232,919**	**7,391,569**
Cost of Goods Sold	(1,215,560)	(1,442,104)	(4,512,743)	(5,281,377)
Gross Profit	**464,412**	**577,629**	**1,720,176**	**2,110,192**
Operational (Expenses) Revenues				
Sales	(320,641)	(382,321)	(1,188,077)	(1,409,067)
General and Administrative	(47,164)	(47,705)	(176,463)	(194,957)
Other Operational Expenses, Net	(14,470)	(3,851)	(47,066)	(9,473)
Operational Expenses	**(382,275)**	**(433,877)**	**(1,411,606)**	**(1,613,498)**
EBITDA	**82,137**	**143,752**	**308,570**	**496,694**
Depreciation and Amortization	(42,446)	(51,604)	(158,736)	(187,568)
Operational Earnings before Financial Results	**39,691**	**92,148**	**149,834**	**309,126**
Financial Expenses	(4,975)	(6,110)	(20,310)	(25,250)
Financial Revenues	3,830	4,870	9,863	18,347
Financial Expenses/Revenues	**(1,145)**	**(1,241)**	**(10,447)**	**(6,902)**
Earnings before Income Tax and Social Charges	**38,546**	**90,907**	**139,387**	**302,224**
Income Tax and Social Charges	(10,727)	(28,750)	(38,402)	(80,837)
Net Income	**27,818**	**62,157**	**100,985**	**221,386**

Assets	**4Q13**	**4Q14**
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	241,885	281,189
Accounts Receivable	373,260	465,990
Inventories	1,132,620	1,340,199
Taxes Receivable	38,658	39,042
Other Accounts Receivable	108,953	107,590
Following Fiscal Year Expenses	8,200	9,921
	1,903,574	2,243,931
Non-Current Assets		
Deposit in Court	10,763	14,116
Taxes Receivable	11,859	17,330
Other Credits	728	1,218
Property, Plant and Equipment	536,629	647,673
Intangible	1,150,539	1,125,021
	1,710,518	1,805,358
ASSETS	3,614,093	4,049,289

Liabilities and Shareholder's Equity	**4Q13**	**4Q14**
(R$ thousand)		
Current		
Suppliers	671,455	871,477
Loans and Financing	83,944	97,710
Salaries and Social Charges Payable	116,352	141,548
Taxes Payable	65,920	42,230
Dividend and Interest on Equity	9,464	28,664
Provision for Lawsuits	4,912	5,209
Other Accounts Payable	67,956	88,212
	1,020,003	1,275,050
Non-Current Assets		
Loans and Financing	160,881	183,527
Provision for Lawsuits	8,021	4,103
Income Tax and Social Charges deferred	93,980	125,946
Other Accounts Payable	4,224	3,726
	267,107	317,303
Shareholder's Equity		
Common Stock	908,639	908,639
Capital Reserves	1,039,935	1,019,791
Revaluation Reserve	12,941	12,755
Income Reserves	357,169	475,420
Accrued Income	0	0
Additional Dividend Proposed	8,298	40,331
	2,326,983	2,456,937
LIABILITIES AND SHAREHOLDERS' EQUITY	3,614,093	4,049,289

Cash Flow	4Q13	4Q14	2013	2014
Earnings before Income Tax and Social Charges	**38,546**	**90,907**	**139,387**	**302,224**
Adjustments				
Depreciations and Amortization	42,446	51,604	158,736	187,568
Compensation plan with restricted shares	0	754	0	754
P,P&E and Intangible Assets residual value	5,227	(1,518)	9,888	(834)
Provisioned Lawsuits	524	(5,669)	2,856	(3,447)
Provisioned Inventories Loss	5,854	5,234	15,267	10,238
Allowance for Doubtful Accounts	200	(1,225)	(1,039)	(1,987)
Provisioned Store Closures	0	570	0	3,651
Interest Expenses	4,383	5,602	17,326	23,637
	97,180	**146,259**	**342,421**	**521,804**
Assets and Liabilities variation				
Accounts Receivable	(21,396)	(5,432)	(28,592)	(89,383)
Inventories	(189,940)	(80,968)	(174,492)	(217,816)
Other Short Term Assets	24,868	(41)	60,648	683
Long Term Assets	(10,960)	(3,555)	(2,868)	(30,302)
Suppliers	225,556	166,838	95,868	195,062
Salaries and Social Charges	(22,907)	(31,951)	23,455	25,196
Taxes Payable	31,306	(11,798)	25,898	(20,397)
Other Liabilities	6,758	10,262	(28,695)	7,831
Rent Payable	2,861	1,949	6,273	11,753
Cash from Operations	**143,326**	**191,563**	**319,916**	**404,431**
Income Tax and Social Charges Paid	(2,544)	(5,639)	(14,173)	(44,505)
Net Cash from (invested) Operational Activities	**140,782**	**185,924**	**305,743**	**359,926**
Investment Activities Cash Flow				
P,P&E and Intangible Acquisitions	(61,559)	(86,486)	(238,207)	(274,650)
P,P&E Sale Payments	14	2,887	1,397	3,680
Net Cash from Investment Activities	**(61,545)**	**(83,599)**	**(236,810)**	**(270,970)**
Financing Activities Cash Flow				
Funding	80,278	83,379	106,399	121,082
Payments	(19,620)	(25,356)	(60,420)	(88,811)
Interest Paid	(4,026)	(4,386)	(10,651)	(19,498)
Share Buyback	0	0	0	(20,898)
Interest on Equity and Dividends Paid	(16,351)	(24,541)	(29,339)	(41,527)
Net Cash from Funding Activities	**40,281**	**29,096**	**5,989**	**(49,652)**
Cash and Cash Equivalents net increase	**119,518**	**131,421**	**74,922**	**39,304**
Cash and Cash Equivalents in the beggining of the period	**122,367**	**149,768**	**166,963**	**241,885**
Cash and Cash Equivalents in the end of the period	**241,885**	**281,189**	**241,885**	**281,189**

Portuguese
at 10:00 am (Brasília)

Dial in access:
+55 (11) 2188-0155
Conference ID: Raia Drogasil

Replay (available 'til 3/6/2015):
+55 (11) 2188-0400

English
at 12:00 pm (Brasília)

Dial in access:
+1 (646) 843-6054
+55 (11) 2188-0155
Conference ID: Raia Drogasil

Replay (available 'til 3/6/2015):
+55 (11) 2188-0400

Live broadcast through the internet at: www.raiadrogasil.com.br/ir

For more information, please contact our Investor Relations department.

E-mail: ri@raiadrogasil.com.br

A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil.

Independent Auditor's Report

The Shareholders, Board of Directors and Officers
Raia Drogasil S.A.
São Paulo – SP

We have audited the accompanying financial statements of Raia Drogasil S.A. ("Company"), which comprise the balance sheet as at December 31, 2014 and the related income statement, statements of comprehensive income, of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements 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 internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Raia Drogasil S.A. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Other matters

Statements of value added

We have also audited the statement of value added (SVA) for the year ended December 31, 2014, preparated under management's responsibility, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies. This statement has been subjected to the same auditing procedures previously described and, in our opinion, is presented fairly, in all material respects, in relation to the overall financial statements.

São Paulo, February 26, 2015.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Alexandre Rubio
Accountant CRC-1SP223361/O-2

A free translation from Portuguese into English of financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

Raia Drogasil S.A.

Balance sheets
December 31, 2014 and 2013
In thousands of reais – R$

Assets	2014	2013
Current assets		
Cash and cash equivalents (Note 5)	281,189	241,885
Trade accounts receivable (Note 6)	465,990	373,259
Inventories (Note 7)	1,340,199	1,132,620
Taxes recoverable (Note 8)	39,042	38,658
Other receivables	107,590	108,953
Prepaid expenses	9,921	8,200
	2,243,931	1,903,575
Noncurrent assets		
Judicial deposits (Note 11)	14,116	10,763
Taxes recoverable (Note 8)	17,330	11,859
Other receivables	1,218	728
Property and equipment (Note 9a)	647,673	536,629
Intangible assets (Note 9b)	1,125,021	1,150,539
	1,805,358	1,710,518
Total assets	4,049,289	3,614,093

Liabilities and equity	2014	2013
Current liabilities		
Trade accounts payable	871,477	671,455
Financing (Note 10)	97,710	83,944
Payroll and related charges	141,548	116,352
Taxes, charges and contributions	42,230	65,920
Dividend and interest on equity (Note 14c)	28,664	9,464
Provision for legal proceedings (Note 11)	5,209	4,912
Other payables	88,212	67,957
	1,275,050	1,020,004
Noncurrent liabilities		
Financing (Note 10)	183,527	160,881
Provision for legal proceedings (Note 11)	4,103	8,021
Deferred income and social contribution taxes (Note 12b)	125,946	93,980
Other payables	3,726	4,224
	317,302	267,106
Total liabilities and equity	1,592,352	1,287,110
Equity (Note 14)		
Capital	908,639	908,639
Capital reserves	1,019,791	1,039,935
Revaluation reserve	12,755	12,941
Income reserves	475,421	357,170
Additional dividend proposed	40,331	8,298
Total equity	2,456,937	2,326,983
Total liabilities and equity	4,049,289	3,614,093

See accompanying notes.

Raia Drogasil S.A.

Income statements
Years ended December 31, 2014 and 2013
In thousands of reais – R$, except earnings per share

	2014	2013
Net sales revenue (Note 15)	7,391,569	6,232,919
Cost of goods sold	(5,281,377)	(4,512,743)
Gross profit	2,110,192	1,720,176
Operating income (expenses)		
Selling expenses	(1,409,067)	(1,188,077)
General and administrative expenses	(194,958)	(176,463)
Depreciation and amortization	(187,568)	(158,736)
Other operating expenses (Note 17)	(9,473)	(47,066)
	(1,801,066)	(1,570,342)
Operating income before financial income (expenses)	309,126	149,834
Financial income (expenses)		
Financial expenses (Note 18a)	18,347	9,863
Financial expenses (Note 18b)	(25,249)	(20,310)
	(6,902)	(10,447)
Income before income and social contribution taxes	302,224	139,387
Income and social contribution taxes (Note 12a)		
Current	(48,776)	(8,347)
Deferred	(32,062)	(30,055)
	(80,838)	(38,402)
Net income for the year	221,386	100,985
Earnings per share in R$ – basic (Note 13)	0.67232	0.30566
Earnings per share in R$ – diluted (Note 13)	0.67232	0.30566

.

See accompanying notes.

Raia Drogasil S.A.

Statements of comprehensive income
Years ended December 31, 2014 and 2013
In thousands of reais – R$, except earnings per share

	2014	2013
Net income for the year	221,386	100,985
Components of comprehensive income		
Other comprehensive income		
Total comprehensive income for the year	221,386	100,985

See accompanying notes.

Raia Drogasil S.A.

Statements of changes in equity
December 31, 2014 and 2013
In thousands of reais – R$, except earnings per share

		Capital reserves					Income reserves				
	Capital	Special monetary restatement	Premium on issue/ sale of shares	Treasury shares	Other	Revaluation reserve	Legal	Statutory	Retained earnings	Additional dividend proposed	Total
At December 31, 2012	908,639	10,191	1,029,418		326	13,127	14,375	280,346		8,237	2,264,659
Dividend for FY 2012 approved at GSM of April 29, 2013										(8,237)	(8,237)
Realization of revaluation reserve, net of income and social contribution taxes						(186)			186		
Interest on equity expired									178		178
Net income for the year									100,985		100,985
Income allocation											
Statutory reserve								62,449	(62,449)		
Interest on equity proposed – R$0.117741067 per share (Note 14c)									(30,602)		(30,602)
Additional interest on equity proposed (amount in excess of mandatory minimum dividend)									(8,298)	8,298	
At December 31, 2013	908,639	10,191	1,029,418		326	12,941	14,375	342,795		8,298	2,326,983
Dividend for FY 2013 approved at GSM of April 29, 2014										(8,298)	(8,298)
Realization of revaluation reserve, net of income and social contribution taxes						(186)			186		
Interest on equity expired									196		196
Treasury shares – repurchase				(20,898)							(20,898)
Restricted stock plan				754							754
Net income for the year									221,386		221,386
Income allocation											
Legal reserve							11,069		(11,069)		
Statutory reserve								107,182	(107,182)		
Interest on equity proposed – R$0.226347349 per share (Note 14c)									(63,186)		(63,186)
Additional interest on equity proposed (amount in excess of mandatory minimum dividend)									(40,331)	40,331	
At December 31, 2014	908,639	10,191	1,029,418	(20,144)	326	12,755	25,444	449,977		40,331	2,456,937

See accompanying notes.

Raia Drogasil S.A.

Cash flow statements – indirect method
Years ended December 31, 2014 and 2013
In thousands of reais – R$

	2014	2013
Cash flows from operating activities		
Net income before income and social contribution taxes	302,224	139,387
Adjustments		
Depreciation and amortization	187,568	158,736
Share-based compensation plan – restricted stock	754	
Gain on disposal or write-off of property and equipment and intangible assets	(834)	9,888
Provision for legal proceedings	(3,447)	2,856
Provision for inventory losses	10,238	15,267
(Reversal of) allowance for doubtful accounts	(1,987)	(1,039)
Provision for store decommissioning	3,651	
Interest expenses	23,637	17,326
	521,804	342,421
Changes in assets and liabilities		
Accounts receivable	(89,383)	(28,592)
Inventories	(217,816)	(174,492)
Other current assets	683	60,648
Long-term receivables	(9,312)	(2,868)
Trade accounts payable	195,062	95,868
Payroll and related charges	25,196	23,455
Taxes, charges and contributions	(41,387)	25,898
Other payables	7,831	(28,695)
Rent payable	11,753	6,273
Cash from operating activities	404,431	319,916
Income and social contribution taxes paid	(44,505)	(14,173)
Net cash generated by operating activities	359,926	305,743
Cash flows from investing activities		
Additions to property and equipment and intangible assets	(274,650)	(238,207)
Proceeds from disposal of property and equipment	3,680	1,397
Net cash used in investing activities	(270,970)	(236,810)

See accompanying notes.

Raia Drogasil S.A.

Cash flow statements – indirect method
Years ended December 31, 2014 and 2013
In thousands of reais – R$

	2014	2013
Cash flows from financing activities		
Financing raised	121,082	106,399
Repayment of financing	(88,811)	(60,420)
Interest paid	(19,498)	(10,651)
Share repurchase	(20,898)	
Interest on equity and dividends paid	(41,527)	(29,339)
Net cash flow (used in) generated by financing activities	(49,652)	5,989
Net increase in cash and cash equivalents	39,304	74,922
Cash and cash equivalents at beginning of year	241,885	166,963
Cash and cash equivalents at end of year	281,189	241,885

See accompanying notes.

Raia Drogasil S.A.

Statements of value added
Years ended December 31, 2014 and 2013
In thousands of reais – R$

	2014	2013
Revenue		
Gross sales of goods, products and services	7,613,344	6,430,617
Other	3,226	1,253
Reversal of allowance for doubtful accounts	1,987	1,039
	7,618,557	6,432,909
Inputs acquired from third parties		
Cost of goods/products sold and services rendered	(5,014,704)	(4,198,839)
Materials, electric energy, third-party services and other	(287,633)	(296,236)
Impairment of assets	(4,719)	(1,996)
	(5,307,056)	(4,497,071)
Gross value added	2,311,501	1,935,838
Depreciation and amortization	(187,568)	(158,736)
Net value added produced by the Company	2,123,933	1,777,102
Value added received in transfer		
Financial income	18,347	9,863
	18,347	9,863
Total value added to be distributed	2,142,280	1,786,965
Distribution of value added		
Personnel	789,323	680,742
Salaries	623,745	547,971
Benefits	120,414	89,586
Unemployment Compensation Fund (FGTS)	45,164	43,185
Taxes, charges and contributions	737,264	685,387
Federal	335,172	252,358
State	392,599	424,075
Local	9,493	8,954
Debt remuneration	394,307	319,851
Interest	126,968	102,204
Rent	267,339	217,647
Equity remuneration	221,386	100,985
Interest on equity	63,186	30,602
Additional interest on equity proposed (amount in excess of mandatory minimum dividend)	40,331	8,298
Retained profit for the year	117,869	62,085
Value added distributed	2,142,280	1,786,965

See accompanying notes.

1. Operations

Raia Drogasil S.A. ("Company") is a publicly-traded corporation, registered with the São Paulo State Stock Exchange – Novo Mercado, headquartered in São Paulo, capital of the state of São Paulo.

The Company is primarily engaged in the retail sale of medicine, perfumery, personal care and beauty products, cosmetics and dermocosmetics. Sales are carried out by 1,091 stores, located in the states of São Paulo, Minas Gerais, Rio de Janeiro, Goiás, Paraná, the Federal District, Santa Catarina, Espírito Santo, Rio Grande do Sul, Bahia, Mato Grosso do Sul, Mato Grosso, Pernambuco, Alagoas, Sergipe, Paraíba and Rio Grande do Norte, as follows:

	2014
São Paulo	638
Minas Gerais	81
Rio de Janeiro	80
Goiás	61
Paraná	53
Federal District	46
Santa Catarina	24
Espírito Santo	22
Rio Grande do Sul	21
Bahia	21
Mato Grosso do Sul	16
Mato Grosso	10
Pernambuco	9
Alagoas	4
Sergipe	2
Paraíba	2
Rio Grande do Norte	1
	1,091 (*)

(*) The number of stores is not within our work scope.

2. Presentation of financial statements

In conformity with Rule No. 505/2006 issued by the Brazilian SEC (CVM), authorization to issue these financial statements was granted by Company Board of Directors on February 26, 2015.

These financial statements are presented in thousands of reais (R$), which is the Company's functional and reporting currency.

Company financial statements for the year ended December 31, 2014 were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the rules set forth by the Brazilian SEC (CVM) and accounting pronouncements issued by the Brazilian FASB (CPC).

The financial statements include estimates regarding provision for inventory losses, allowance for doubtful accounts, appreciation of financial instruments, amortization and depreciation periods for property and equipment and intangible assets, provision for legal proceedings, and determination of provisions for taxes, among others.

The Company adopted all standards, revised standards and interpretations issued by the Brazilian FASB (CPC) in effect as of December 31, 2014.

3. New standards, amendments and interpretations of standards

a) New standards, amendments and interpretations effective as from January 1st, 2014, but which had no effects on the Company's annual financial information are as under:

(i) IAS 32 – Offsetting Financial Assets and Liabilities – Amendment to IAS 32: this amendment clarifies the meaning of "currently has a legally enforceable right to set-off the amounts recognized" and the criterion that would cause settlement mechanisms that are not simultaneous (such as clearing house systems) to qualify for such offsetting.

(ii) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): these amendments introduce a consolidation exception for entities that meet the definition of 'investment entity' in IFRS 10. Under this exception, investment entities are required to measure their investments in subsidiaries at fair value through profit or loss.

(iii) IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting: this amendment introduces a relief regarding discontinuance of hedge accounting where a derivative, which is designated as hedging instrument, is novated, if specific conditions are met.

(iv) IFRIC 21 –Levies: IFRIC 21 provides guidance on when to recognize a liability for a tax or levy when the obligating event occurs. For a levy that is triggered upon reaching a given metric, the interpretation indicates that no liability should be recognized before the specified metric is reached.

b) New or revised standards issued but not yet effective, i.e., they will become effective for annual periods beginning on or after January 1st, 2015. The Company management does no anticipate these standards and interpretations will have material effects on its Financial Information.

(i) IFRS 9 – Financial Instruments (effective date as from January 1st, 2018): this standard ultimately refers to replacement of IAS 39. The major changes provided for therein are: (i) all financial assets are initially measured at fair value; (ii) the standard divides all financial assets into two classifications: those measured at amortized cost and those measured at fair value; and (iii) the concept of embedded derivatives no longer exists.

(ii) IFRS 15 – Revenue from Contracts with Customers (effective date as from January 1st, 2017): the primary objective of IFRS 15 is to clarify the principles for recognizing revenue and to simplify the preparation of financial statements.

(iii) Amendment to IFRS 11 – Joint Arrangements (effective as from January 1st, 2016): a joint operator must apply all of the principles on business combinations accounting, including those on disclosure requirements.

(iv) Amendments to IAS 16 and IAS 38 – Acceptable methods of depreciation and amortization (effective as from January 1st, 2016): the depreciation and amortization method should be based on the economic benefits that are consumed through use of the asset.

(v) Amendments to IAS 27 – Equity Method in Separate Financial Statements (effective as from January 1st, 2016): these amendments will allow entities to use the equity method ato account for investments in subsidiaries in their separate financial statements.

(vi) Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception (effective as from January 1st, 2016): these amendments clarify, among other aspects, that a non-investment entity may, when applying the equity method, retain the fair-value-through-profit-or-loss measurement applied by its investment entity to account for its own interests in its subsidiaries.

(vii) Amendment to IAS 1 (effective as from January 1st, 2016): this amendment aims to emphasize that the financial information should be objective and easier to understand.

c) Amendments to standards already in effect.

(i) IFRS 7 – Servicing Contracts (effective as from January 1st, 2016): servicing contracts generally constitute continuing involvement in a transferred financial asset for the purpose of determining the disclosures required. Continuing involvement in a transferred financial asset is confirmed if the definitions described in the standard (paragraphs B30 and 42C) are met.

(ii) IFRS 5 – Reclassificaton of noncurrent assets from held for sale to held for distribution to owners (effective as from February 1st, 2016): it adds specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution (or vice versa) and cases in which held-for-distribution accounting is discontinued.

(iii) IAS 19 – Employee Benefits – Discount Rate (effective as from January 1st, 2016): in an multi-country regional market sharing a common functional currency, the discount rate must be determined using bonds with minimal or very low credit risk at country level, not at the functional currency level.

There are no other IFRS issued but not yet effective that could have a material impact on the Company.

4. Summary of significant accounting practices

Significant accounting practices applied in the preparation of these financial statements are outlined below:

(a) Cash and cash equivalents

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. Short-term investments included in cash equivalents are classified as "financial assets measured at fair value through profit and loss".

(b) Financial instruments

(i) Financial assets

Classification and measurement

The Company classifies its financial assets into three categories: measured at fair value through profit or loss, held to maturity and receivables. The classification depends on the purpose for which the financial assets were acquired. Financial assets are initially recognized at fair value plus, in the case of investments not designated at fair value through profit or loss, transaction costs directly attributable to the financial asset acquisition.

(1) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are those held for active and frequent trading. These are classified as current assets. Gains or losses arising from changes in fair value of financial assets measured at fair value through profit or loss are recorded under Financial income (expenses) in the period in which they occur.

(2) Assets held to maturity

These substantially include financial assets that may not be classified as loans and receivables for being quoted in an active market. In this case, the Company has the positive intent and ability to hold the financial assets acquired to maturity. They are stated at acquisition cost, plus income earned, against net income for the period, using the effective interest rate method.

(3) Loans and receivables

These are loans granted and receivables that are nonderivative financial assets with fixed or determinable payments which, however, are not traded in an active market. They are recorded in current assets, except those maturing after 12 months from the balance sheet date, which are classified in noncurrent assets. Company loans and receivables comprise trade accounts receivable and other receivables.

(ii) Financial liabilities

Classification and measurement

The Company classifies its financial liabilities under other financial liabilities. The classification depends on the purpose for which the financial liabilities were acquired. When recognized, they are initially measured at fair value plus, in the case of loans and financing mot designated at fair value through profit or loss, transaction costs directly attributable to the financial liability acquisition.

Other financial liabilities

After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the amortization process by the effective interest rate method.

(iii) Fair value

Fair value of publicly quoted investments is based on current purchase prices. For financial assets with no active market or public quotation, the Company establishes the fair value by means of valuation techniques, which take into consideration the use of recently contracted operations with third parties. At balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is recorded at a value above its recoverable amount (impairment).

Fair value hierarchy

The Company classifies and discloses the fair value of its financial instruments based on valuation techniques:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques for which inputs that are significant to the fair value measurement are unobservable.

(c) Accounts receivable

Trade accounts receivable are recorded at the original sales amount, less credit card charges, when applicable, and allowance for doubtful accounts. An allowance for doubtful accounts is set up when there is strong evidence that the Company will not be able to collect all the amounts due. The allowance is determined as the difference between carrying amount and recoverable amount.

(d) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined based on the weighted moving average. Net realizable value is the estimated selling price in the normal course of business, less selling expenses and provision for losses on products.

Discounts arising from commercial agreements in the form of reductions in the purchase price of inventory items are taken into consideration when measuring inventory costs, except when received specifically for recovering selling expenses. In this sense, amounts received as part of agreements that aim at reducing the purchase price of inventories are presented as a reduction of inventories and as a reduction of cost of goods sold upon realization (sale) of the inventory items.

(e) Taxes

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

The provision for income and social contribution taxes is based on taxable profit for the year. Taxable profit differs from income presented in the income statement, as it excludes revenues or expenses taxable or deductible in other years, in addition to excluding nontaxable items or nondeductible items permanently.

Deferred tax assets are recognized to the extent that future taxable profit is likely to be available against which temporary differences can be offset, based on profit (loss) history and projections of future results prepared and based on Company assumptions and future economic scenarios which may, therefore, be subject to changes.

The book value of deferred tax assets is reviewed at each reporting date and written off to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used.

Deferred taxes related to items recognized directly in equity are also recognized in equity and not in the income statement. Deferred tax items are recognized based on the transaction that triggered the deferred tax, in the income statement or directly in equity.

(f) Judicial deposits

Judicial deposits are presented as a deduction from the value of a corresponding liability when the redemption of these deposits is not a possibility, unless a decision on the matter is handed down in favor of the Company. Judicial deposits are monetarily restated.

(g) Property and equipment

Property and equipment are stated at acquisition cost, net of accumulated depreciation and/or impairment losses, if any. Depreciation is calculated by the straight-line method over the useful life of assets, according to the rates shown in Note 9a. Net book value and the useful life of the assets, as well as depreciation methods, are reviewed at year end and adjusted prospectively, when applicable.

Land and buildings include the head office, distribution center and certain own stores, and are stated at historical acquisition cost plus revaluation conducted in October 1987, based on valuation reports prepared by independent experts. The increase in book value arising from revaluation of land and buildings was credited to a specific reserve in equity, net of deferred income and social contribution taxes.

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

Repair and maintenance services are recorded in the income statement when incurred.

(h) Intangible assets

(1) Goodwill on company acquisition

Goodwill on acquisition of investment in Drogaria Vison is prior to 2009 and was calculated as the difference between the acquisition amount and the book value of the acquired entity's net assets. The goodwill is based on expected future profitability. Up until December 2008, goodwill was amortized based on the term, extent and proportion of projected income (loss), not exceeding ten years. As from January 2009, goodwill is no longer amortized and is now tested for impairment on an annual basis, at cash generating unit level.

(2) Points of sale

These include assignment of points of sale acquired from store lease agreements, stated at acquisition cost and amortized by the straight-line method at the annual rates mentioned in Note 9b, which take into consideration the lease agreement terms, not exceeding twenty years.

(3) Software use licenses and IT systems development

Software use licenses are stated at acquisition cost and amortized over their estimated useful lives, at the rates shown in Note 9b.

Software development or maintenance costs are expensed as incurred. Costs directly attributable to identifiable and exclusive software programs, controlled by the Company, 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, at the rates shown in Note 9b.

Direct costs include salaries of the software development team members and the fair share of related general expenses.

For finite-lived intangible assets, the amortization period and method are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net sale price and the net book value of the asset, and recognized in the income statement when the asset is derecognized.

(i) Impairment of assets

Property and equipment and other noncurrent assets, and finite-lived intangible assets, are tested annually in order to determine whether there is any evidence of impairment, or else, whenever there are any events or changes in circumstances that may indicate that the net book value of an asset exceeds its recoverable amount. Indefinite-lived intangible assets, such as goodwill, are tested for impairment at least on an annual basis, or whenever there is indication of loss in value. If that is the case, the recoverable amount is calculated so as to determine whether an impairment loss should be recognized. When such loss is found, it is recognized in the amount at which the net book value of the asset exceeds its recoverable amount, which is the higher of net sale price or value in use of such asset. Impairment of

present and future transactions, if any, is posted to the income statement as expenses consistently with the purpose of the asset item affected.

For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e., cash generating units – CGUs).

(j) Leases

Leases in which a significant part of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made in connection with operating leases are recognized as expense over the lease term, on an accrual basis. The Company has no lease agreements classified as financial leases.

(k) Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation arising from past events; the settlement of which is expected to result in an outflow of economic benefits. Provisions for legal proceedings are 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.

(l) Employee benefits

The employee benefit amounts resulting from profit sharing and bonus payments are recognized under payroll and related charges, in liabilities. 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. The Company does not have the following benefit plans: Income Tax Deductible Private Pension Plan (PGBL), NonIncome Tax Deductible Private Pension Plan (VGBL) and/or defined benefit private pension plan.

(m) Loyalty program

The Company has a loyalty program named "Muito Mais Raia" whereby participants may accumulate credits to be used in future purchases.

Liabilities assumed under this program are recorded as deferred revenue in liabilities, and recognized at fair value, representing the estimated price that the Company would pay to a third party to assume the liability of the credits to be used in future purchases.

Deferred revenue is realized in the income statement when the credits are used by the customers. Credits which are not redeemed within the program period (five months after the month in which the credits accumulate) are written off since the liability ceased to exist. The Company calculates the estimated use of credits based on historical data.

(n) Capital and income reserves

The legal reserve is set up at 5% of net income for the year, pursuant to Law No. 6404/76.

The statutory reserve is established in Company articles of incorporation, limited to 65% of net income for the year, for the purpose of improving its working capital.

(o) Dividend

Under Company articles of incorporation, shareholders are entitled to minimum mandatory dividend corresponding to 25% of adjusted net income each year, calculated under the terms of the Brazilian Corporation Law.

Dividends above that limit are recorded in a specific equity account named “Additional dividend proposed” and remain in such account until a decision is reached at the General Shareholders' Meeting.

Amounts arising from realization of the revaluation reserve provide a basis for determining the mandatory minimum dividend.

(p) Interest on equity

Interest on equity paid or accrued are recorded under Financial expenses, in accordance with prevailing tax legislation. For reporting purposes, interest on equity is reclassified from “Financial expenses” and matched against ”Retained earnings”.

(q) Revenue recognition

Revenue is recognized to the extent that future economic benefits are likely to flow to the Company in an amount that can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding unconditional discounts, rebates and taxes or charges on sales and services.

Revenue from product sales is recognized when significant risks and rewards of ownership of the products are transferred to the buyer, which generally occurs upon their delivery. Revenue from services rendered is recognized upon effective provision of services by the Company.

(r) Present value adjustment

Noncurrent assets and liabilities are discounted to present value and so are current assets and liabilities whenever the effects are considered significant on the overall financial statements, at rates which more adequately reflect current market assessment. Management analyzed the asset and liability amounts and identified no balances or transactions for which this adjustment would be material for financial reporting purposes.

(s) Segment information

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

(t) Significant accounting judgments, estimates and assumptions

When applying Company accounting practices, management must make judgments and prepare estimates related to 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 related effects are recognized in the period in which these are reviewed and in any future periods affected.

Key assumptions concerning sources of uncertainty in future estimates and other important sources of estimation uncertainty at the balance sheet are discussed below.

(1) Taxes

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

(2) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be obtained in active markets, it shall be determined using valuation techniques, including the discounted cash flow method. The inputs to these models are taken from observable markets, whenever possible; otherwisee, a given judgment call is required in order to determine the fair value. Judgment includes consideration about the data used, such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(3) Impairment

There are specific rules to assess the recoverability of assets, particularly property and equipment, goodwill and other intangible assets. At year end date, the Company performs an analysis to determine whether there is evidence that the long-lived asset amounts may not be recoverable in accordance with the cash generating units. To determine whether goodwill is impaired, it is necessary to estimate the value in use of the cash generating units to which goodwill was allocated. The calculation of value in use requires that management estimate expected future cash flows from the cash generating units and an adequate discount rate to calculate present value. Significant assumptions used for determining the value in use of the different cash generating units are detailed in Note 9e.

(4) Provisions for tax, civil and labor contingencies

The Company is party to various legal and administrative proceedings, as mentioned in Note 11. Provisions are recorded for all litigation contingencies whose likelihood of loss is estimated as probable, in an amount that can be reliably estimated. Assessment of the likelihood of loss includes an analysis of available evidence, the hierarchy of laws, available case law, recent court rulings and their relevance in the legal system, as well as the opinion of external legal advisors.

(u) Statements of value added (SVA)

The statements of value added are prepared and presented in accordance with CVM Rule No. 557, of November 12, 2008, which approved accounting pronouncement
CPC 09 – Statement of Value Added, issued by the CPC.

(v) Cash flow statements

The cash flow statements were prepared using the indirect method and are presented in accordance with CVM Rule No. 641, dated October 7, 2010, which approved accounting pronouncement CPC 03 – Cash Flow Statement, issued by the CPC.

5. Cash and cash equivalents

	2014	2013
Cash and banks	41,094	37,875
Bank Deposit Certificate (CDB)		64,181
Debentures held under repurchase agreements	240,095	109,100
Time deposits with special guarantee of the Credit Guarantee Fund (FGC)		30,729
	281,189	241,885

Investments in Bank Deposit Certificate (CDB), debentures held under repurchase agreements and Time Deposit with Special Guarantee (DPGE) of the Credit Guarantee Fund (FGC) are classified as “financial instruments held for trading” and are restated based on the Interbank Deposit Certificate (CDI) percentage variation, which reflects the realizable value.

6. Trade accounts receivable

The aging list of trade accounts receivable is as follows:

	2014	2013
Falling due	450,296	365,350
Overdue		
1 to 30 days	16,047	7,570
31 to 60 days	409	340
61 to 90 days	225	347
91 to 180 days	205	577
181 to 360 days	33	160
Over 360 days	6	95
Allowance for doubtful accounts	(1,231)	(1,180)
	465,990	373,259

Day sales outstanding is approximately 40 days, considered part of the normal conditions inherent in Company operations. As such, no balances and transactions were identified for which the effect of the present value adjustment is considered material.

Change in the allowance for doubtful accounts is as follows:

	2014	**2013**
Opening balance	(1,180)	(738)
Additions	(14,597)	(3,175)
Reversals	14,546	2,733
Closing balance	(1,231)	(1,180)

Accounts receivable are classified as Receivables and are therefore measured as described in Note 4b-i-3.

7. Inventories

	2014	**2013**
Goods for resale	1,369,604	1,150,176
Materials	7,013	8,624
Provision for inventory loss	(36,418)	(26,180)
Total	1,340,199	1,132,620

Company inventories are stated at average cost.

Change in the provision for inventory losses is as follows:

	2014	**2013**
Opening balance	(26,180)	(10,913)
Additions	(16,349)	(26,937)
Reversals	6,111	11,670
Closing balance	(36,418)	(26,180)

For the year ended December 31, 2014, cost of goods sold recognized in the income statement in relation to continuing operations amounted to R$5,197,041 (R$4,437,769 – Dec/2013).

Inventories written off and recognized as loss in the year amounted to R$84.336 (R$74.973 – Dec/2013), posted to Cost of goods sold.

The effect of the set-up, reversal or write-off of the provision for inventory losses is recorded in the income statement under “Cost of goods sold”.

8. Taxes recoverable

	2014	**2013**
Current		
State VAT (ICMS) – credit balance	29,952	8,322
ICMS –- Refund of ICMS withheld in advance (CAT Ruling No. 17/99)	2,872	22,234
ICMS – On capital expenditures	3,685	3,725
ICMS – Other		205
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1	1
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	1	2
Withholding Income Tax (IRRF)	2,004	3,642
Social Contribution Tax on Net Profit (CSLL)	527	527
	39,042	38,658
Noncurrent		
ICMS - On capital expenditures	16,769	11,298
Social Investment Fund (FINSOCIAL) – 1982 – securities issued to cover court-ordered debts	561	561
	17,330	11,859
Total	56,372	50,517

ICMS credits amounting to R$29,952 and R$2,872 (R$8,322 and R$22,234 – Dec/2013) arise from application of different ICMS rates and refund of ICMS-ST (substitute taxpayer regime) on goods receiving and shipping operations by Company Distribution Centers in the states of São Paulo and Paraná, in order to supply its branches located in other Brazilian states.

Company management analyzed the use of ICMS credits and concluded that the tax credit balances will be used in the short term.

9. Property and equipment and intangible assets

a) Property and equipment

Changes in property, plant and equipment are set out as follows:

	Land	Buildings	Furniture, fixtures and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Store renovation and modernization	Total
Cost								
Balance at January 1st, 2013	27,725	41,615	219,465	100,917	21,024	368,697	11,685	791,128
Additions		438	48,684	22,560	2,285	120,172	1,107	195,246
Disposals			(3,913)	(732)	(2,109)	(107,695)	(1,813)	(116,262)
Balance at December 31, 2013	27,725	42,053	264,236	122,745	21,200	381,174	10,979	870,112
Additions			57,559	32,784	3,438	149,107		242,888
Transfers			(16,998)	17,066		(68)		
Disposals and write-offs	(285)	(136)	(7,529)	(3,772)	(3,450)	(11,829)		(27,001)
Provision for store decommissioning			(1,621)	(676)		(2,716)	(40)	(5,053)
Balance at December 31, 2014	27,440	41,917	295,647	168,147	21,188	515,668	10,939	1,080,946
Accumulated depreciation								
Average annual depreciation rates (%)		2,5 - 2,7	7,4 - 10	7,1 - 15,8	20 - 23,7	17 - 21,6	20	
Balance at January 1st 2013		(15,486)	(84,085)	(45,498)	(9,792)	(176,079)	(5,866)	(336,806)
Additions		(1,110)	(21,307)	(12,135)	(4,083)	(62,978)	(2,254)	(103,867)
Disposals			2,030	598	1,997	100,761	1,804	107,190
Balance at December 31, 2013		(16,596)	(103,362)	(57,035)	(11,878)	(138,296)	(6,316)	(333,483)
Additions		(1,116)	(24,424)	(15,983)	(3,815)	(79,769)	(2,024)	(127,131)
Transfers			4,949	(4,983)		34		
Disposals and write-offs		66	6,998	3,606	3,341	10,638		24,649
Provision for store decommissioning			871	411		1,376	34	2,692
Balance at December 31, 2014		(17,646)	(114,968)	(73,984)	(12,352)	(206,017)	(8,306)	(433,273)
Net balance								
At December 31, 2013	27,725	25,457	160,874	65,710	9,322	242,878	4,663	536,629
At December 31, 2014	27,440	24,271	180,679	94,163	8,836	309,651	2,633	647,673

See accompanying notes.

Raia Drogasil S.A.

Notes to financial statements
December 31, 2014 and 2013
In thousands of reais – R$

b) Intangible assets

Changes in Company intangible assets are as follows:

	Points of sale	Software use license and IT systems development	Goodwill on company acquisition (Vison Ltda.)	Goodwill on company acquisition (Raia S.A.)	Trademarks	Customer portfolio	Other intangible assets	Total
Cost								
Balance at January 1st, 2013	215,281	54,560	22,275	780,084	151,700	41,700	3,138	1,268,738
Additions	31,142	10,427					1,427	42,996
Disposals	(16,216)	(2)					(125)	(16,343)
Balance at December 31, 2013	230,207	64,985	22,275	780,084	151,700	41,700	4,440	1,295,391
Additions	22,111	13,485					1,126	36,722
Disposals	(5,089)	(6)					(3)	(5,098)
Provision for store decommissioning	(2,001)	(2)						(2,003)
Balance at December 31, 2014	245,228	78,462	22,275	780,084	151,700	41,700	5,563	1,325,012
Accumulated amortization								
Average annual amortization rates (%)	17-23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6.7-25	20	
Balance at January 1st, 2013	(56,969)	(27,880)	(2,387)			(10,687)	(617)	(98,540)
Additions	(37,308)	(8,286)				(9,160)	(115)	(54,869)
Disposals	8,544	2					11	8,557
Balance at December 31, 2013	(85,733)	(36,164)	(2,387)			(19,847)	(721)	(144,852)
Additions	(40,424)	(10,724)				(9,160)	(129)	(60,437)
Disposals	4,578	6					1	4,585
Provision for store decommissioning	712	1						713
Balance at December 31, 2014	(120,867)	(46,881)	(2,387)			(29,007)	(849)	(199,991)
Net balance								
At December 31, 2013	144,474	28,821	19,888	780,084	151,700	21,853	3,719	1,150,539
At December 31, 2014	124,361	31,581	19,888	780,084	151,700	12,693	4,714	1,125,021

See accompanying notes.

c) Goodwill on acquisition of Drogaria Vison Ltda.

Goodwill amounting to R$19,888 refers to acquisition of Drogaria Vison Ltda. on February 13, 2008, merged into the Company as from June 30, 2008.

The goodwill is based on expected future profitability, with estimated return in seven years, based on independent expert assessment, amortized from April to December 2008. As provided for in OCPC 02, as from 2009, goodwill is no longer amortized, and is tested annually for impairment.

d) Goodwill on acquisition of Raia S.A.

The Company recorded goodwill of R$780,084 from the business combination with Raia S.A., which is based on expected future profitability, arising from the difference between the assets assigned and received, with expected return in five and a half years. As provided for in OCPC 02, as from 2009, goodwill is no longer amortized, and is tested annually for impairment.

e) Impairment testing of goodwill and intangible assets with na indefinite useful life

At December 31, 2014, the Company assessed the recovery of the net book value of the goodwill on the acquisitions of Drogaria Vison Ltda. and Raia S.A., both through business combinations based on value in use, using the discounted cash flow model allocated to the related cash generating units that gave rise to such goodwill.

The recoverable amount of the sales made by the cash generating units that gave rise to goodwill was calculated based on value in use, considering cash projections from financial budgets approved by management over a five-year period. The projected cash flow was restated to reflect the changes in product and service demand. The discount rate, after taxes, applied to cash flow projections is 13.32% (12.91% – 2013).

The impairment testing of Company intangible assets did require recognition of impairment losses.

Significant assumptions used in calculations based on value in use

The calculation of value in use for referred to cash generating units is more sensitive to the following assumptions:

Sales revenue and expenses

Drug price adjustment and inflation for other products sold; and selling expenses are adjusted pursuant to projected general inflation or contractual rates.

Gross margins

Gross margins are based on amounts for the most recent month, to avoid seasonal variations or changes in market conditions. These margins are increased in the periods in which they are impacted by drug price adjustments due to pre-existing inventories.

Discount rates

The discount rate reflects current market assessment of risks referring to management of funds generated by the related cash generating units.

Drug price adjustment

Estimates are based on historical adjustments and expectations of the pharmaceutical market.

Growth rate estimates

These are determined based on market rates, historical performance of cash generating units and expected future performance assessed by Company management.

10. Financing

Financing for acquisition of	Average annual long-term interest rate	2014	2013
BNDES – FINAME			
Ventures	TJLP (+ 3.70% - Dec/2013) p.a.		266
BNDES – FINEM			
Ventures	TJLP + 2.80% (+ 2.76% - Dec/2013) p.a.	4,338	16,298
Ventures	IPCA + 7.54% + 1.30% (+ 7.51% + 1.46% - Dec/2013) p.a.	9,687	17,734
Machinery and equipment	TJLP + 2.30% (+ 2.07% - Dec/2013) p.a.	172	816
BNDES – Subcredit			
Ventures	TJLP + 3.01% (+ 3.04% - Dec/2013) p.a.	136,673	106,168
Ventures	SELIC + 2.86% (+ 2.37% - Dec/2013) p.a.	47,262	33,552
Machinery, equipment and vehicles	Fixed rate 3.19% (3.18% - Dec/2013) p.a.	14,299	11,568
Machinery, equipment and vehicles	TJLP + 1.79% (+ 1.79% - Dec/2013) p.a.	1,659	2,524
Machinery, equipment and vehicles	PSI + 6.00% (+ 0.00% - Dec/2013) p.a.	2,168	
Working capital	TJLP + 4.15% (+ 4.15% - Dec/2013) p.a.	1,722	4,017
Working capital	SELIC + 3.32% (+ 3.07% - Dec/2013) p.a.	63,257	51,882
		281,237	244,825
Current liabilities		(97,710)	(83,944)
Noncurrent liabilities		183,527	160,881

Equipment financing under FINAME taken out with the Brazilian Development Bank (BNDES) is guaranteed by the financed items, while part of the FINEM transactions were secured by bank guarantees.

The objective of financing taken out with BNDES is the expansion of stores, purchase of machinery/equipment and vehicles, and working capital financing.

The agreements allow the bank guarantee to be replaced at any time by a different guarantee given by a top-tier institution.

Part of the BNDES financing has been taken out as subcredits, in the amount of R$267,040 (R$214,206 – Dec/2013) subject to observance of the following two covenants:

(i) Adjusted EBITDA margin (adjusted EBITDA/net operating revenue): Equal to or above 3.6%; and

(ii) Total net debt/total assets: equal to or below 20%.

Covenants are measured annually and at December 31, 2014 and 2013, the Company was compliant with referred to requirements.

In case of noncompliance with these requirements, bank guarantees would be given to BNDES to ensure performance of the agreement.

The Company is not a party to any agreements conditioned to compliance with nonfinancial covenants. Noncurrent financing mature as follows:

	2014
2016	75,325
2017	57,101
2018	33,967
2019	17,134
	183,527

11. Provision for legal proceedings and judicial deposits

The Company is party to legal proceedings arising in the normal course of business, on tax, civil and labor matters. Management, based on the opinion of its legal advisors and, as applicable, on specific opinions issued by experts, assesses the likelihood of loss regarding ongoing litigation and determines whether or not setting up a provision for legal proceedings is necessary.

At December 31, 2014 and 2013, the Company had the following liabilities and corresponding judicial deposits relating to legal proceedings:

	2014	2013
Labor and social security	13,647	12,668
Tax	570	457
Civil	261	4,801
	14,478	17,926
Corresponding judicial deposits	(5,166)	(4,993)
Total	9,312	12,933
Current liabilities	(5,209)	(4,912)
Noncurrent liabilities	4,103	8,021

Change in the provision is as follows:

	2014	2013
Opening balance	12,933	13,850
Additions	7,318	8,681
Write-offs	(11,485)	(4,650)
Revaluation of amounts	(2,213)	(4,295)
Monetary restatement	2,932	3,120
Appeal-related deposits	(173)	(3,773)
Closing balance	9,312	12,933

The provision for legal proceedings took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable by external and internal legal advisors, and a portion of these proceedings is guaranteed by pledged assets or judicial deposits (Note 19).

Possible losses

At December 31, 2014 and 2013, the Company is party to legal proceedings of a tax, civil and labor nature, whose likelihood of loss is estimated as possible by management and its legal advisors, amounting to R$54,594 (R$ 41,417 – Dec/2013).

Judicial deposits

At December 31, 2014 and 2013, the Company had the following judicial deposit amounts for which no corresponding provision had been set up:

	2014	2013
Labor and social security	6,339	3,005
Tax	6,743	7,135
Civil	1,034	623
Total	14,116	10,763

Labor contingencies

The legal proceedings of a labor nature refer to proceedings filed by former employees, questioning the payment of overtime and nonpaid severance pay. The Company is party to proceedings assumed upon acquisition of Raia S.A. filed by former employees of companies providing outsourced services, claiming to have an employment relationship directly with the Company or that the Company receive a joint enforcement order for the payment of the labor rights under discussion. The Company is also party to claims filed by professional unions for payment of union dues, under the dispute regarding the legitimacy of the territorial base.

Tax contingencies

These are represented by administrative fines, tax rate differences on interstate transfers and tax collection proceedings.

Civil contingencies

The Company is a defendant to claims that discuss 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, such as indemnification claims due to undue protest of notes and consumption relations.

12. Income and social contribution taxes

(a) Effective income and social contribution taxes

At December 31, 2014 and 2013, effective income and social contribution taxes are as follows:

	2014	2013
Income before income and social contribution taxes	302,224	139,387
Interest on equity	(74,559)	(38,900)
Taxable profit	227,665	100,487
Combined rate (%) (income tax – 25% and social contribution tax – 9%)	34	34
Theoretical tax expenses	(77,406)	(34,166)
Permanent additions	(2,220)	(2,107)
Tax reduction incentives	2,810	203
Tax incentives	(1,920)	
Goods destruction process	(2,102)	(2,172)
Other		(160)
Effective income and social contribution tax expenses	(80,838)	(38,402)
Effective rate (%)	26.7%	27.6%

(b) Deferred income and social contribution taxes

Deferred income and social contribution tax assets in the amount of R$46,690 at December 31, 2014 (R$38,314 – Dec/2013) arise from temporarily nondeductible expenses that may be carried forward indefinitety, with estimated realization disclosed in item (c) below.

Deferred income and social contribution tax liabilities in the amount of R$172,636 at December 31, 2014 (R$132,294 – Dec/2013) refer to tax charges on the remaining balances of: (i) the revaluation reserve; (ii) goodwill on future profitability.

At December 31, 2014 and 2013, deferred income and social contribution taxes refer to:

	Balance sheet		P&L	
	2014	2013	2014	2013
Revaluation at fair value of land and buildings	(7,354)	(7,449)		
Amortization of goodwill on future profitability	(97,762)	(51,842)	(45,920)	(43,889)
Fair value increment of intangible assets – merger of Raia S.A.	(67,520)	(73,003)	5,483	5,490
Other	340	(1,969)	2,309	(204)
Provision for legal proceedings	4,923	6,095	(1,172)	1,040
Allowance for doubtful accounts	1,623	1,590	33	18
Provision for discretionary bonuses				(2,506)
Provision for officers' bonuses	2,725	1,636	1,089	1,260
Provision for internal campaigns	241	523	(282)	523
Provision for obsolete inventories	17,055	8,900	8,155	5,190
Provision for employee profit sharing	6,711	2,955	3,756	1,160
Goodwill on future profitability of Drogaria Vison Ltda.	365	365		(1)
Sundry provisions	4,232	5,191	(959)	3,111
Tax losses to be offset against future taxable profits	2,671	5,934	(3,263)	5,934
Provision for extraordinary expenses	4,405	101	4,304	(1,587)
Tax benefit from goodwill on merger	1,399	6,993	(5,594)	(5,594)
Deferred income and social contribution expense (revenue)			(32,061)	(30,055)
Deferred tax assets (liabilities), net	(125,946)	(93,980)		

Reconciliation of deferred tax assets and liabilities, net	2014	2013
Opening balance	(93,980)	(64,021)
Taxable revenue recognized in the income statement	(32,061)	(30,055)
Tax expense recognized in equity	95	96
Closing balance	(125,946)	(93,980)

(c) Estimated recovery of income and social contribution tax credits

The projections of future taxable profits are based on estimates relating to Company performance, the behavior of the market in which the Company operates and certain economic aspects, among others. Actual amounts may differ from the estimates adopted. According to projections, the tax credit amounting to R$46,690 will be fully realized by the end of 2015.

(d) Provisional Executive Order No. 627/13 signed into Law No. 12973/14

In November 2013, Provisional Executive Order (MP) No. 627 was published providing for nontaxation on profits and dividends calculated on P&L computed between January 1st, 2008 and December 31, 2013, by legal entities whose taxable profit is computed on their accounting records (*"lucro real"*), or estimated as a percentage of their gross revenue (*"lucro presumido"*), or reconstructed (*"lucro arbitrado"*), actually paid until the date of publication of said MP, in amounts greater than those computed using the accounting methods and criteria prevailing at December 31, 2007, as long as the entity that has paid up profits or dividends had elected for early adoption of the new taxation regime as from 2014.

In May 2014, this MP was signed into Law No. 12973, with amended provisions as to treatment of dividends, interest on equity and measurement of investments using the equity method, among others. Unlike the MP, Law No. 12973 provided for unconditional nontaxation on profits and dividends calculated on P&L computed between January 1st, 2008 and December 31, 2013.

The Company analyzed the potential effects of Law No. 12973, considered them immaterial for its financial statements as of December 31, 2014 and 2013, and elected not to be an early adopter thereof, as formally expressed in the Federal Tax Debt and Credit Return (DCTF) concerning the taxable events occurred in August 2014, filed on November 7, 2014, pursuant to Brazilian Internal Revenue Service (SRFB) Ruling No. 1499, of October 15, 2014.

13. Earnings per share

Information used for calculating basic and diluted earnings per share is as follows:

	2014	2013
Basic		
Net income	221,386	100,985
Weighted average number of common shares	329,286	330,386
Earnings per share in R$ – basic	**0.67232**	**0.30566**
Diluted		
Net income	221,386	100,985
Weighted average number of common shares	329,286	330,386
Weighted average number of common shares adjusted for dilution effects	329,286	330,386
Earnings per share in R$ – diluted	**0.67232**	**0.30566**

No dilutive effects were identified, which should be considered in the net income for 2014 and 2013, and basic and diluted earnings per share were the same for both periods.

14. Equity

(a) Capital

At December 31, 2014, fully paid-up capital of R$908,639, represented by 330,386,000 common registered book shares with no par value, of which 196,380,486 are outstanding (192,804,770 shares outstanding at December 31, 2013).

Pursuant to Company Articles of Incorporation, the Board of Directors is authorized to increase capital up to the limit of R$400,000,000 common shares.

Change in the number of shares outstanding is as follows:

	Shares outstanding
At December 31, 2013	192,804,770
(Purchase)/Sale of restricted shares, net	4,675,716
Sale repurchase between May and June, 2014	(1,100,000)
At December 31, 2014	196,380,486

At December 31, 2014, Company common shares were priced at R$25.35 (closing quote).

(b) Treasury shares

On April 24, 2014, the Board of Directors authorized the Company to repurchase, over a period of 365 days, its own issued common registered shares with no par value to be held in treasury and subsequently disposed of.

	Number of shares
At December 31, 2013	
Share repurchase between May and June, 2014	1,100,000
At December 31, 2014	1,100,000

Information on treasury shares at December 31, 2014 is as follows:

		Per-unit cost			
Number purchased (in units)	Total paid for the shares (**)	Minimum	Maximum	Average	Market value of shares at December 31, 2014 (*)
1,100,000	20,898	18.39	19.30	18.96	27,885

(*) Using the price quote of R$25.35 per share.
(**) Including brokerage and fees.

(c) Payouts to shareholders

Under Company articles of incorporation, shareholders are entitled to minimum dividend corresponding to 25% of adjusted annual net income. The dividend proposed, including interest on equity, is calculated as follows:

	2014	2013
Net income for the year	221,386	100,985
Legal reserve	(11,069)	
Realization of the revaluation reserve in the year	186	186
Dividend calculation base (a)	210,503	101,171
Mandatory minimum dividend under articles of incorporation (25%)	52,626	25,293
Interest on equity proposed	74,559	38,900
Withholding Income Tax – IRRF (effective expense)	(10,561)	(5,309)
Additional interest on equity proposed	28,959	
IRRF (theoretical expense)	(4,344)	
Payout net of IRRF (b)	88,613	33,591
% paid out divided by the dividend calculation base (b ÷ a)	42.10	33.20
Amount in excess of mandatory minimum dividend	35,987	8,298
IRRF (theoretical expense)	4,344	
	40,331	8,298

In 2014, the Company recognized interest on equity of R$74,559 (R$38,900 – 2013), observing both the limit of the Long-Term Interest Rate (TJLP) variation in 2014 and 2013 and the expense deductibility limits for income and social contribution tax calculations, pursuant to Law No. 9249/95.

At December 31, 2014, the amount of R$40,331, in excess of the mandatory minimum dividend, will be paid out to shareholders, net of IRRF, once it is approved in the General Shareholders' Meeting, pursuant to the Company Articles of Incorporation.

Change in the dividend and interest on equity obligations is as follows:

	2014	2013
Opening balance	9,464	5,451
Additions	60,923	33,530
Payments	(41,527)	(29,339)
Write-offs	(196)	(178)
Closing balance	28,664	9,464

15. Net sales revenue

	2014	2013
Gross sales revenue		
Goods sold	7,648,838	6,455,070
Services rendered	10,052	9,033
	7,658,890	6,464,103
Taxes on sales	(221,733)	(197,812)
Returns	(45,588)	(33,372)
Net sales revenue	7,391,569	6,232,919

Taxes on sales are namely ICMS at rates predominantly between 17% and 18%, for goods not subject to the substitute taxpayer regime, ISS at 5%, and PIS at 1.65% and COFINS at 7.65%, for goods not subject to one-time taxation (Law No. 10147/00).

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

The Company presented its income statement using a classification of expenses by nature. Information on the nature of these expenses recognized in the income statement is as follows:

	2014	2013
Cost of goods sold	(5,281,377)	(4,512,743)
Personnel expenses	(942,024)	(803,348)
Expenses with service providers	(77,910)	(73,741)
Depreciation and amortization	(187,568)	(158,736)
Other (i)	(584,091)	(487,451)
	(7,072,970)	(6,036,019)

Classified in the income statement as:

	2014	2013
Cost of goods sold	(5,281,377)	(4,512,743)
Selling expenses	(1,409,067)	(1,188,077)
General and administrative expenses	(194,958)	(176,463)
Depreciation and amortization	(187,568)	(158,736)
	(7,072,970)	(6,036,019)

(i) These refer mostly to expenses with rent, credit and debit card management charges, transportation, asset maintenance, consumption accounts, supplies and condo fees.

17. Other operating expenses

In 2014, other operating expenses amounted to R$9,473 (R$47,066 – 2013). This amount comprises nonrecurring expenses, most of which was generated in the Company merger process, and bonuses paid to management members.

18. Financial income and expenses

(a) Financial income

	2014	2013
Discounts obtained	243	555
Income on short-term investments	16,548	8,204
Interest received	8	154
Gain from monetary changes	1,542	945
Other financial income	6	5
Total financial income	18,347	9,863

(b) Financial expenses

	2014	2013
Discounts granted - customers	(62)	(3)
Interest, charges and banking fees	(935)	(2,182)
Financing charges	(23,638)	(17,338)
Loss from monetary changes	(614)	(787)
Total financial expenses	(25,249)	(20,310)
Financial income (expenses)	(6,902)	(10,447)

19. Procedural guarantees

Tax, social security and labor proceedings were guaranteed by the following property and equipment items:

	2014	2013
Furniture and facilities	46	108
Machinery and equipment	86	126
	132	234

20. Lease agreement commitments

The Company has entered into lease agreements whose terms range from one to twenty years. Lease expenses vary depending on the number of agreements entered into or terminated. Total monthly expenses with these lease agreements (including rent, condo fees and Property Tax – IPTU) amounted to R$25,131 (R$19,163 – Dec/2013) for the Company.

At December 31, 2014 and 2013, future minimum store lease amounts payable (under cancellable operating leases) are as follows:

	2014	2013
First 12 months	230,883	165,421
From 13 to 60 months	571,451	401,971
Over 60 months	173,366	159,110
	975,700	726,502

21. Financial instruments and risk management policy

The book value of Company instruments approximates their fair value, as shown in the tables below.

At December 31, 2014 and 2013, the Company has short-term investments measured at fair value through profit or loss, which are classified as "level 1", as described in Note 4b-iii to the financial statements for the year ended December 31, 2014.

Financial assets

Major financial assets are cash and cash equivalents, short-term investments and trade accounts receivable:

	2014	2013
Fair value through profit or loss – held for trading		
Cash and cash equivalents (Note 5)	281,189	241,885
	281,189	241,885
Receivables		
Trade accounts receivable (Note 6)	465,990	373,259
Other receivables	107,590	108,953
	573,580	482,212
Total	854,769	724,097

Financial liabilities

Major financial liabilities are trade accounts payable, financing and other payables:

	2014	2013
Other financial liabilities		
Trade accounts payable	871,477	671,455
Financing (Note 10)	281,237	244,825
Other payables	91,938	72,181
Total	1,244,652	988,461

The Company is exposed to financial risks arising from its operations, such as market risk, credit risk and liquidity risk. The risk management program adopted by the Company focuses on the unpredictability of financial markets and of those markets where the Company operates, while aiming at minimizing potential adverse effects on Company financial performance.

The Board of Directors establishes risk management principles, including specific areas such as interest rate risk, credit risk, as well as use of non-derivative financial instruments and investment of cash surplus.

(a) Market risk

Currency risk

All funding and investment operations of the Company are denominated in Reais (R$); therefore, the Company is not exposed to risk arising from exchange fluctuation.

Interest rate risk

Company exposure to interest rate risk refers substantially to obligations subject to rate variation. The understanding of Company management is that the sole risk which it is exposed to refers to the mismatch between BNDES financing (R$9,687) based on IPCA + interest, against investments in CDI.

Most of the BNDES operations are entered into based on the TJLP + interest and on the SELIC rate. Short-term investments are entered into based on CDI variation, which does not result in a high interest rate risk, since these variations are not significant. Management understands that the risk of significant changes in net income and in cash flows is low.

(b) Credit risk

This refers to our financial assets, which are cash and cash equivalents, short-term investments and accounts receivable.

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

The granting of credit upon the sales of goods follows a policy which aims at minimizing default. At December 31, 2014, credit sales represented 48% of total sales, and 87% of this total refers to credit

card sales which, in the opinion of the Company and based on historical losses, pose extremely low risk. The remaining 13%, which are credits from Drug Benefit Programs (PBMs), special plans with companies and postdated checks, pose low risk, due to customer selectivity and adoption of individual limits.

(c) Liquidity risk

Management continuously monitors Company cash needs in order to ensure cash is sufficient to carry out its operations. Cash surplus is invested in financial assets with adequate maturity in order to ensure the liquidity necessary to honor its obligations.

(d) Sensitivity analysis

Sensitivity analysis of Company financial instruments, from which losses may arise, is as follows.

The most probable scenario (scenario I), according to assessment by Management, is based on a three-month horizon. Additionally, other two scenarios are presented, under the terms of CVM Ruling No. 475/08, in order to present a 25% and 50% deterioration in the risk variable considered, respectively scenarios II and III.

Operation	Risk	Scenario I (probable)	Scenario II	Scenario III
Short-term investments – CDI	0.5% increase	1,200	1,500	1,800
Income		1,200	1,500	1,800
BNDES financing (IPCA + interest)	1% mismatch	97	121	146
REFIS (SELIC)	0.5% increase	8	10	12
Expense		105	131	158

The risk of TJLP variation on BNDES operations which may result in material losses is not estimated as probable by the Company.

(e) Capital management

Company objective relating to capital management is to maintain its investment capacity, thus allowing its growth as well as a proper return to its shareholders.

The Company adopts the policy of not leveraging its capital structure with financing, except for long-term credit lines from BNDES (FINEM/FINAME), with interest rates that are commensurate with Company profit levels.

In view of this, the gearing ratio corresponds to the result from the division of net debt by equity. Net debt is the amount resulting from total financing less cash and cash equivalents, as under:

	2014	**2013**
Financing	281,237	244,825
Cash and cash equivalents	(281,189)	(241,885)
Net debt	48	2,940
Equity	2,456,937	2,326,983
Gearing ratio (%)	0.00	0.13

(f) Fair value estimate

The book value of trade accounts receivable and trade accounts payable is deemed to approximate their fair value, taking into consideration these balances' realization and settlement terms, within 60 days.

For disclosure purposes, the fair value of financial liabilities is estimated by discounting future cash flows at the interest rate effective in the market, which is available for the Company for similar financial instruments. The effective interest rates at balance sheet dates are usual market rates and their fair value does not significantly differ from their book balances.

Short-term investments, represented by CDB investments and debentures under repurchase agreements (Note 5) and measured at fair value through profit or loss, were valued using the interest rate agreed upon with the respective financial institution, considered a usual market interest rate.

22. Derivative financial instruments

As a standard procedure, the Company does not engage in transactions involving derivative financial instruments.

23. Transactions with related parties

(a) Transactions with related parties consist of operations with Company shareholders and individuals related thereto, who carried out the following transactions:

	Relationship	Current assets		Revenues	
		2014	**2013**	**2014**	**2013**
Receivables					
Agreements (i)					
Regimar Comercial S.A.	Shareholder / Family	8	9	68	65
Heliomar S.A.	Shareholder / Board member	1	1	11	9
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Shareholder / Family			1	2
		9	10	80	76

	Relationship	Current liabilities		Expenses	
		2014	2013	2014	2013
Payables					
Rent (ii)					
Heliomar S.A.	Shareholder / Board member	18	13	188	160
Antonio Carlos Pipponzi	Shareholder / Board member	5	5	71	65
Rosalia Pipponzi Raia	Shareholder / Board member	5	5	71	65
Estate of Franco Maria David Pietro Pipponzi	Shareholder / Board member	5	5	71	65
		33	28	401	355
Service providers (ii)					
Capullo Publicidade Ltda.	Shareholder / Family			315	322
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados	Shareholder / Family		45	3,463	2,661
Associação Obra do Berço (Literat Editora Ltda.) (iii)	Shareholder / Family			1,260	1,042
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (iii)	Shareholder / Family	70	131	4,702	5,920
		70	176	9,740	9,945
		103	204	10,141	10,300

See accompanying notes.

(i) Sales carried out through agreements and space rental contracts. These transactions are entered into under commercial conditions equivalent to those practiced with other companies.

(ii) Store rental, rendering of marketing and legal advisory services. These transactions are carried out under usual market conditions.

(iii) Balances and transactions refer to service agreements for preparation, creation and production of marketing material for the institutional sales area and the concept of the Company's internal monthly magazine. These agreements are effective over an undetermined period of time and may be terminated by any of the parties without cost or penalties.

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

(b) Key management personnel compensation.

Key management personnel comprise Officers, Directors and Supervisory Board members. Compensation paid or payable for services rendered is as follows:

	2014	2013
Earnings and social charges	11,120	10,637
Bonuses and social charges	16,606	15,634
Reversal of provision for bonuses	(7,612)	(4,753)
	20,114	21,518

24. Insurance coverage

The Company adopts the policy of taking out insurance coverage in amounts deemed sufficient by management to cover any losses on assets or civil liability attributed thereto. Based on the nature of its activities and the guidance provided by its insurance consultants, the Company has the following insurance coverage at December 31, 2014:

	2014	2013
Inventory loss risks	110,386	106,878
Permanent assets	119,615	121,522
Loss of profits	74,917	24,100
Civil liability risks	14,410	12,423
	319,328	264,923

25. Noncash transactions

In 2014, the Company was not engaged in noncash transactions.

Raia Drogasil S.A.

EXECUTIVE BOARD'S STATEMENT ON THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

In accordance with items V and VI, paragraph 1st, article 25 of CVM Ruling No. 480/09, the Executive Board declares that it has reviewed, discussed and agreed on the financial statements and the opinions expressed in the Independent Auditor's Report.

São Paulo, February 26, 2015.

Marcilio D'Amico Pousada
Chief Executive Officer

Antonio Carlos Coelho
Officer and Accountant in charge
CRC 1SP166428/O-9

Antonio Carlos de Freitas
Officer

Eugênio De Zagottis
Officer

Fernando Kozel Varela
Officer

Marcello De Zagottis
Officer

Renato Cepollina Raduan
Officer

Maria Susana de Souza
Officer

Raia Drogasil S.A.

SUPERVISORY BOARD'S STATEMENT

The Company's Supervisory Board, in the exercise of its duties and legal responsibilities, has examined the Financial Statements, Management Report and Management's Proposal for Income Allocation for the year ended December 31, 2014 and, based on the examinations performed and on clarifications provided by management, and also considering the favorable unqualified report issued by independent auditor Ernst & Young Auditores Independentes S.S., the Supervisory Board members concluded that the documents above mentioned are fairly presented, in all material respects, and unanimously decided to submit them to the General Shareholders' Meeting to be convened pursuant to Law No. 6404/76.

São Paulo, February 26, 2015.

____
Gilberto Lério
Supervisory Board Member

____
Fernando Carvalho Braga
Supervisory Board Member

____
Mário Antonio Luiz Corrêa
Supervisory Board Member