(A free translation of the original in Portuguese)

# Raia Drogasil S.A.

**Parent company and consolidated financial statements at December 31, 2015 and independent auditor's report**

(A free translation of the original in Portuguese)

# 2015 EARNINGS RELEASE

*São Paulo, February 18th, 2016. Raia Drogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 4th quarter of 2015 (4Q15) and the year of 2015. The financial statements of Raia Drogasil S.A. prepared in accordance with the accounting practices adopted in Brazil and with IFRS) as well as the standards issued by the Brazilian Securities and Exchange Commission – (CVM) and was audited by our independent auditors in accordance with Brazilian standards of auditing. Such information was prepared in thousand Reais and all growth rates relate to the same period of 2014.*

*Starting in 2015, our financials include the effect of the adjustment on Net Revenues and on COGS of the Net Present Value of Accounts Payable and Accounts Receivable, a change versus previous years when such adjustments were considered non-material. The 2014 financials are presented on a comparable basis.*

*Specifically in the 4Q15, our financial statements were adjusted to exclude non-recurring expenses related to the 4Bio acquisition and integration as well as to other non-recurring expenses.*

*On October 1st, 2015 we concluded the acquisition of 55% of 4BIO. Starting in the 4Q15, our financials are consolidated. In order to assure historical comparability, the 2014 and 2015 results are combined on a pro-forma basis.*

## COMBINED HIGHLIGHTS:

- **Drugstores: 1,235 stores in operation (156 openings and 15 closures)**
- **Gross Revenues: R$ 9.4 billion, 21.1% of growth (12.5% retail same-store sales growth)**
- **Gross Margin: 29.0% of gross revenues, a 1.2 percentage point margin increase**
- **EBITDA: R$ 743.5 million, a 7.9% margin, 0.9 percentage point margin expansion**
- **Adjusted Net Income: R$ 391.1 million, a 4.2% margin and an increase of 43.6%**
- **Cash Flow: R$ 110.4 million free cash flow, R$ 19.9 million total cash consumption**

| Summary | 2014 | 2015 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 |
|---|---|---|---|---|---|---|---|
| *(R$ thousand)* | | | | | | | |
| # of Stores Raia Drogasil + 4BIO | 1,094 | 1,235 | 1,094 | 1,112 | 1,145 | 1,180 | 1,235 |
| Store Openings | 131 | 156 | 51 | 19 | 38 | 37 | 62 |
| Store Closures | (11) | (15) | (5) | (1) | (5) | (2) | (7) |
| # of Stores (average) | 1,020 | 1,147 | 1,067 | 1,099 | 1,126 | 1,159 | 1,206 |
| Head Count | 23,772 | 26,520 | 23,772 | 23,851 | 25,010 | 25,529 | 26,520 |
| Pharmacist Count | 3,931 | 4,698 | 3,931 | 3,956 | 4,230 | 4,479 | 4,698 |
| # of Tickets (000) | 145,582 | 165,299 | 37,839 | 38,208 | 41,115 | 42,067 | 43,908 |
| Gross Revenues | 7,784,235 | 9,424,777 | 2,128,284 | 2,090,599 | 2,323,102 | 2,436,861 | 2,574,215 |
| Gross Profit (Adjusted) | 2,164,368 | 2,735,741 | 594,060 | 596,563 | 702,775 | 696,319 | 740,084 |
| % of Gross Revenues | 27.8% | 29.0% | 27.9% | 28.5% | 30.3% | 28.6% | 28.7% |
| EBITDA (Adjusted) | 544,499 | 743,516 | 159,678 | 153,875 | 218,910 | 182,611 | 188,120 |
| % of Gross Revenues | 7.0% | 7.9% | 7.5% | 7.4% | 9.4% | 7.5% | 7.3% |
| Net Income (Adjusted) | 272,432 | 391,133 | 75,681 | 81,459 | 119,346 | 95,463 | 94,865 |
| % of Gross Revenues | 3.5% | 4.2% | 3.6% | 3.9% | 5.1% | 3.9% | 3.7% |
| Net Income | 223,387 | 341,753 | 62,441 | 70,760 | 108,647 | 83,999 | 78,347 |
| % of Gross Revenues | 2.9% | 3.6% | 2.9% | 3.4% | 4.7% | 3.4% | 3.0% |
| Free Cash Flow | 76,367 | 110,352 | 103,235 | (29,300) | 38,311 | 68,239 | 35,613 |

## LETTER TO OUR SHAREHOLDERS

Fiscal 2015 was another strong year for Raia Drogasil, as we delivered record results despite the challenging macroeconomic environment in Brazil. Our results underscore the defensive nature of our industry, driven by the secular ageing of the Brazilian population, the robustness of our capital structure and free cash flows, which insulate us from a tight credit market with rising interest rates, and the strength of our execution, which combines assets and capabilities that are unique in the market, fulfilling the vision that guided the formation of Raia Drogasil in 2011.

From 2012 to 2014, our focus was in concluding the integration and in advancing both our brands to the best existing standard of execution. The new management agenda that started in 2014 has challenged the limits of our execution through innovation and new capability building. We defined four Strategic Pillars that will allow us to create new differentials to the Company and to deliver better service to our Customers: *Accelerating Organic Growth*, *Introducing New Formats*, *Enhancing Category Management and Shopping Experience*, and *Engaging, Analyzing and Potentializing Customers.* We have also identified three core enablers for implementing these strategies: *People, Processes and Platforms.*

Already in 2015, we were able to achieve significant advancements towards that vision. We accelerated our organic growth from 131 new stores in 2013 and in 2014 to 156 openings in 2015, a significant boost in our growth pace while preserving the same historical standards and return expectations and while achieving outstanding initial results in the new stores. We have also prepared the Company for further acceleration in store openings for the coming years. We have also started our partnership with Dunnhumby, a data science company that will provide the big data and analytical capabilities to reinvent the way we do Category Management and CRM. Finally, we acquired the control of 4Bio, Brazil's second largest specialty pharmacy, and launched UNIVERS, our proprietary PBM, focused on capturing demand from corporations and health operators to drive volume to our stores. We believe this portfolio of integrated healthcare assets (Drugstores, Specialty and PBM) will uniquely position Raia Drogasil to provide innovative and integrated services for manufacturers, health operators, physicians and patients that are unmatched in the market.

In order to reinvent our execution, we have also worked relentlessly on the three core strategic enablers. Each process or platform that we inherited in 2014 represented the best between Raia and Drogasil, which was undoubtedly a great starting point, but was in no way a limit for our execution. With the integration fully behind us, we were finally able to reassess each of those practices, establishing a roadmap for improvement, reengineering our processes, upgrading our platforms, and further qualifying our team. This reinvention resulted in better customer service and productivity, enabling us to achieve, for example, leaps in employee turnover reduction (also leveraged by the current economic environment), in stock-outs reduction, in inventory losses reduction and in customer satisfaction increase, among other key performance indicators. We believe these improvements have had a profound effect in boosting our revenue growth and profitability increase.

We ended the year with R$ 9.4 billion in combined gross revenues, a 21.1% growth when compared to 2014, and a testament both to the defensive nature of our industry as well as to the improvements in our execution. We opened 156 new stores and closed 15 stores, ending the year with 1,235 stores throughout Brazil. Over the last five years, we opened a total of 616 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$ 1.6 billion in 2015, approximately the total revenues of the sixth largest drugstore chain in Brazil, which further consolidated our leadership of the Brazilian drugstore market.

Our EBITDA totaled R$ 743.5 million, an increase of 36.5% over 2014. The EBITDA margin reached 7.9%, a 0.9 percentage point expansion. Adjusted net income amounted to R$ 391.1 million, a net margin of 4.2%. We generated a free cash flow of R$ 110.4 million, our third consecutive year of positive free cash flow. Cash flow from operations totaled R$ 499.1 million, of which R$ 388.7 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 19.4% an increase of 4.4 percentage points, and is expected to increase in the long term both through productivity gains and through the maturation of our stores. We distributed R$ 179.2 million in interest on equity, a 140.2% increase over 2014, a payout of 52.6%. We posted a Total Shareholder Return of 41.4%, stemming from a 40.0% share appreciation and from a dividend yield of 1.4%. Finally, our increased share liquidity allowed us to join the IBOVESPA and IBrX-50, the two main Brazilian stock indices.

The reinvention of our operations is an ongoing effort, as several of our most ambitious initiatives demand a multi-year period to fructify. 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 intensify the prosperity cycle that started in 2014.

## CHALLENGES AND OPPORTUNITIES FOR 2016

In spite of our strong performance in 2015, we have much bigger ambitions for the future of our Company. We have several strategic initiatives in course that will transform the way we do business, the service we provide to our customers and the value we create to our shareholders.

Although the challenging economic environment in Brazil has not affected our demand and capacity to grow, the higher interest rates and accelerating inflation have urged us to remain extra careful regarding our free cash flows, yet aggressive in seeking efficiency gains to mitigate the pressures from inflation and from the acceleration in store openings on our expenses.

Additionally, our high standard of our execution coupled with the robustness of our capital structure and free cash flow generation in such a defensive market creates significant opportunities of market share gains, since we face several leveraged competitors who bear significant cash flow pressures and declining execution.

In lieu of all these challenges and opportunities, we have established three main priorities for the year:

**Implement our Strategic Plan:** In 2014, we developed a strategic plan for the next five years that aligns execution and innovation across four different pillars: Accelerating the Organic Expansion, Introducing New Formats, Enhancing Category Management and Shopping Experience, and Engaging, Analyzing and Potentializing Customers. In 2015, we opened 156 stores, a significant increase over the 131 new stores opened annually in the previous two years. For 2016 and 2017, we plan to open 165 and 195 new stores, respectively, while maintaining the same property selection standards and IRR expectations. With respect to new formats, we are preparing our low-cost format to become a viable growth lever for the future, which includes opening a small number of new stores to reinforce our conviction. As regarding category management, we plan to advance the role of beauty in our stores and to do cross-sell specialty products at our stores to be fulfilled by 4Bio. Finally, on CRM, we expect to advance with Omnichannel and to relaunch our loyalty programs for both Raia and Drogasil, incorporating the learnings from our work with Dunnhumby, which is only at its initial stage. These strategies can have a significant impact in boosting our growth and in expanding our margins in the years to come.

**Leverage our Cash Generation and Capital Structure:** Our financial strength is one of our main competitive advantages in a crisis environment with a tight credit market and growing interest rates. Reinforcing our financial discipline in 2016 will be crucial, both in lieu of the financial crisis and of the acceleration of our organic growth, which will increase our investment needs and challenge our free cash flow generation. This will require a fiercer expense and working capital control and a higher scrutiny for non-expansion investments. On the other hand, there will be significant investment opportunities such as a more aggressive forward buying to profit from a higher expected price cap adjustment as well as reinforcing our bets in markets with higher expected IRR and in which ailing competitors have generated a more favorable competitive landscape.

**Enhance Productivity:** The growing inflation and the acceleration of our organic growth constitute significant sources of expense pressures. We will have a relentless focus on enhancing productivity in 2016. One of our main initiatives has been in upgrading our proprietary platforms to improve and expedite customer service while also driving efficiency. Another core area of focus will be on people, as we will benefit from reduced employee turnover (better service and lower hiring costs, among other benefits), as we deploy an improved staffing algorithm and standardize its application across Raia and Drogasil. We are also investing in increasing the automation and productivity of our main DC in São Paulo.

Overall, we remain optimistic towards 2016. We believe that the acceleration of our expansion, combined with a solid execution in an environment in which several competitors are suffering should result in robust top line growth and market share gains. We also believe that the sales expense pressures arising from inflation and from the acceleration of our organic growth can be mitigated through administrative expense dilution combined with efficiency gains, especially in the second semester. Finally, we believe that the continuous expansion of our gross margin will be able to bridge any remaining margin gaps arising from sales expenses pressures, allowing us to maintain similar margins in 2016 when compared to that of 2015 and to support longer-term margin expansion.

## ACQUISITION OF THE CORPORATE CONTROL OF 4BIO

On October 1st, 2015 we completed the acquisition of 55% of 4Bio, Brazil's second largest specialty pharmacy and a market leader in Assisted Reproduction, Oncology, Immunobiology and Gynecology.

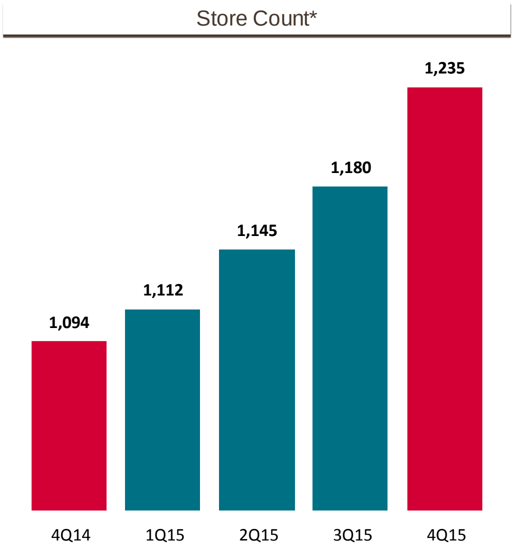
This acquisition marked our entry into the specialty retail market, the fastest growing pharmaceutical category in Brazil and in the world, in which we were not yet present. We believe that with our scale, national presence, capillarity and brand awareness, combined with the reputation, infrastructure, entrepreneurial culture and industry expertise of 4Bio, we will be uniquely positioned to lead the consolidation of the specialty retail market in Brazil, by allowing us to provide highly innovative, differentiated and integrated services for pharmaceutical manufacturers, payers, physicians and patients.

Starting in the 4Q15, the 4Bio financial statements are consolidated within Raia Drogasil. In order to provide historical comparability, we are reporting both 2014 and 2015 on a combined pro-forma basis. Please find below the segmented P&L for Raia Drogasil and 4Bio, as well as the combined figures quarter by quarter. Please find additional information in our web site: www.raiadrogasil.com.br/ir.

| | Raia Drogasil | | | | | | | 4Bio | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(R$ million)* | **4Q14** | **2014** | **1Q15** | **2Q15** | **3Q15** | **4Q15** | **2015** | **4Q14** | **2014** | **1Q15** | **2Q15** | **3Q15** | **4Q15** | **2015** |
| **Gross Revenues** | **2,093.1** | **7,658.9** | **2,052.4** | **2,281.2** | **2,388.2** | **2,517.4** | **9,239.2** | **35.2** | **125.3** | **38.2** | **41.9** | **48.7** | **56.8** | **185.6** |
| **Gross Profit** | **588.8** | **2,143.8** | **590.5** | **695.9** | **689.6** | **731.9** | **2,707.9** | **5.2** | **20.5** | **6.1** | **6.9** | **6.7** | **8.2** | **27.8** |
| % of Gross Revenues | 28.1% | 28.0% | 28.8% | 30.5% | 28.9% | 29.1% | 29.3% | 14.8% | 16.4% | 16.0% | 16.4% | 13.7% | 14.4% | 15.0% |
| **Operating Expenses** | **(430.0)** | **(1,604.0)** | **(438.1)** | **(478.7)** | **(508.4)** | **(545.8)** | **(1,971.0)** | **(4.4)** | **(15.8)** | **(4.6)** | **(5.1)** | **(5.3)** | **(6.2)** | **(21.2)** |
| % of Gross Revenues | (20.5%) | (20.9%) | (21.3%) | (21.0%) | (21.3%) | (21.7%) | (21.3%) | (12.4%) | (12.6%) | (12.0%) | (12.3%) | (10.9%) | (10.9%) | (11.4%) |
| Sales Expenses | (382.3) | (1,409.1) | (386.9) | (416.2) | (448.4) | (486.3) | (1,737.7) | (3.1) | (11.5) | (3.3) | (3.8) | (4.0) | (4.4) | (15.4) |
| % of Gross Revenues | (18.3%) | (18.4%) | (18.8%) | (18.2%) | (18.8%) | (19.3%) | (18.8%) | (8.9%) | (9.1%) | (8.6%) | (9.0%) | (8.1%) | (7.7%) | (8.3%) |
| G&A | (47.7) | (194.9) | (51.2) | (62.5) | (60.0) | (59.5) | (233.2) | (1.2) | (4.4) | (1.3) | (1.4) | (1.4) | (1.8) | (5.9) |
| % of Gross Revenues | (2.3%) | (2.5%) | (2.5%) | (2.7%) | (2.5%) | (2.4%) | (2.5%) | (3.4%) | (3.5%) | (3.4%) | (3.3%) | (2.8%) | (3.3%) | (3.2%) |
| **Adjusted EBITDA** | **158.8** | **539.8** | **152.4** | **217.2** | **181.3** | **186.2** | **737.0** | **0.9** | **4.7** | **1.5** | **1.7** | **1.4** | **2.0** | **6.6** |
| % of Gross Revenues | 7.6% | 7.0% | 7.4% | 9.5% | 7.6% | 7.4% | 8.0% | 2.4% | 3.7% | 4.0% | 4.1% | 2.8% | 3.4% | 3.5% |
| Depreciation & Amortization | (51.6) | (187.6) | (53.5) | (55.6) | (57.7) | (60.0) | (226.8) | (0.1) | (0.2) | (0.1) | (0.0) | (0.1) | (0.1) | (0.2) |
| Financial Expenses/Income | (12.5) | (40.5) | (14.4) | (14.7) | (15.0) | (20.3) | (64.4) | (0.6) | (1.6) | (0.8) | (1.0) | (0.6) | (0.7) | (3.2) |
| Income Tax & Social Contribution | (19.4) | (41.3) | (3.4) | (28.0) | (13.5) | (11.7) | (56.7) | 0.1 | (0.8) | (0.3) | (0.2) | (0.2) | (0.4) | (1.1) |
| **Adjusted Net Income** | **75.4** | **270.4** | **81.0** | **118.9** | **95.0** | **94.1** | **389.0** | **0.3** | **2.0** | **0.4** | **0.4** | **0.5** | **0.8** | **2.1** |
| % of Gross Revenues | 3.6% | 3.5% | 3.9% | 5.2% | 4.0% | 3.7% | 4.2% | 0.8% | 1.6% | 1.1% | 1.0% | 0.9% | 1.4% | 1.1% |

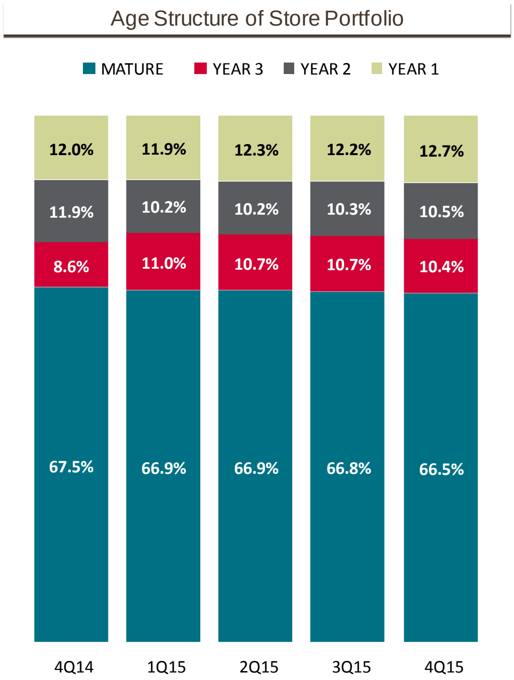
| | Combined | | | | | | |
|---|---|---|---|---|---|---|---|
| *(R$ million)* | **4Q14** | **2014** | **1Q15** | **2Q15** | **3Q15** | **4Q15** | **2015** |
| **Gross Revenues** | **2,128.3** | **7,784.2** | **2,090.6** | **2,323.1** | **2,436.9** | **2,574.2** | **9,424.8** |
| **Gross Profit** | **594.1** | **2,164.4** | **596.6** | **702.8** | **696.3** | **740.1** | **2,735.7** |
| % of Gross Revenues | 27.9% | 27.8% | 28.5% | 30.3% | 28.6% | 28.7% | 29.0% |
| **Operating Expenses** | **(434.4)** | **(1,619.9)** | **(442.7)** | **(483.9)** | **(513.7)** | **(552.0)** | **(1,992.2)** |
| % of Gross Revenues | (20.4%) | (20.8%) | (21.2%) | (20.8%) | (21.1%) | (21.4%) | (21.1%) |
| Sales Expenses | (385.5) | (1,420.6) | (390.2) | (420.0) | (452.4) | (490.6) | (1,753.1) |
| % of Gross Revenues | (18.1%) | (18.2%) | (18.7%) | (18.1%) | (18.6%) | (19.1%) | (18.6%) |
| G&A | (48.9) | (199.3) | (52.5) | (63.9) | (61.3) | (61.3) | (239.1) |
| % of Gross Revenues | (2.3%) | (2.6%) | (2.5%) | (2.8%) | (2.5%) | (2.4%) | (2.5%) |
| **Adjusted EBITDA** | **159.7** | **544.5** | **153.9** | **218.9** | **182.6** | **188.1** | **743.5** |
| % of Gross Revenues | 7.5% | 7.0% | 7.4% | 9.4% | 7.5% | 7.3% | 7.9% |
| Depreciation & Amortization | (51.7) | (187.8) | (53.6) | (55.6) | (57.8) | (60.1) | (227.1) |
| Financial Expenses/Income | (13.0) | (42.2) | (15.2) | (15.7) | (15.6) | (21.1) | (67.6) |
| Income Tax & Social Contribution | (19.3) | (42.1) | (3.7) | (28.2) | (13.8) | (12.1) | (57.8) |
| **Adjusted Net Income** | **75.7** | **272.4** | **81.5** | **119.3** | **95.5** | **94.9** | **391.1** |
| % of Gross Revenues | 3.6% | 3.5% | 3.9% | 5.1% | 3.9% | 3.7% | 4.2% |

## STORE DEVELOPMENT




| | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 |
|---|---|---|---|---|---|
| Opened | 51 | 19 | 38 | 37 | 62 |
| Closed | (5) | (1) | (5) | (2) | (7) |

* Includes three 4Bio stores




We opened 156 new stores and closed 15 in 2015 (62 openings and 7 closures in the 4Q15), ending the year with 1,235 stores in operation, including three 4Bio stores.

We surpassed our guidance of 145 gross openings in the year, reflecting a relevant acceleration in our store-opening pace, which was made possible due to an increase in our new stores contracts pipeline built over the last twelve months in preparation for further acceleration. We established a guidance of 165 new stores in 2016 and of 195 stores in 2017.

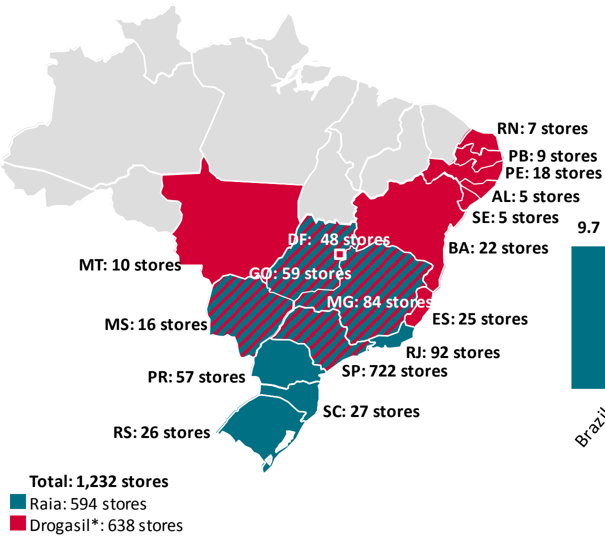
At the end of the period, 33.5% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenues and profitability. We ended the quarter with the highest percentage of non-mature stores since the 3Q13.

Our average comparable national market share reached 10.6% in the quarter, a 0.9 percentage point pro-forma increase when compared to 2014, including 4Bio. Our market share figures were adjusted by IMS Health to exclude new informants, so as to preserve historical comparability. Considering the inclusion of new informants, our national market share totaled 10.3%.

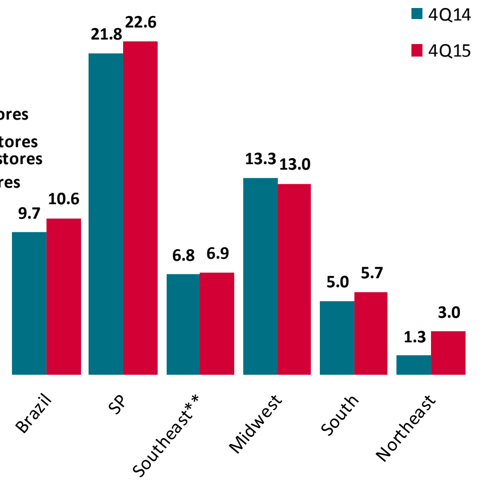
We increased our comparable market share in most of the regions where we operate. São Paulo was our main highlight, where we recorded a market share of 22.6%, a 0.8 percentage point increase driven by our organic expansion and by the solid performance of our mature stores. In the remaining states of the Southeast, we gained 0.1 percentage point.

We also recorded an outstanding performance in the Northeast, where we reached a market share of 3.0%, a 1.7 percentage point increase over the previous year, driven by our growth in Bahia as well as by our successful entry in five new states in the region: Sergipe, Alagoas, Pernambuco, Paraíba and Rio Grande do Norte in 2014. In the Southern region, we increased our market share by 0.7 percentage point, driven by store maturation in Paraná and in Santa Catarina and by our expansion in Rio Grande do Sul. Finally, we reached a market share of 13.0% in the Midwest, a 0.3 percentage point decrease when compared to the previous year, since we have not opened any stores in Goiás since 2013.

Geographic Presence - Retail




Combined Market Share***




**PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (%)**

| Brazil | SP | Southeast** | Midwest | South | Northeast |
|---|---|---|---|---|---|
| 100.0 | 26.5 | 24.3 | 8.8 | 16.6 | 18.9 |

Source: IMS Health

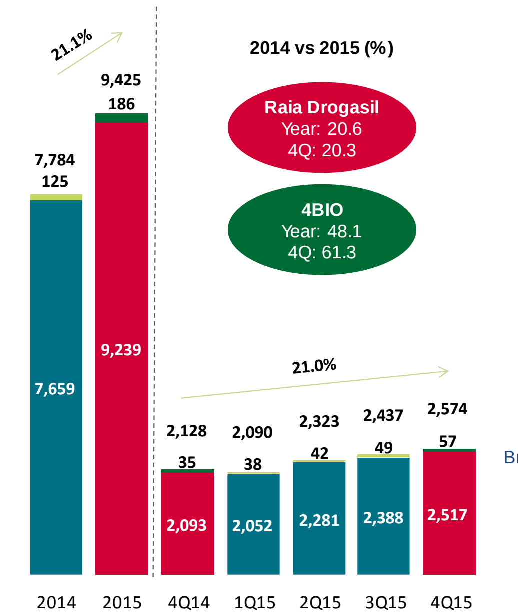
* Includes Farmasil stores

** Includes 4Bio only for Brazil

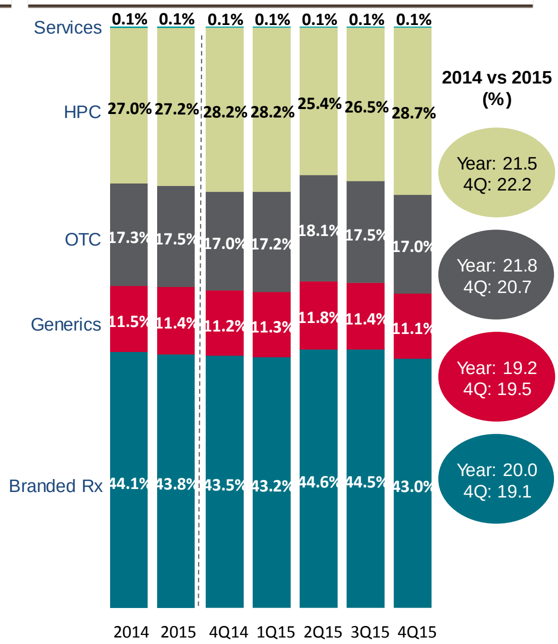
*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 10.3%

## GROSS REVENUES

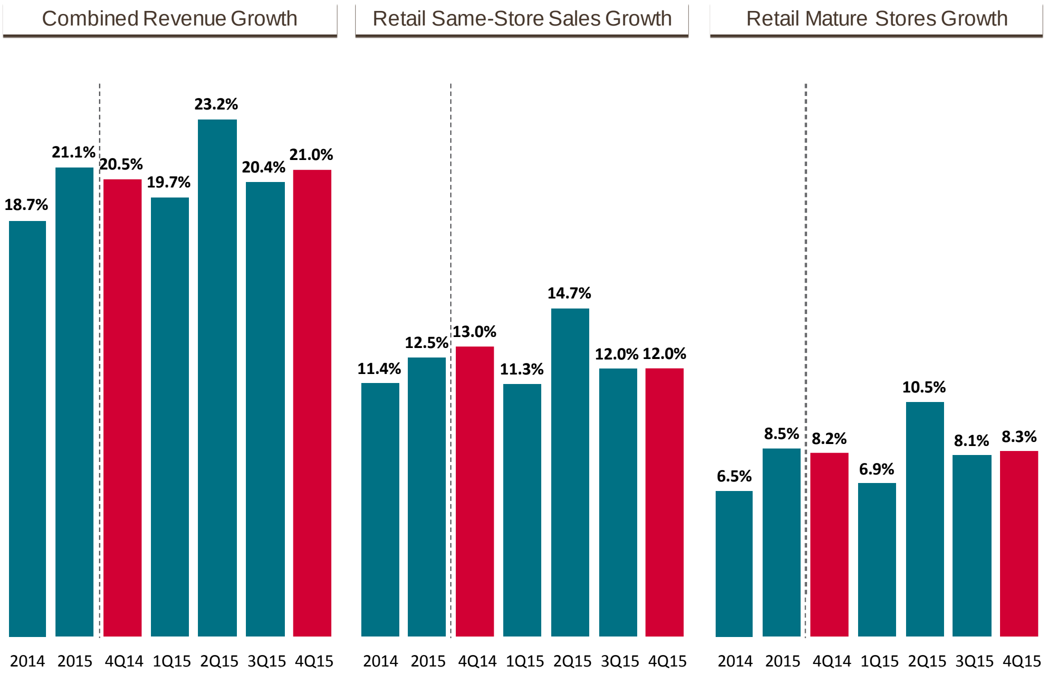
Combined Gross Revenues




Retail Sales Mix



We ended 2015 with combined gross revenues of R$ 9,424.8 million (R$ 2,574.2 million in the quarter), a 21.1% increase over the previous year (21.0% in the quarter). Raia Drogasil grew 20.6% (20.3% in the quarter), while 4Bio grew 48.1% (61.3% in the quarter). HPC increased revenues by 21.5% (22.2% in the 4Q15) and OTC by 21.8% (20.7% in the quarter), versus 20.0% of Branded Rx (19.1% in the quarter) and 19.2% of Generics (19.5% in the 4Q15). We experienced an outbreak of the Zika virus in the 4Q15 that boosted mosquito repellent sales, contributing to an increase in HPC.



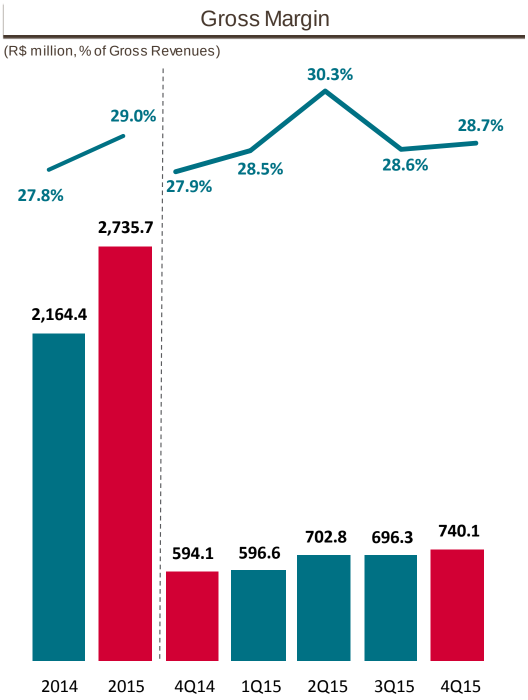

Same store sales at Raia Drogasil increased by 12.5% while our mature stores recorded an increase of 8.5%. In the 4Q15, same store sales increased by 12.0% and mature stores grew by 8.3%. It is important to mention that in the 4Q15 we recorded a negative calendar effect, which penalized our sales by 0.6%.

In 2015, the Brazilian pharmaceutical market grew by 14.3% (7.4% in units sold), according to the IMS Health, a testament to the defensive nature of our market.

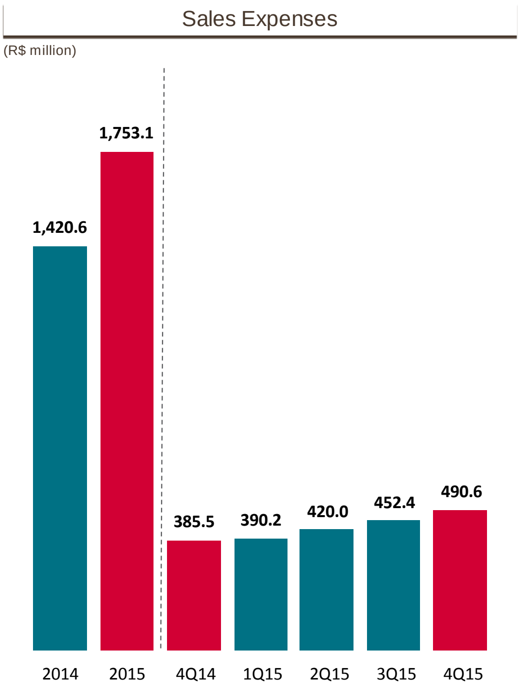
## GROSS PROFIT

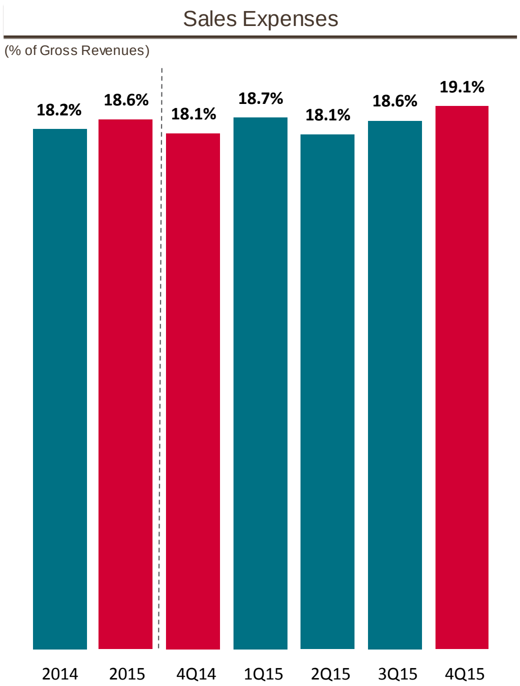
Our combined gross margin reached 29.0%, a 1.2 percentage point increase versus the 2014. In the 4Q15, we recorded a gross margin of 28.7%, a 0.8 percentage point increase over the same period of the previous year.

This gross margin expansion was driven by the structural improvements in our commercial terms, opportunistic purchases, tactical pricing adjustments and a reduction in inventory losses, contributing to a margin increase of about 1.2 percentage point in 2015 (0.7 percentage point in the quarter). Additionally, the Net Present Value Adjustment led to a gross margin increase of approximately 0.1 percentage point in the year (0.2 percentage point in the 4Q15), reflecting the rising interest rates and higher days of suppliers when compared to the previous year. 4Bio's growth had a negative margin mix effect of 0.1 percentage point both in the year and in the quarter, since Specialty Drugs have a lower gross margin than Retail.




## SALES EXPENSES



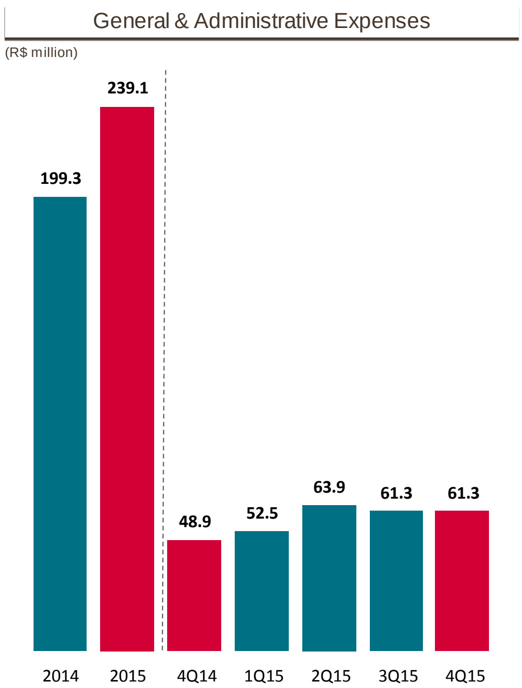
In 2015, combined sales expenses totaled R$ 1,753.1 million, equivalent to 18.6% of gross revenues, a 0.4 percentage point increase over 2014. Personnel expenses increased by 0.2 percentage point, while electricity pressured our sales expenses by 0.2 percentage point. Finally, the faster store-opening pace resulted in increased pre-operational expenses by 0.1 percentage point in the year. This pressure was partially offset by a 0.1 percentage point dilution in other expenses.

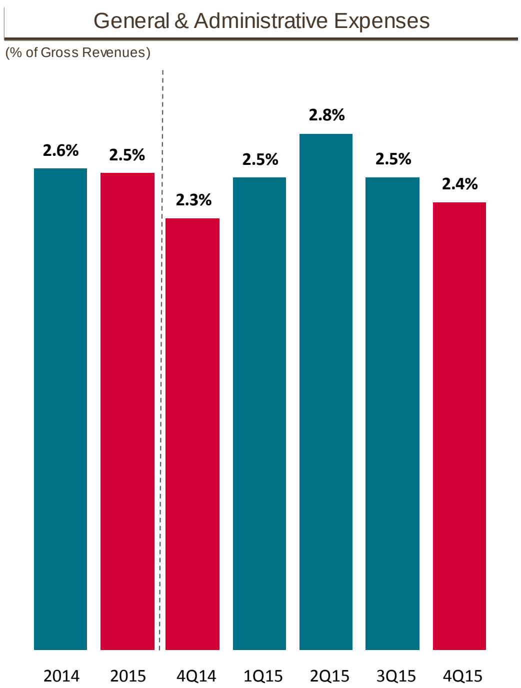
Sales expenses totaled R$ 490.6 million in the quarter, 19.1% of gross revenues, a 1.0 percentage point increase over the same period of the previous year. Personnel expenses increased by 0.4 percentage point, while electricity pressured our sales expenses by 0.3 percentage point and logistics expenses related to our expansion in the Northeast grew by 0.1 percentage point. Finally, the faster store-opening pace resulted in increased pre-operational expenses of 0.3 percentage point. These expenses were partially offset by a 0.1 percentage point dilution in other expenses.

## GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 239.1 million in the year, equivalent to 2.5% of gross revenues, a 0.1 percentage point dilution. We recorded an increase in compensation allowance of 0.1 percentage point, which was more than offset by a dilution of 0.2 percentage point in other expenses.

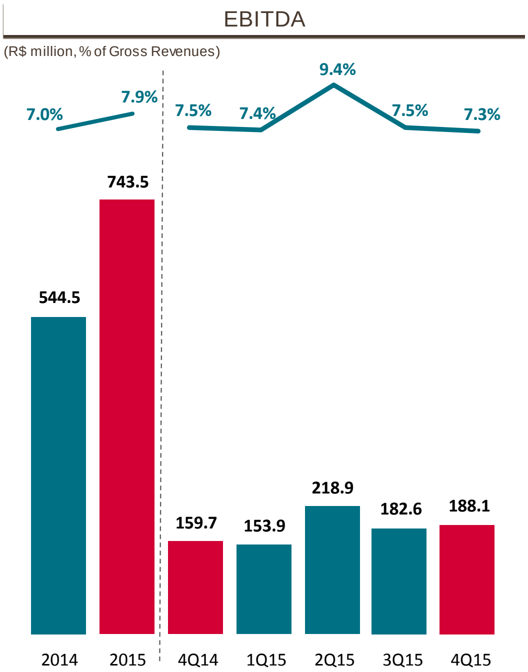
In the 4Q15 General and Administrative expenses amounted R$ 61.3 million, equivalent to 2.4% of gross revenues, a 0.1 percentage point expense pressure reflecting an increase in the compensation allowance (0.3 percentage point) due to the low comp base of the 4Q14, when variable compensation was reduced in order to offset an excess provisioning undertaken in the 1H14. This pressure was partially offset by a dilution of 0.2 percentage point in other expenses.



## EBITDA

Our combined EBITDA reached R$ 743.5 million, an EBITDA margin of 7.9% and a margin expansion of 0.9 percentage point, which corresponded to an increase of 36.6% over 2014. Our 4Q15 EBITDA totaled R$ 188.1 million, an EBITDA margin of 7.3% and a contraction of 0.2 percentage point versus the 4Q14.




New stores opened in the year, as well as those that were in the opening process, reduced the combined EBITDA by R$ 40.0 million in 2015 (R$ 12.8 million in the quarter). Therefore, considering only the 1,079 stores in operation since the end of 2014 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R$ 783.5 million (R$ 200.9 million in the quarter), equivalent to an EBITDA margin of 8.3% over gross revenues (7.8% in the quarter).

Raia Drogasil achieved a retail EBITDA of R$ 737.0 million (R$ 186.2 million in the quarter), an EBITDA margin of 8.0% in the year (7.4% in the quarter), an annual margin expansion of 0.9 percentage point (margin contraction of 0.2 percentage point in the quarter). It is important to highlight that we experienced in the quarter a 0.3 percentage point pressure in pre operational expenses related to the acceleration of our growth, and also that the 4Q14 comp base benefited from a 0.3 percentage point reduction in the variable compensation provision to offset an excess provisioning happened in the 1H14.

4Bio reached an EBITDA of R$ 6.6 million (R$ 2.0 million in the quarter), an EBITDA margin of 3.5% in the year (3.4% in the quarter), an annual margin pressure of 0.2 percentage point (margin expansion of 1.0 percentage point in the quarter). It is important to highlight that 4Bio recorded a revenue growth of 61.3% in the quarter versus 48.1% in the year driven by a significant increase in inventories following the transaction, as Raia Drogasil recapitalized the company and restored supplier credit, which was the major driver of the margin expansion.

## NON-RECURRING EXPENSES

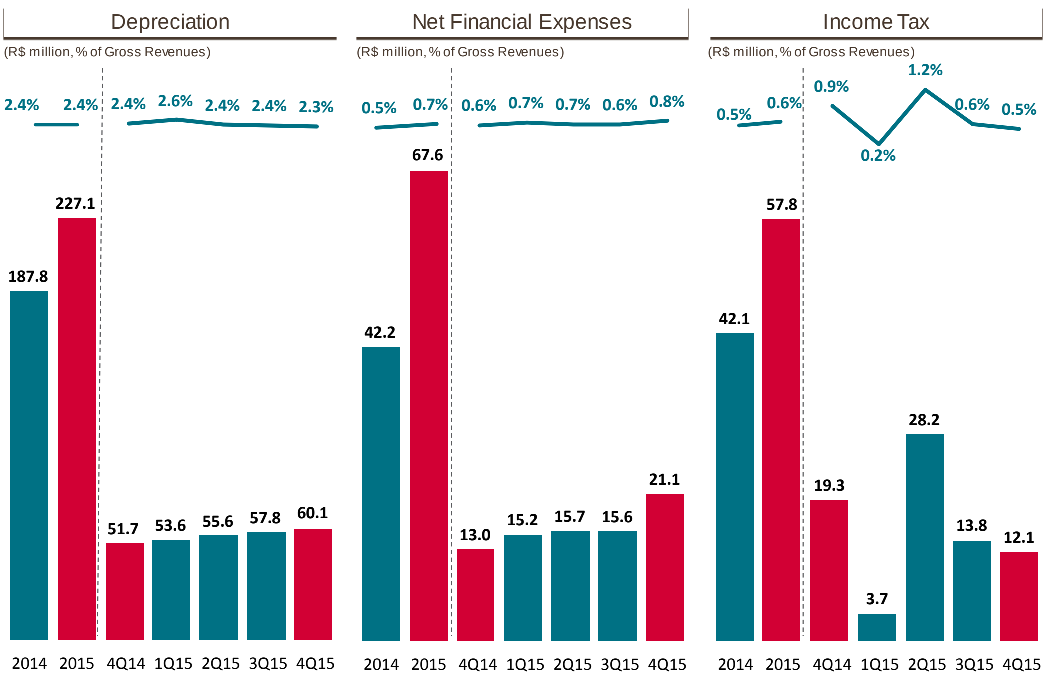
We incurred in R$ 8.8 million in non-recurring expenses in the 4Q15, as show below:

| *(R$ million)* | **4Q15** |
|---|---|
| **Bad debtors' provision - third-party PBM** | **(5.8)** |
| **4Bio transaction and integration** | **(1.9)** |
| **Change in PBM Receivables Provisioning** | **(1.1)** |
| **Total** | **(8.8)** |

We recorded in the quarter R$ 1.9 million in transaction and integration expenses related to the 4Bio acquisition.

We also booked R$ 5.8 million in bad debtors' provision related to a specific third-party PBM program to which we are accredited. It is the first time we incur material losses since the inception of such programs more than 15 years ago. We have also adopted a more rigorous provisioning criteria regarding our PBM receivables, a one-time change in accounting estimates that penalized our results by R$ 1.1 million.

## DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES




Depreciation expenses totaled R$ 227.1 million in 2015, equivalent to 2.4% of gross revenues, in line with the previous year. In the 4Q15, depreciation expenses amounted to R$ 60.1 million, or 2.3% of gross revenues, a 0.1 percentage point dilution when compared to the same period of the previous year.

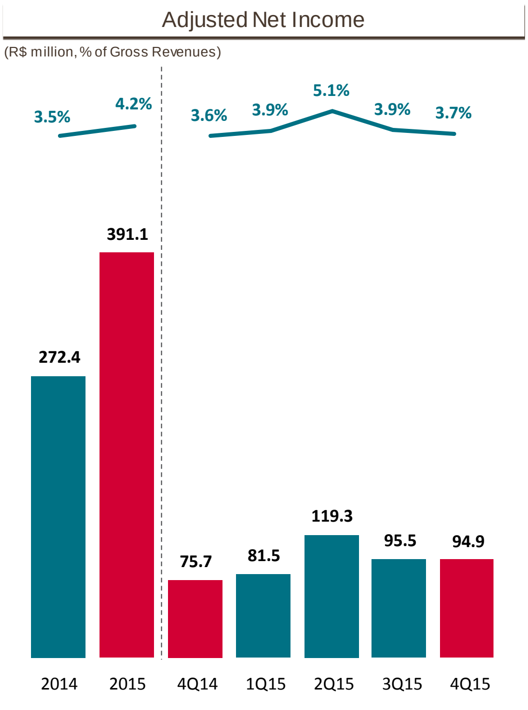
Financial expenses represented 0.7% of gross revenues in the year (0.8% in the quarter), a 0.2 percentage point increase both in 2015 and in the 4Q15, due to the Net Present Value Adjustment. Excluding the NPV Adjustment, the interest accrued on debt amounted to 0.1% of revenues in 2015 and in the 4Q15. Of the R$ 67.6 million of net financial expenses recorded in 2015 (R$ 21.1 million in the quarter), R$ 55.4 million (R$ 18.5 million in the quarter) refers to the Net Present Value Adjustment, while R$ 12.2 million (R$ 2.6 million in the quarter) refers to net interest accrued.

Finally, in 2015 we booked R$ 57.8 million in taxes, equivalent to 0.6% of gross revenues, a 0.1 percentage point increase due to the improvement in our profitability. In the 4Q15, we booked R$ 12.1 million in taxes, 0.5% of gross revenues, which represented a decrease of 0.4 percentage point reflecting a higher payout driven by the full utilization of the legal interest on capital limit.

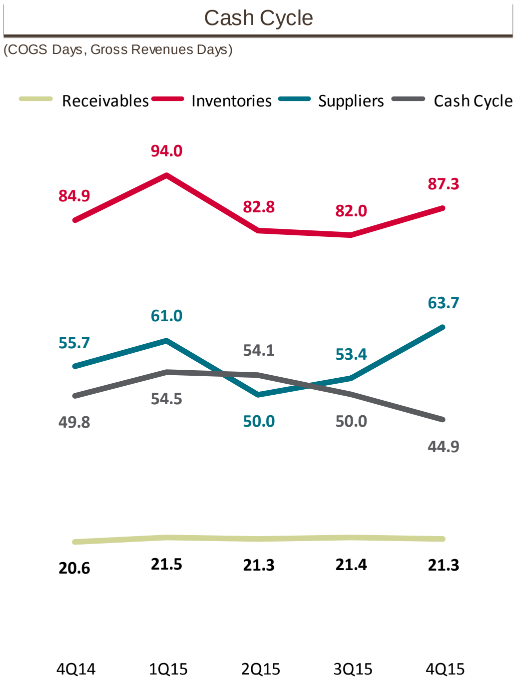
## ADJUSTED NET INCOME

Adjusted net income totaled R$ 391.1 million in 2015 (R$ 94.9 million in the quarter), a 43.6% increase over the previous year (25.4% in the 4Q15). We achieved an adjusted net margin of 4.2% (3.7% in the quarter), a 0.7 percentage point increase (0.1 percentage point decrease in the 4Q15).

Excluding the benefit from the goodwill amortization and the non-recurring expenses booked in the 4Q15, we recorded a reported net income of R$ 341.8 million in the year, a net margin of 3.6% (R$ 78.3 million, a net margin of 3.0% in the 4Q15).



## CASH CYCLE




We achieved a combined cash cycle reduction of 4.9 days when compared to the previous year. Inventories increased by 2.4 days, reflecting opportunistic purchases undertaken in the period, which led to an increase in our accounts payable of 8.0 days, driven by improvements in purchasing terms from suppliers related to the full funding of those opportunistic purchases. Finally, days of receivables increased by 0.7 day versus the previous year.

## CASH FLOW

We recorded a free cash flow of R$ 110.4 million in 2015, our third consecutive year of free cash flow generation. Total cash flow was a negative R$ 19.9 million. Our operating cash flow totaled R$ 499.1 million, which more than fully funded R$ 388.7 million in investments undertaken in the period. Resources from operations amounted to R$ 610.4 million, equivalent to 6.5% of our gross revenues, while we recorded a working capital consumption of R$ 111.3 million.

In the 4Q15, we generated a free cash flow of R$ 35.6 million, and a negative total cash flow of R$ 32.5 million. Our operating cash flow totaled R$ 180.0 million, which more than fully funded R$ 144.3 million in investments undertaken in the period. Resources from operations amounted to R$ 164.4 million, equivalent to 6.4% of our gross revenues, while we recorded a working capital increase of R$ 15.6 million.

Of the R$ 388.7 million invested in the year, R$ 229.8 million corresponded to new store openings, R$ 56.1 million to the renovation of existing stores, and R$ 102.8 million to investments in infrastructure.

Net financial expenses totaled R$ 67.6 million in the year (R$ 21.1 million in the 4Q15). These expenses were more than fully offset by the R$ 83.9 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid at a later date (R$ 21.8 million in the quarter).

| **Cash Flow**<br>*(R$ million)* | **4Q15** | **4Q14** | **2015** | **2014** |
|---|---|---|---|---|
| **Adjusted EBIT** | **128.0** | **108.0** | **516.5** | **356.7** |
| Non-Recurring Expenses | (8.8) | (3.9) | (10.0) | (9.5) |
| Income Tax (34%) | (40.5) | (35.4) | (172.2) | (118.1) |
| Tax Shield from Goodwill | 10.7 | 10.7 | 42.8 | 42.8 |
| Depreciation | 60.1 | 51.7 | 227.1 | 187.8 |
| Others | 14.9 | 11.2 | 6.3 | 9.1 |
| **Resources from Operations** | **164.4** | **142.3** | **610.4** | **468.9** |
| Cash Cycle* | 54.4 | 80.1 | (90.6) | (116.6) |
| Other Assets (Liabilities) | (38.8) | (35.5) | (20.7) | (4.8) |
| **Operating Cash Flow** | **180.0** | **186.9** | **499.1** | **347.5** |
| **Investments** | **(144.3)** | **(83.7)** | **(388.7)** | **(271.2)** |
| **Free Cash Flow** | **35.6** | **103.2** | **110.4** | **76.4** |
| Interest on Equity | (57.3) | (24.5) | (121.3) | (41.5) |
| Income Tax Paid over Interest on Equity | (11.5) | (6.5) | (25.3) | (10.6) |
| Net Financial Expenses | (21.1) | (13.0) | (67.6) | (42.2) |
| Share Buyback | - | - | - | (20.9) |
| Income Tax (Tax benefit over financial expenses and interest on equity) | 21.8 | 12.4 | 83.9 | 39.7 |
| **Total Cash Flow** | **(32.5)** | **71.6** | **(19.9)** | **0.9** |

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

** Does not include financing cash flow

We accrued R$ 179.2 million in interest on equity in 2015 (R$ 43.0 million in the 4Q15) versus R$ 74.6 million in 2014 (R$ 23.5 million in the 4Q14), reflecting a payout of 52.6%, through the full utilization of the legal interest on equity limit.

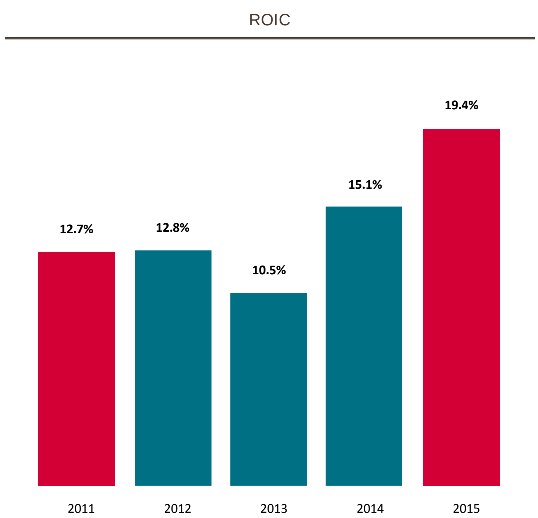
## INDEBTEDNESS

At the end of the year, we recorded a net debt position of R$ 30.3 million, versus a net debt of R$ 10.4 million recorded in the same period of 2014.

Our gross debt totaled R$ 296.4 million, of which 97.7% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and 2.3% corresponds to bank debt related to 4Bio. Of our total debt, 63.5% is long-term, while 36.5% 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$ 266.1 million.

## RETURN ON INVESTED CAPITAL

We reached in 2015 a return on invested capital of 19.4%, a 4.4 percentage point increase over 2014, reflecting the significant improvements in our profitability and in our cash conversion cycle.

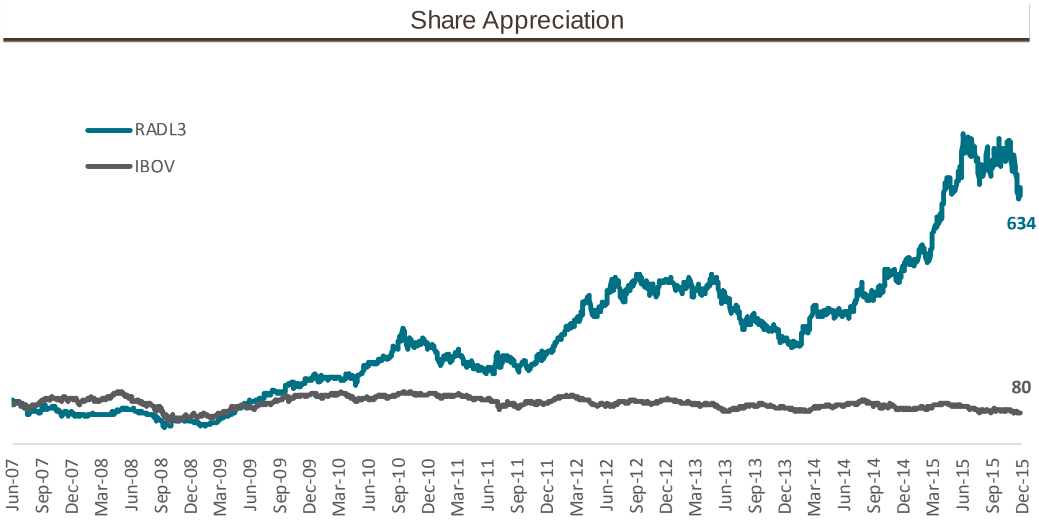



Our ROIC is heavily penalized by our accelerated organic growth, since 33.5% of our fully invested stores have not yet reached their maturation and their profitability potential. This effect is especially detrimental for the stores opened in 2015 and to those that were at the pre-operational stage for opening in 2016, which consumed a CAPEX of R$ 229.8 million as well as additional working capital investments, yet generated a negative EBITDA of R$ 40.0 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.

## TOTAL SHAREHOLDER RETURN

Our share price appreciated by 40.0% in 2015, 53.3 percentage points above the IBOVESPA, which lost 13.3% in the period.

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 533.6% when compared to a negative return of 20.3% of the IBOVESPA over the same period. Including the payment of interest on equity, we generated an average annual total return to shareholders of 24.8%.




Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 245.9% when compared to a decrease of 36.2% by the IBOVESPA. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 27.9%.

We recorded an average daily trading volume of R$ 58.1 million in the quarter.

| **Combined Adjusted Income Statement** | **4Q14** | **4Q15** | **2014** | **2015** |
|---|---|---|---|---|
| *(R$ thousand)* | | | | |
| **Gross Revenues** | **2,128,284** | **2,574,215** | **7,784,235** | **9,424,777** |
| Taxes, Discounts and Returns | (86,264) | (114,277) | (312,146) | (402,822) |
| **Net Revenues** | **2,042,020** | **2,459,938** | **7,472,089** | **9,021,955** |
| Cost of Goods Sold | (1,447,960) | (1,719,854) | (5,307,721) | (6,286,214) |
| **Gross Profit** | **594,060** | **740,084** | **2,164,368** | **2,735,741** |
| Operational (Expenses) Revenues | | | | |
| Sales | (385,467) | (490,616) | (1,420,582) | (1,753,100) |
| General and Administrative | (48,915) | (61,348) | (199,287) | (239,125) |
| Other Operational Expenses, Net | 0 | 0 | 0 | 0 |
| **Operational Expenses** | **(434,382)** | **(551,964)** | **(1,619,869)** | **(1,992,225)** |
| **EBITDA** | **159,678** | **188,120** | **544,499** | **743,516** |
| Depreciation and Amortization | (51,669) | (60,086) | (187,813) | (227,059) |
| **Operational Earnings before Financial Results** | **108,009** | **128,034** | **356,686** | **516,457** |
| Financial Expenses | (18,309) | (47,855) | (62,082) | (156,892) |
| Financial Revenues | 5,283 | 26,799 | 19,905 | 89,316 |
| **Financial Expenses/Revenues** | **(13,026)** | **(21,056)** | **(42,177)** | **(67,576)** |
| **Earnings before Income Tax and Social Charges** | **94,983** | **106,978** | **314,509** | **448,881** |
| Income Tax and Social Charges | (19,302) | (12,113) | (42,077) | (57,750) |
| **Net Income** | **75,681** | **94,865** | **272,432** | **391,131** |

| **Combined Income Statement** | **4Q14** | **4Q15** | **2014** | **2015** |
|---|---|---|---|---|
| *(R$ thousand)* | | | | |
| **Gross Revenues** | **2,128,284** | **2,574,215** | **7,784,235** | **9,424,777** |
| Deductions | (86,264) | (115,961) | (312,146) | (402,822) |
| **Net Revenues** | **2,042,020** | **2,458,254** | **7,472,089** | **9,021,955** |
| Cost of Goods Sold | (1,447,960) | (1,718,350) | (5,307,721) | (6,286,214) |
| **Gross Profit** | **594,060** | **739,904** | **2,164,368** | **2,735,741** |
| Operational (Expenses) Revenues | | | | |
| Sales | (385,467) | (490,616) | (1,420,582) | (1,753,100) |
| General and Administrative | (48,915) | (61,348) | (199,287) | (239,125) |
| Other Operational Expenses, Net | (3,851) | (8,818) | (9,473) | (9,978) |
| **Operational Expenses** | **(438,233)** | **(560,782)** | **(1,629,342)** | **(2,002,203)** |
| **EBITDA** | **155,827** | **179,122** | **535,026** | **733,538** |
| Depreciation and Amortization | (51,669) | (60,086) | (187,813) | (227,059) |
| **Operational Earnings before Financial Results** | **104,158** | **119,036** | **347,213** | **506,479** |
| Financial Expenses | (18,309) | (49,359) | (62,082) | (156,892) |
| Financial Revenues | 5,283 | 28,483 | 19,905 | 89,316 |
| **Financial Expenses/Revenues** | **(13,026)** | **(20,876)** | **(42,177)** | **(67,576)** |
| **Earnings before Income Tax and Social Charges** | **91,132** | **98,160** | **305,036** | **438,903** |
| Income Tax and Social Charges | (28,691) | (19,813) | (81,649) | (97,150) |
| **Net Income** | **62,441** | **78,347** | **223,387** | **341,753** |

| **Consolidated Income Statement** | **4Q14** | **4Q15** | **2014** | **2015** |
|---|---|---|---|---|
| *(R$ thousand)* | | | | |
| **Gross Revenues** | **2,093,076** | **2,574,215** | **7,658,890** | **9,295,978** |
| Deductions | (84,959) | (115,961) | (307,434) | (398,129) |
| **Net Revenues** | **2,008,117** | **2,458,254** | **7,351,456** | **8,897,849** |
| Cost of Goods Sold | (1,419,309) | (1,719,704) | (5,207,625) | (6,183,289) |
| **Gross Profit** | **588,808** | **738,550** | **2,143,831** | **2,714,560** |
| Operational (Expenses) Revenues | | | | |
| Sales | (382,321) | (490,616) | (1,409,067) | (1,742,093) |
| General and Administrative | (47,705) | (61,348) | (194,958) | (235,089) |
| Other Operational Expenses, Net | (3,851) | (8,818) | (9,473) | (8,818) |
| **Operational Expenses** | **(433,877)** | **(560,782)** | **(1,613,498)** | **(1,986,000)** |
| **EBITDA** | **154,931** | **177,768** | **530,333** | **728,560** |
| Depreciation and Amortization | (51,604) | (60,882) | (187,568) | (227,698) |
| **Operational Earnings before Financial Results** | **103,327** | **116,886** | **342,765** | **500,862** |
| Financial Expenses | (28,905) | (49,359) | (99,001) | (153,748) |
| Financial Revenues | 16,486 | 28,483 | 58,460 | 88,787 |
| **Financial Expenses/Revenues** | **(12,419)** | **(20,876)** | **(40,541)** | **(64,961)** |
| **Earnings before Income Tax and Social Charges** | **90,908** | **96,010** | **302,224** | **435,901** |
| Income Tax and Social Charges | (28,750) | (19,082) | (80,838) | (96,116) |
| **Net Income** | **62,158** | **76,928** | **221,386** | **339,785** |

| 2015 Income Statement Reconciliation (R$ thousand) | Consolidated(1) | + | 4Bio 9M15(2) | + | PPA(3) | = | Combined | + | Adjustments(4) | = | Combined Adjusted |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Revenues** | **9,295,978** | | **128,799** | | **0** | | **9,424,777** | | **0** | | **9,424,777** |
| Deductions | (398,129) | | (4,693) | | 0 | | (402,822) | | 0 | | (402,822) |
| **Net Revenues** | **8,897,849** | | **124,106** | | **0** | | **9,021,955** | | **0** | | **9,021,955** |
| Cost of Goods Sold | (6,183,289) | | (104,278) | | 1,353 | | (6,286,214) | | 0 | | (6,286,214) |
| **Gross Profit** | **2,714,560** | | **19,828** | | **1,353** | | **2,735,741** | | **0** | | **2,735,741** |
| Operational (Expenses) Revenues | | | | | | | | | | | |
| Sales | (1,742,093) | | (11,007) | | 0 | | (1,753,100) | | 0 | | (1,753,100) |
| General and Administrative | (235,089) | | (4,036) | | 0 | | (239,125) | | 0 | | (239,125) |
| Other Operational Expenses, Net | (8,818) | | (1,160) | | 0 | | (9,978) | | 9,978 | | 0 |
| **Operational Expenses** | **(1,986,000)** | | **(16,203)** | | **0** | | **(2,002,203)** | | **9,978** | | **(1,992,225)** |
| **EBITDA** | **728,560** | | **3,625** | | **1,353** | | **733,538** | | **9,978** | | **743,516** |
| Depreciation and Amortization | (227,698) | | (157) | | 796 | | (227,059) | | 0 | | (227,059) |
| **Operational Earnings before Financial Results** | **500,862** | | **3,468** | | **2,149** | | **506,479** | | **9,978** | | **516,457** |
| Financial Expenses | (153,748) | | (3,144) | | 0 | | (156,892) | | 0 | | (156,892) |
| Financial Revenues | 88,787 | | 529 | | 0 | | 89,316 | | 0 | | 89,316 |
| **Financial Expenses/Revenues** | **(64,961)** | | **(2,615)** | | **0** | | **(67,576)** | | **0** | | **(67,576)** |
| **Earnings before Income Tax and Social Charges** | **435,901** | | **853** | | **2,149** | | **438,903** | | **9,978** | | **448,881** |
| Income Tax and Social Charges | (96,116) | | (303) | | (731) | | (97,150) | | 39,400 | | (57,750) |
| **Net Income** | **339,785** | | **550** | | **1,418** | | **341,753** | | **49,378** | | **391,131** |

(1) **Consolidated:** refers to the consolidated financial statements ended on December 31st, 2015, audited by our independent auditors, which considers nine months of Raia Drogasil results and three months of 4Bio consolidated results.
(2) **4Bio 9M15:** refers to nine months of 4Bio intermediate statements.
(3) **PPA:** refers to PPA (purchase price allocation) adjustments on COGS (R$ 1,353 thousand), Depreciation and Amortization (R$ 796 thousand) and Income Tax and Social Charges (-R$ 731 thousand).
(4) **Adjustments:** refers to non-recurring expenses with bad debtors' provision from a third party PBM, 4Bio transaction and integration and a change in PBM receivables provisioning (R$ 9,978 thousand) and to tax shield from the goodwill amortization (R$ 42,792 thousand) and from the non-recurring expenses (-R$ 3,392 thousand).

| **Combined Assets** | **4Q14** | **4Q15** |
|---|---|---|
| *(R$ thousand)* | | |
| Current Assets | | |
| Cash and Cash Equivalents | 281,467 | 266,051 |
| Accounts Receivable | 482,840 | 601,831 |
| Inventories | 1,350,971 | 1,650,453 |
| Taxes Receivable | 39,429 | 59,530 |
| Other Accounts Receivable | 107,638 | 98,261 |
| Income Tax and Social Charges deferred | 180 | 174 |
| Following Fiscal Year Expenses | 9,972 | 9,718 |
| | 2,272,497 | 2,686,018 |
| Non-Current Assets | | |
| Deposit in Court | 14,116 | 18,730 |
| Taxes Receivable | 17,330 | 23,156 |
| Other Credits | 1,923 | 2,613 |
| Investments | 0 | 30,317 |
| Property, Plant and Equipment | 648,360 | 801,985 |
| Intangible | 1,125,277 | 1,130,613 |
| | 1,807,006 | 2,007,414 |
| ASSETS | 4,079,503 | 4,693,432 |

| **Combined Liabilities and Shareholder's Equity** | **4Q14** | **4Q15** |
|---|---|---|
| *(R$ thousand)* | | |
| | | |
| Current | | |
| Suppliers | 886,533 | 1,203,382 |
| Loans and Financing | 103,686 | 108,191 |
| Salaries and Social Charges Payable | 142,635 | 165,409 |
| Taxes Payable | 43,516 | 55,877 |
| Dividend and Interest on Equity | 28,664 | 24,402 |
| Provision for Lawsuits | 5,209 | 3,346 |
| Other Accounts Payable | 88,368 | 88,159 |
| | 1,298,611 | 1,648,766 |
| | | |
| Non-Current Assets | | |
| Loans and Financing | 188,200 | 188,196 |
| Provision for Lawsuits | 4,113 | 3,352 |
| Income Tax and Social Charges deferred | 125,946 | 161,826 |
| Other Accounts Payable | 3,792 | 36,107 |
| | 322,051 | 389,481 |
| | | |
| Shareholder's Equity | | |
| Common Stock | 909,407 | 1,822,407 |
| Capital Reserves | 1,019,791 | 128,767 |
| Revaluation Reserve | 12,755 | 12,569 |
| Income Reserves | 475,420 | 666,608 |
| Accrued Income | 1,137 | 0 |
| Equity Adjustments | 0 | (23,409) |
| Additional Dividend Proposed | 40,331 | 48,243 |
| | 2,458,841 | 2,655,185 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | 4,079,503 | 4,693,432 |

| Consolidated Cash Flow | 4Q14 | 4Q15 | 2014 | 2015 |
|---|---|---|---|---|
| **Earnings before Income Tax and Social Charges** | **91,132** | **96,011** | **305,038** | **436,756** |
| **Adjustments** | | | | |
| Depreciation and Amortization | 51,669 | 60,882 | 187,813 | 227,854 |
| Compensation plan with restricted shares, net | 754 | 996 | 754 | 3,471 |
| Interest over additional stock option | 0 | 1,402 | 0 | 1,402 |
| P,P&E and Intangible Assets residual value | (1,518) | 1,719 | (834) | 4,727 |
| Provisioned Lawsuits | (5,669) | (1,726) | (3,492) | (3,624) |
| Provisioned Inventories Loss | 5,234 | (9,361) | 10,238 | (12,106) |
| Allowance for Doubtful Accounts | (1,184) | 4,813 | (1,988) | 5,444 |
| Provisioned Store Closures | 570 | (1,559) | 3,651 | (1,415) |
| Interest Expenses | 5,798 | 8,909 | 24,103 | 32,086 |
| | **146,786** | **162,086** | **525,283** | **694,595** |
| **Assets and Liabilities variation** | | | | |
| Accounts Receivable | (5,130) | (20,599) | (94,258) | (114,819) |
| Inventories | (83,957) | (166,205) | (220,105) | (286,022) |
| Other Short Term Assets | 20 | 5,610 | (28) | (25,131) |
| Long Term Assets | (3,218) | (3,942) | (9,171) | (11,130) |
| Suppliers | 169,205 | 241,191 | 197,800 | 310,204 |
| Salaries and Social Charges | (32,249) | (31,472) | 25,511 | 22,772 |
| Taxes Payable | (12,247) | (5,778) | (40,811) | (8,394) |
| Other Liabilities | 10,269 | (7,307) | 7,959 | (8,830) |
| Rent Payable | 1,949 | 4,479 | 11,753 | 10,597 |
| **Cash from Operations** | **191,428** | **178,063** | **403,933** | **583,842** |
| Interest Paid | (4,594) | (4,890) | (19,976) | (21,512) |
| Income Tax and Social Charges Paid | (5,787) | 0 | (45,344) | (61,672) |
| **Net Cash from (invested) Operational Activities** | **181,047** | **173,173** | **338,613** | **500,658** |
| **Investment Activities Cash Flow** | | | | |
| Controlled Acquisition | 0 | (5,505) | 0 | (5,505) |
| P,P&E and Intangible Acquisitions | (86,556) | (139,730) | (274,845) | (385,022) |
| P,P&E Sale Payments | 2,887 | 895 | 3,680 | 1,806 |
| **Net Cash from Investment Activities** | **(83,669)** | **(144,340)** | **(271,165)** | **(388,721)** |
| **Financing Activities Cash Flow** | | | | |
| Funding | 85,472 | 55,928 | 125,928 | 120,788 |
| Payments | (26,840) | (31,268) | (92,092) | (126,862) |
| Share Buyback | 0 | 0 | (20,898) | 0 |
| Interest on Equity and Dividends Paid | (24,541) | (57,302) | (41,527) | (121,280) |
| **Net Cash from Funding Activities** | **34,091** | **(32,642)** | **(28,589)** | **(127,354)** |
| **Cash and Cash Equivalents net increase** | **131,469** | **(3,809)** | **38,859** | **(15,417)** |
| **Cash and Cash Equivalents in the beggining of the period** | **149,999** | **269,860** | **242,609** | **281,468** |
| **Cash and Cash Equivalents in the end of the period** | **281,468** | **266,051** | **281,468** | **266,051** |

## PROFIT ALLOCATION

Following legal and statutory provisions, we propose the following allocation for the retained earnings which amount to R$ 340,650 thousand:

| | |
|---|---|
| - Legal Reserve | R$ 17,010 thousand |
| - Statutory Reserve | R$ 173,390 thousand |
| - Interest on capital (R$ 0.456290277 per share) | R$ 150,250 thousand |

We also propose that the interest on capital, net of Withholding Income Tax (IRRF), be ascribed to the mandatory dividend.

## INDEPENDENT AUDITOR

In compliance with the CVM Instruction 381/2003 and Circular Letter 01/2007,of the Superintendence for Relationships with Companies (SNC)/Superintendence for Accounting and Audit Standards (SEP), the Company informs herein that, during 2015, in addition to the external audit services related with the financial statements for 2015, PricewaterhouseCoopers Auditores Independentes has provided the following services:

Consulting service for the market survey of human resource indicators, amounting to R$ 16.0 (2.7% of the total paid for the external audit service), signed on July 24, 2015, with a three-month period.

Consulting service for the study on risk mitigation related with the IT system, amounting to R$ 180.0 (29.9% of the total paid for the external audit service), signed on August 17, 2015, with a four-month period.

The aforementioned services totaled R$ 196.0, that is, 32.6% of the amount paid for the external audit service related with the financial statements.

The Company informs that its policy for hiring services not related with external audit takes into account the principles which preserve the auditor's independence. These principles are based on the fact that the independent auditor should not audit its own work, carry out management-related tasks, advocate for its client, or provide services which are not allowed by the standards in effect, thus maintaining the independence in the work carried out.

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

Raia Drogasil S.A.

# Independent auditor's report

To the Board of Directors and Shareholders
Raia Drogasil S.A.

We have audited the accompanying financial statements of Raia Drogasil S.A. (the "parent company"), which comprise the balance sheet as at December 31, 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Raia Drogasil S.A. and its subsidiary ("consolidated"), which comprise the consolidated balance sheet as at December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), 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 the 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 an assessment of the risk 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 entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Raia Drogasil S.A. and of Raia Drogasil S.A. and its subsidiary as at December 31, 2015, and the parent company and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

**Other matters**

**Supplementary information - statements of value added**

We also have also audited the parent company and consolidated statements of value added for the year ended December 31, 2015, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

**Audit of prior-year information**

The original financial statements of the Company for the year ended December 31, 2014, prepared before the consideration of the reclassifications described in note 5, were audited by another firm of auditors whose report, dated February 26, 2015, expressed an unqualified opinion on those statements.

As part of our audit of the financial statements for the year ended December 31, 2015, we also have audited the reclassifications described in Note 5, which were made to restate the 2014 financial statements, presented for comparison purposes. In our opinion, these adjustments are appropriate and were properly recorded. We were not engaged to audit, review or apply any other procedures to the Company's financial statements for 2014 and, therefore, we do not express any opinion or any form of assurance on the financial statements for 2014 taken as a whole.

São Paulo, February 18, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Renato Barbosa Postal
Contador CRC 1SP187382/O-0

# Raia Drogasil S.A.

## Balance sheet at December 31

**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| Assets | Parent company 2015 | Parent company 2014 | Consolidated 2015 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents (Note 6) | 264,549 | 281,189 | 266,051 |
| Trade receivables (Note 7) | 572,083 | 465,990 | 601,831 |
| Inventories (Note 8) | 1,633,604 | 1,340,199 | 1,650,453 |
| Taxes recoverable (Note 9) | 59,068 | 39,042 | 59,530 |
| Other receivables | 98,040 | 107,590 | 98,261 |
| Prepaid expenses | 9,672 | 9,921 | 9,718 |
| | 2,637,016 | 2,243,931 | 2,685,844 |
| **Non-current assets** | | | |
| Judicial deposits (Note 13) | 18,730 | 14,116 | 18,730 |
| Taxes recoverable (Note 9) | 23,156 | 17,330 | 23,156 |
| Other receivables | 2,375 | 1,218 | 2,613 |
| Investments (Note 10) | 23,497 | | |
| Property and equipment (Note 11a) | 801,283 | 647,673 | 801,985 |
| Intangible assets (Note 11b) | 1,130,403 | 1,125,021 | 1,166,873 |
| | 1,999,444 | 1,805,358 | 2,013,357 |
| Total assets | 4,636,460 | 4,049,289 | 4,699,201 |

| Liabilities and equity | Parent company 2015 | Parent company 2014 | Consolidated 2015 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | 1,177,928 | 871,477 | 1,203,382 |
| Borrowings (Note 12) | 102,266 | 97,710 | 108,192 |
| Salaries and social charges | 163,430 | 141,548 | 165,409 |
| Taxes and contributions | 55,398 | 42,230 | 55,878 |
| Dividends and interest on capital (Note 16d) | 24,402 | 28,664 | 24,402 |
| Provision for legal proceedings (Note 13) | 3,346 | 5,209 | 3,346 |
| Other payables | 87,984 | 88,212 | 88,157 |
| | 1,614,754 | 1,275,050 | 1,648,766 |
| **Non-current liabilities** | | | |
| Borrowings (Note 12) | 187,419 | 183,527 | 188,196 |
| Provision for legal proceedings (Note 13) | 3,320 | 4,103 | 3,352 |
| Deferred income tax and social contribution (Note 14b) | 161,826 | 125,946 | 165,981 |
| Additional stock option (Note 10) | 31,632 | | 31,632 |
| Other obligations | 3,700 | 3,726 | 4,476 |
| | 387,897 | 317,302 | 393,637 |
| Total liabilities | 2,002,651 | 1,592,352 | 2,042,403 |
| **Equity (Note 16)** | | | |
| Attributable to owners of the parent | | | |
| Share capital | 1,808,639 | 908,639 | 1,808,639 |
| Capital reserves | 128,767 | 1,019,791 | 128,767 |
| Revaluation reserve | 12,569 | 12,755 | 12,569 |
| Revenue reserves | 665,821 | 475,421 | 665,821 |
| Additional proposed dividends | 48,243 | 40,331 | 48,243 |
| Carrying value adjustments | (30,230) | | (30,230) |
| | 2,633,809 | 2,456,937 | 2,633,809 |
| Non-controlling interest | | | 22,989 |
| Total equity | 2,633,809 | 2,456,937 | 2,656,798 |
| Total liabilities and equity | 4,636,460 | 4,049,289 | 4,699,201 |

The accompanying notes are an integral part of these financial statements.

# Raia Drogasil S.A.

**Statement of income**
**Years ended December 31**
**All amounts in thousands of reais, except earnings per capital share** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014 (Reclassified Note 5)** | **2015** |
| **Net sales revenue (Note 17)** | 8,845,582 | 7,351,456 | 8,897,849 |
| Cost of sales | (6,137,644) | (5,207,625) | (6,183,289) |
| **Gross profit** | 2,707,938 | 2,143,831 | 2,714,560 |
| **Operating income (expenses)** | | | |
| Selling (Note 18) | (1,737,740) | (1,409,067) | (1,742,093) |
| General and administrative (Note 18) | (233,240) | (194,958) | (235,088) |
| Depreciation and amortization | (226,846) | (187,568) | (227,698) |
| Operating income (expenses) (Note 19) | (8,390) | (9,473) | (8,818) |
| Equity in the results of subsidiary (Note 10) | (513) | | |
| | (2,206,729) | (1,801,066) | (2,213,697) |
| **Operating profit before finance result** | 501,209 | 342,765 | 500,863 |
| **Finance results** | | | |
| Finance income (Note 20a) | 86,527 | 58,460 | 88,786 |
| Finance costs (Note 20b) | (150,929) | (99,001) | (153,747) |
| | (64,402) | (40,541) | (64,961) |
| **Profit before income tax and social contribution** | 436,807 | 302,224 | 435,902 |
| Income tax and social contribution (Note 14a) | | | |
| Current | (60,625) | (48,776) | (60,608) |
| Deferred charges | (35,976) | (32,062) | (35,509) |
| | (96,601) | (80,838) | (96,117) |
| **Profit for the year** | 340,206 | 221,386 | 339,785 |
| **Attributable to:** | | | |
| Owners of the parent | | | 340,206 |
| Non-controlling interest | | | (421) |
| | | | 339,785 |
| Earnings per share - basic (Note 15) | 1.03272 | 0.67232 | |
| Earnings per share - diluted (Note 15) | 1.03272 | 0.67232 | |

The accompanying notes are an integral part of these financial statements.

## Raia Drogasil S.A.

**Statement of comprehensive income**
**Years ended December 31**
**All amounts in thousands of reais, except earnings per capital share** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| **Profit for the year** | 340,206 | 221,386 | 339,785 |
| **Components of other comprehensive income** | | | |
| Other comprehensive income | | | |
| **Total comprehensive income for the year** | 340,206 | 221,386 | 339,785 |
| **Attributable to:** | | | |
| Owners of the parent | | | 340,206 |
| Non-controlling interest | | | (421) |
| | | | 339,785 |

The accompanying notes are an integral part of these financial statements.

# Raia Drogasil S.A.

## Statement of changes in equity

**All amounts in thousands of reais, except amounts per capital share** (A free translation of the original in Portuguese)

| | Attributable to controlling owners | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserves | | | | | Revenue reserves | | | | | | | |
| | Share capital | Special monetary restatement | Premium on issue/ sale of shares | Treasury shares | Restricted shares and other | Revaluation reserve | Legal | Statutory | Retained earnings | Additional proposed dividends | Carrying value adjustments | Total | Non-controlling interest | Total equity |
| **At January 1, 2014** | 908,639 | 10,191 | 1,029,418 | | 326 | 12,941 | 14,375 | 342,795 | | 8,298 | | 2,326,983 | | 2,326,983 |
| Dividend for 2013 approved at the Annual General Meeting (AGM) of April 23, 2014 | | | | | | | | | | (8,298) | | (8,298) | | (8,298) |
| Realization of revaluation reserve, net of income tax and social contribution | | | | | | (186) | | | 186 | | | | | |
| Interest on equity expired | | | | | | | | | 196 | | | 196 | | 196 |
| Treasury shares--repurchase | | | | (20,898) | | | | | | | | (20,898) | | (20,898) |
| Restricted share plan (Note 16c) | | | | | 754 | | | | | | | 754 | | 754 |
| Profit for the year | | | | | | | | | 221,386 | | | 221,386 | | 221,386 |
| Allocation of profit | | | | | | | | | | | | | | |
| Legal reserve | | | | | | | 11,069 | | (11,069) | | | | | |
| Statutory reserve | | | | | | | | 107,182 | (107,182) | | | | | |
| Interest on equity proposed - R$ 0.226347349 per share (Note 16d) | | | | | | | | | (63,186) | | | (63,186) | | (63,186) |
| Additional interest on equity proposed | | | | | | | | | (40,331) | 40,331 | | | | |
| **At December 31, 2014** | 908,639 | 10,191 | 1,029,418 | (20,898) | 1,080 | 12,755 | 25,444 | 449,977 | | 40,331 | | 2,456,937 | | 2,456,937 |
| Capital increase through the capitalization of the Company's capital reserve (Note 16a) | 900,000 | | (900,000) | | | | | | | | | | | |
| Dividend for 2014 approved at the AGM of April 09, 2015 | | | | | | | | | | (40,331) | | (40,331) | | (40,331) |
| Realization of revaluation reserve, net of income tax and social contribution | | | | | | (186) | | | 186 | | | | | |
| Interest on capital lapsed | | | | | | | | | 258 | | | 258 | | 258 |
| Restricted share plan (Note 16c) | | | | | 3,471 | | | | | | | 3,471 | | 3,471 |
| Restricted shares - acquisition of 4Bio (Nota 10) | | | | | 5,505 | | | | | | | 5,505 | | 5,505 |
| Profit for the year | | | | | | | | | 340,206 | | | 340,206 | (421) | 339,785 |
| Allocation of profit | | | | | | | | | | | | | | |
| Legal reserve | | | | | | | 17,010 | | (17,010) | | | | | |
| Statutory reserve | | | | | | | | 173,390 | (173,390) | | | | | |
| Interest on equity proposed - R$ 0.456290277 per share (Note 16d) | | | | | | | | | (102,007) | | | (102,007) | | (102,007) |
| Additional interest on equity proposed | | | | | | | | | (48,243) | 48,243 | | | | |
| Non-controlling interest in the investment acquired (Note 10) | | | | | | | | | | | | | 23,410 | 23,410 |
| Put option held by non-controlling entity (Note 10) | | | | | | | | | | | (30,230) | (30,230) | | (30,230) |
| **At December 31, 2015** | 1,808,639 | 10,191 | 129,418 | (20,898) | 10,056 | 12,569 | 42,454 | 623,367 | | 48,243 | (30,230) | 2,633,809 | 22,989 | 2,656,798 |

The accompanying notes are an integral part of these financial statements.

## Raia Drogasil S.A.

**Statement of cash flows**
**Years ended December 31**
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| **Cash flows from operating activities** | | | |
| Profit before income tax and social contribution | 436,807 | 302,224 | 435,902 |
| **Adjustment** | | | |
| Depreciation and amortization | 226,846 | 187,568 | 227,698 |
| Compensation plan with restricted shares, net | 3,471 | 754 | 3,471 |
| Interest on additional stock option | 1,402 | | 1,402 |
| Loss (profit) on sale/write-off of property and equipment and intangible assets | 4,727 | (834) | 4,728 |
| (Reversal) for legal proceedings | (3,646) | (3,447) | (3,614) |
| (Reversal) provision for losses on inventories | (12,106) | 10,238 | (12,106) |
| Provision (reversal) for impairment of trade receivables | 5,514 | (1,987) | 5,403 |
| (Reversal) provision for closing of a store | (1,415) | 3,651 | (1,415) |
| Interest expenses | 31,046 | 23,637 | 31,450 |
| Equity in the results of subsidiaries | 513 | | |
| | 693,159 | 521,804 | 692,919 |
| **Changes in assets and liabilities** | | | |
| Trade and other receivables | (101,818) | (89,383) | (105,873) |
| Inventories | (281,299) | (217,816) | (286,992) |
| Other current assets | (23,933) | 683 | (23,430) |
| Assets in long-term receivables | (11,596) | (9,312) | (11,340) |
| Trade payables | 299,806 | 195,062 | 305,549 |
| Salaries and social charges | 21,881 | 25,196 | 21,839 |
| Taxes and contributions | (7,619) | (41,387) | (8,662) |
| Other obligations | (9,558) | 7,831 | (11,009) |
| Rents payable | 10,597 | 11,753 | 10,597 |
| **Cash provided by operations** | 589,620 | 404,431 | 583,598 |
| Interest paid | (20,515) | (19,498) | (20,807) |
| Income tax and social contribution paid | (61,096) | (44,505) | (61,096) |
| **Net cash provided by operating activities** | 508,009 | 340,428 | 501,695 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary | (18,505) | | (5,505) |
| Cash acquired in business combination | | | 1,071 |
| Purchases of property and equipment and intangible assets | (384,841) | (274,650) | (384,847) |
| Proceeds from sale of property and equipment | 1,806 | 3,680 | 1,806 |
| **Net cash used in investing activities** | (401,540) | (270,970) | (387,475) |
| **Cash flows from financing activities** | | | |
| Borrowings taken | 95,778 | 121,082 | 97,761 |
| Payment of borrowings | (97,863) | (88,811) | (105,839) |
| Repurchase of shares | | (20,898) | |
| Interest on capital and dividends | (121,024) | (41,527) | (121,280) |
| **Net cash used in financing activities** | (123,109) | (30,154) | (129,358) |
| **Increase in cash and cash equivalents** | (16,640) | 39,304 | (15,138) |
| **Cash and cash equivalents at the beginning of the year** | 281,189 | 241,885 | 281,189 |
| **Cash and cash equivalents at the end of the year** | 264,549 | 281,189 | 266,051 |

The accompanying notes are an integral part of these financial statements.

## Raia Drogasil S.A.

**Statement of value added**
**Years ended December 31**
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | Parent company 2015 | Parent company 2014 (Reclassified Note 5) | Consolidated 2015 |
|---|---|---|---|
| **Revenue** | | | |
| Gross sales and services | 9,123,122 | 7,573,231 | 9,176,455 |
| Other income | 1,485 | 3,226 | 1,485 |
| (Constitution) Reversal of provision for impairment of trade receivables | (5,514) | 1,987 | (5,403) |
| | 9,119,093 | 7,578,444 | 9,172,537 |
| **Inputs acquired from third parties** | | | |
| Cost of sales and services | (5,881,819) | (4,940,952) | (5,927,464) |
| Materials, electricity, outsourced services and others | (382,689) | (287,633) | (385,323) |
| Impairment of assets | (4,781) | (4,719) | (4,781) |
| | (6,269,289) | (5,233,304) | (6,317,568) |
| **Gross value added** | 2,849,804 | 2,345,140 | 2,854,969 |
| Depreciation and amortization | (226,846) | (187,568) | (227,698) |
| **Net value added generated by the entity** | 2,622,958 | 2,157,572 | 2,627,271 |
| **Value added received through transfer** | | | |
| Equity in the results of subsidiaries | (513) | | |
| Finance income | 86,527 | 58,460 | 88,786 |
| | 86,014 | 58,460 | 88,786 |
| **Total value added to distribute** | 2,708,972 | 2,216,032 | 2,716,057 |
| **Distribution of value added** | | | |
| Personnel | 954,773 | 789,323 | 957,812 |
| Direct compensation | 753,861 | 623,745 | 755,019 |
| Benefits | 145,625 | 120,414 | 147,383 |
| Government Severance Indemnity Fund for Employees (FGTS) | 55,287 | 45,164 | 55,410 |
| Taxes and contributions | 832,065 | 737,264 | 833,163 |
| Federal | 407,956 | 335,172 | 407,977 |
| State | 412,163 | 392,599 | 413,236 |
| Municipal | 11,946 | 9,493 | 11,950 |
| Providers of capital | 581,928 | 468,059 | 585,297 |
| Interest | 273,847 | 200,720 | 276,961 |
| Rentals | 308,081 | 267,339 | 308,336 |
| Remuneration of own capital | 340,206 | 221,386 | 339,785 |
| Interest on capital | 102,007 | 63,186 | 102,007 |
| Dividends and interest on capital proposed | 48,243 | 40,331 | 48,243 |
| Profits reinvested for the year | 189,956 | 117,869 | 189,956 |
| Non-controlling interests in profits reinvested | | | (421) |
| **Value added distributed** | 2,708,972 | 2,216,032 | 2,716,057 |

The accompanying notes are an integral part of these financial statements.

All amounts in thousands of reais unless otherwise stated

## 1. Operations

Raia Drogasil S.A. (the "Company") is a publicly-held company listed on the Novo Mercado (“New Market”) listing segment of the BM&FBOVESPA S.A. - São Paulo Stock Exchange, with its headquarters in the capital of the state of São Paulo.

On October 1, 2015, the Company acquired the control of 4Bio Medicamentos S.A. ("4Bio"), a company the main activity of which is the marketing of specialty medicines and medicines used to treat serious health conditions, which are prescribed by clinical experts. The transaction involving this business combination is described in Note 10a.

Raia Drogasil S.A. and its subsidiary (together the "Group") are mainly engaged in the retail sale of medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics and specialty medicines.

The Group performs its sales through 1,235 stores (1,091 stores - 2014), distributed in 18 Brazilian states, as follows:

| | **Consolidated** |
|---|---|
| | **2015** |
| São Paulo | 724 |
| Rio de Janeiro | 92 |
| Minas Gerais | 84 |
| Goiás | 59 |
| Paraná | 57 |
| Distrito Federal | 48 |
| Santa Catarina | 27 |
| Rio Grande do Sul | 26 |
| Espírito Santo | 25 |
| Bahia | 22 |
| Pernambuco | 18 |
| Mato Grosso do Sul | 16 |
| Mato Grosso | 10 |
| Paraíba | 9 |
| Rio Grande do Norte | 7 |
| Alagoas | 5 |
| Sergipe | 5 |
| Tocantins | 1 |
| | 1,235 |

The subsidiary 4Bio markets its products through telesales and delivery is made directly to the customer's location or through its three call centers in the states of São Paulo and Tocantins.

## 2. Presentation of financial statements

In conformity with Rule 505/2006 issued by the CVM, authorization to issue these financial statements was granted by the Company's Board of Directors on February 18, 2016.

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

The Company's parent company and consolidated financial statements for the years ended December 31, 2015 and 2014 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC). These financial statements are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and provide all the significant information related solely to the financial statements, which is consistent with the information used by management. These financial statements are disclosed together with the consolidated financial statements.

The consolidated financial statements include the Company's financial statements and, as of October 1, 2015, the financial statements of its subsidiary 4Bio. The consolidated financial statements have been prepared in accordance with consolidation practices and applicable legal provisions. Therefore, the consolidated statements of income, cash flows and value added include 12 months of operations of the Company and three months of operations of the subsidiary.

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

The financial statements include accounting estimates and require management to exercise its judgment in the process of applying the Company's accounting policies regarding provision for inventory losses, provision for the impairment of trade receivables, appreciation of financial instruments, the amortization and depreciation periods for property and equipment and intangible assets, provision for legal proceedings, and the determination of provision for taxes, among others. The estimates and judgments are disclosed in Note 4(v).

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

The Group adopted all standards, revised standards and interpretations issued by the CPC that were effective as at December 31, 2015.

## 3. New standards, amendments to and interpretations of existing standards

a) New and revised accounting standards

New or revised standards issued but not yet effective, i.e., that will become effective for annual periods beginning on or after January 1st , 2016:

(i) IFRS 9 - Financial Instruments (effective from January 1st , 2018): this standard's aim is to replace IAS 39. The main changes include: (i) all financial assets should be initially recognized 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 is eliminated. Management considers that the adoption of this standard will not have material effects.

(ii) IFRS 15 - Revenue from Contracts with Customers (effective from January 1st , 2018): the main objective of IFRS 15 is to provide clear principles for revenue recognition and simplify the preparation of financial statements. Management considers that the adoption of this standard will not have material effects.

(iii) IFRS 16 - Leases (effective from January 1st , 2019): the new standard requires lessees to recognize the liability of future payments and the right of use of the leased assets for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. Management is evaluating the effects of the adoption of this standard.

(iv) Amendments to IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortization (effective from January 1st , 2016). The depreciation and amortization methods used should reflect the pattern of consumption of the economic benefits of an asset.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 4. Significant accounting practices

The significant accounting practices adopted in the preparation of these financial statements are described below:

### (a) Consolidation

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

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

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group. In 2015, there were no balances and transactions resulting from the operations between the Company and its subsidiary 4Bio.

### (b) Transactions with non-controlling interests

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

### (c) 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".

### (d) Financial instruments

### (i) Financial assets

#### Classification and measurement

The classification depends on the purpose for which the financial assets are 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 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 the fair value of the "financial assets at fair value through profit or loss" category are presented in the finance result in the period in which they arise.

#### (2) Assets held to maturity

These are basically financial assets that cannot be classified as loans and receivables, because they are 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

Loans and receivables include receivables that are non-derivative financial assets with fixed or determinable receipts, not quoted 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 non-current assets. Group loans and receivables comprise trade accounts receivable and other receivables.

### (ii) Impairment of financial assets

#### (1) Assets carried at amortized cost

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

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

### (iii) Financial liabilities

#### Classification and measurement

The classification depends on the purpose for which the financial liabilities are acquired. When recognized, they are initially measured at fair value plus, in the case of borrowings not designated at fair value through profit or loss, transaction costs directly attributable to the financial liability acquisition.

#### (1) Financial liabilities at fair value through profit or loss

Financial assets are stated at fair value through profit or loss when they are held for trading or designated on this basis. The liabilities of this category are classified as non-current liabilities when they are to be settled after 12 months from the balance sheet date. Gains or losses arising from changes in the fair value of the "financial liabilities at fair value through profit or loss" category are presented in finance income in the period in which they arise.

#### (2) 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 statement of income when the liabilities are derecognized, as well as through the amortization process by the effective interest rate method.

### (iv) Fair value

The fair values of quoted investments are based on current bid 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 Group classifies and discloses the fair value of financial instruments based on measurement techniques.

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

### (e) Trade receivables

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

### (f) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted moving average method. 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 the realization (sale) of the inventory items.

### (g) Income tax and social contribution

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 tax and social contribution is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it does not include income or expenses that are taxable or deductible in other periods and items that are never taxable or deductible.

Deferred taxes, assets and liabilities are calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 the Group's 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 statement of income. Deferred tax items are recognized based on the transaction that triggered the deferred tax, in the statement of income or directly in equity.

### (h) Judicial deposits

Judicial deposits are presented as a deduction from the corresponding liability when they cannot be redeemed, unless there is a favorable outcome for the Group in the dispute. Judicial deposits are monetarily restated.

### (i) Property and equipment

Property and equipment are stated at acquisition cost, net of accumulated depreciation and/or impairment losses, if any. Depreciation is calculated using the straight-line method, over the useful life of the assets, according to the rates shown in Note 11a. 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, the Butantã distribution center and certain owned stores, and are stated at historical acquisition cost plus revaluation conducted in October 1987, based on valuation reports prepared by independent experts, and incorporated into the deemed cost upon the adoption of IFRS. The increase in book value arising from the 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 benefit is expected to arise 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 statement of income of the year in which the asset is written off. When revalued assets are intended for sale, the amounts included in the revaluation reserve are recorded in retained earnings upon disposal.

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

### (j) Intangible assets

#### (1) Goodwill on company acquisition

Goodwill arises on the acquisition of subsidiaries and represents the excess of (i) the consideration transferred; (ii) the amount of any non-controlling interest in the acquiree; and (iii) the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the statement of income.

Goodwill on the acquisition of investments prior to 2009 (Drogaria Vison) 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 to December 2008, goodwill was amortized based on the term, extent and proportion of projected results, not exceeding ten years. As from January 2009, goodwill is no longer amortized and is now tested for impairment on an annual basis, at the cash-generating unit (CGU) level.

#### (2) Points of sale

These include points of sale acquired from store lease agreements, stated at acquisition cost and amortized using the straight-line method at the annual rates mentioned in Note 11b, which take into consideration the lease agreement terms, not exceeding twenty years.

#### (3) Software use licenses and IT system development

Software use licenses are stated at acquisition cost and amortized over their estimated useful lives, at the rates shown in Note 11b.

The ongoing costs of software development or maintenance are expensed as incurred. Costs directly attributable to identifiable and exclusive software programs, controlled by the Group and likely to generate economic benefits greater than the related costs for more than one year, are stated as intangible assets and amortized on a straight-line basis over their useful lives, at the rates shown in Note 11b.

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

For intangible assets with finite useful lives, the amortization period and method are reviewed at least at each financial year end.

### (k) Impairment of assets

Property and equipment and other non-current assets, including intangible assets, are reviewed annually to identify evidence of impairment, and also whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives, such as goodwill, 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 a 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 the net sale price or value in use of the asset. The impairment of present and future transactions is recognized in the statement of income as expenses, reflecting the purpose of the asset item affected.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGU's).

### (l) Leases

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

### (m) Provision

Provision is are recognized when the Group 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. Provision 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.

### (n) Employee and management 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 Group does not have the following benefit plans: Income Tax Deductible Private Pension Plan (PGBL), Non-Income Tax Deductible Private Pension Plan (VGBL), a defined benefit private pension plan and/or any retirement or post-employment assistance plan.

Part of the benefits granted to the officers include a restricted share plan, classified as an equity instrument. The fair value of share-based payments is recognized in income in accordance with the concession period, against equity (Note 16c).

### (o) Loyalty program

The parent 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 parent company would pay for a third party to assume the liability of the credits to be used in future purchases.

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

### (p) Capital and income reserves

The legal reserve is set up at 5% of profit for the year, pursuant to Law 6,404/76.

The statutory reserve is established in the Company's bylaws, limited to 65% of the profit for the year, for the purpose of improving working capital.

### (q) Dividend

According to the Company's bylaws, stockholders 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 this account until a decision is reached at the General Stockholders' Meeting.

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

### (r) Interest on capital

Based on the Company's bylaws, distributions of dividends and interest on capital to the Company's stockholders are recognized as a liability in the financial statements at year end. Any amount that exceeds the minimum required is only provided for on the date it is approved at a general meeting.

The tax benefit of interest on capital is recognized in the statement of income.

### (s) Revenue recognition

Revenue is recognized to the extent that future economic benefits are likely to flow to the Group 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 the 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 the effective provision of services by the Company.

### (t) Adjustment to present value

Non-current 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.

### (u) Segment reporting

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

### (v) Significant accounting judgments, estimates and assumptions

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

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

### (1) Taxes recoverable

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

### (2) Fair value of financial instruments

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

**(3) Impairment**

There are specific rules to assess the recoverability of assets, particularly property and equipment, goodwill and other intangible assets. At the year-end date, the Group performs an analysis to determine whether there is evidence that the long-lived asset amounts may not be recoverable in accordance with the CGUs. To determine whether goodwill is impaired, it is necessary to estimate the value in use of the CGUs to which goodwill has been allocated. The calculation of value in use requires that management estimate expected future cash flows from the CGUs and an adequate discount rate to calculate present value. Significant assumptions used for determining the value in use of the different CGUs are detailed in Note 11f.

**(4) Provision for tax, civil and labor risks**

The Group is party to various legal and administrative proceedings, as mentioned in Note 13. Provision is recorded for all litigation contingencies the likelihood of loss of which is estimated as probable, in an amount that can be reliably estimated. The assessments of the likelihood of loss include the evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal advisors.

## 5. Reclassification in the statement of income for the year ended December 31, 2014.

The Company has sought continuous improvement in the positive generation of cash flow. The many initiatives undertaken by the Company include an average debt collection period equal to or, in certain cases, shorter than the market terms, the optimized management of inventory at stores as a result of improvements in the quality of information available and technologies developed, and more efficient negotiations with suppliers, including for an increase in the average credit payment period.

Additionally, market interest rates (referenced to the Interbank Deposit Certificate (CDI)) have been increasing at a gradual pace, from 8.05% in 2013 to 10.81% in 2014, and 13.24% per annum in 2015.

The aspects mentioned above had effects on the determination of the present value adjustment, which is an accounting practice adopted by the Company and has been calculated and assessed as being immaterial for the purposes of disclosure in the financial statements.

However, in view of the gradual changes in circumstances and with the aim of improving the financial information, the Company's management decided to recognize the accounting effects of these changes in circumstances from the first quarter of 2015. It was also judged appropriate to reflect the same changes in the comparative figures in the statement of income for the year ended December 31, 2014. The financial effects on comparative figures, net of tax effects, are considered to be immaterial.

**All amounts in thousands of reais unless otherwise stated**

Accordingly, the following reclassifications were made to the statement of income for the year ended December 31, 2014:

| Statement of income | 2014 Originally reported | Reclassification | 2014 Reclassified |
|---|---|---|---|
| Revenue from sales and/or services | 7,391,569 | (40,113) | 7,351,456 |
| Cost of sales and/or services | (5,281,377) | 73,752 | (5,207,625) |
| Gross profit | 2,110,192 | 33,639 | 2,143,831 |
| Profit before finance results and taxes | 309,126 | 33,639 | 342,765 |
| Finance results | (6,902) | (33,639) | (40,541) |
| Profit for the year | 221,386 | | 221,386 |

| Statement of value added | 2014 Originally reported | Reclassification | 2014 Reclassified |
|---|---|---|---|
| Sales of products and services | 7,613,344 | (40,113) | 7,573,231 |
| Inputs acquired from third parties | (5,307,056) | 73,752 | (5,233,304) |
| Cost of sales and services | (5,014,704) | 73,752 | (4,940,952) |
| Net value added generated by the entity | 2,123,933 | 33,639 | 2,157,572 |
| Finance income | 18,347 | 40,113 | 58,460 |
| Distribution of value added | 2,142,280 | 73,752 | 2,216,032 |
| Providers of capital | 394,307 | 73,752 | 468,059 |
| Interest | 126,968 | 73,752 | 200,720 |

| Note - 20. finance income and expenses | 2014 Originally reported | Reclassification | 2014 Reclassified |
|---|---|---|---|
| Present value Adjustment (PVA) - finance income | | 40,113 | 40,113 |
| PVA - finance costs | | (73,752) | (73,752) |
| Finance result | (6,902) | (33,639) | (40,541) |

**All amounts in thousands of reais unless otherwise stated**

## 6. Cash and cash equivalents

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Cash and banks | 38,541 | 41,094 | 38,725 |
| Automatic investment fund | 2,759 | | 2,759 |
| Bank deposit certificates (CDBs) | 60,554 | | 60,554 |
| Debentures held under repurchase agreements | 162,695 | 240,095 | 163,810 |
| Capitalization securities (premium bonds) | | | 203 |
| | 264,549 | 281,189 | 266,051 |

Investments in investment funds, CDBs, debentures held under repurchase agreements and private premium bonds are restated based on the variations of the CDI rate, and reflect the realizable value, without risk of change in value or loss of remuneration.

For repurchase debentures, the financial institutions which negotiated these securities guarantee credit risk and immediate liquidity without loss of income, and most of them are debentures issued by companies that belong to the economic groups of these financial institutions. The financial investments are concentrated substantially at Caixa Econômica Federal and Santander.

**All amounts in thousands of reais unless otherwise stated**

## 7. Trade receivables

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Trade receivables | 578,976 | 467,221 | 608,741 |
| (-) Provision for impairment of trade receivables | (6,893) | (1,231) | (6,910) |
| | 572,083 | 465,990 | 601,831 |

The ageing of trade receivables is as follows:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Not yet due | 551,719 | 450,296 | 579,379 |
| Expired | | | |
| Between 1 and 30 days | 17,076 | 16,047 | 17,720 |
| Between 31 and 60 days | 306 | 409 | 1,556 |
| Between 61 and 90 days | 46 | 225 | 137 |
| Between 91 and 180 days | 6,853 | 205 | 6,936 |
| Between 181 and 360 days | 2,976 | 33 | 3,013 |
| Over 360 days | | 6 | |
| Provision for impairment of trade receivables | (6,893) | (1,231) | (6,910) |
| | 572,083 | 465,990 | 601,831 |

Days sales outstanding are approximately 39 days, which is considered part of the normal conditions inherent in the Company's operations.

The changes in the Company's provision for the impairment of trade receivables are as follows:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Opening balance | (1,231) | (1,180) | (1,231) |
| Additions through business combinations | | | (128) |
| Additions | (19,168) | (14,597) | (19,254) |
| Reversals | 13,506 | 14,546 | 13,703 |
| Closing balance | (6,893) | (1,231) | (6,910) |

Trade receivables are classified as receivables and are therefore measured as described in Note 4d-i-3.

**All amounts in thousands of reais unless otherwise stated**

## 8. Inventories

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Goods for resale | 1,653,305 | 1,369,604 | 1,670,154 |
| Materials | 4,611 | 7,013 | 4,611 |
| Provision for inventory losses | (24,312) | (36,418) | (24,312) |
| Total inventory | 1,633,604 | 1,340,199 | 1,650,453 |

Changes in the provision for goods losses are as follows:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Opening balance | (36,418) | (26,180) | (36,418) |
| Additions | (10,203) | (16,349) | (10,203) |
| Reversals | 22,309 | 6,111 | 22,309 |
| Closing balance | (24,312) | (36,418) | (24,312) |

For the year ended December 31, 2015, cost of goods sold recognized in the statement of income was R$ 6,137,644 (R$ 5,207,625 - 2014 reclassified - Note 5) for the parent company and R$ 6,183,289 for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the year amounting to R$ 75,253 (R$ 84,336 - 2014) for the parent company and R$ 75,259 for the consolidated accounts.

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

**All amounts in thousands of reais unless otherwise stated**

## 9. Taxes recoverable

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| **Taxes on profit** | | | |
| Withholding Income Tax (IRRF) | 1,735 | 519 | 1,735 |
| Corporate Income Tax (IRPJ) | 7,148 | 1,485 | 7,350 |
| Social Contribution on Net Profit (CSLL) | 923 | 527 | 1,097 |
| | 9,806 | 2,531 | 10,182 |
| **Other taxes** | | | |
| Value Added Tax on Sales and Services (ICMS) - credit balance | 48,942 | 29,952 | 49,028 |
| ICMS - Refund of ICMS withheld in advance (CAT Ruling 17/99) | 171 | 2,872 | 171 |
| ICMS on acquisitions of fixed assets | 22,595 | 20,454 | 22,595 |
| Social Integration Program (PIS) | 27 | 1 | 27 |
| Social Contribution on Revenue (COFINS) | 122 | 1 | 122 |
| Social Investment Fund - 1982 - securities issued to cover court - ordered debts | 561 | 561 | 561 |
| | 72,418 | 53,841 | 72,504 |
| | 82,224 | 56,372 | 82,686 |
| Current assets | (59,068) | (39,042) | (59,530) |
| Non-current assets | 23,156 | 17,330 | 23,156 |

The ICMS credits amounting to R$ 48,942 and R$ 171 (R$ 29,952 and R$ 2,872 - 2014) for the parent company are the result of applying different ICMS rates and of refunds of ICMS-ST (the substitute taxpayer regime) on goods receiving and shipping operations carried out by the Company's distribution centers in the states of São Paulo and Paraná, in order to supply the Company's branches located in other Brazilian states.

The Group analyzed the use of ICMS credits and concluded that the tax credit balances would be used within 12 months.

## 10. Investments

### (a) Business combinations

On July 30, 2015, the Company entered into an agreement for the purchase and sale and subscription of equity interests (the "Agreement") to acquire 55% of the quotas and obtain control over 4Bio, transformed into a corporation on .August 14, 2015, through the change of its company name to 4Bio Medicamentos S.A.

4Bio is a retail company with a significant presence in the specialty pharmaceuticals market (medicines used to treat serious health conditions prescribed by clinical experts).

The business combination took place through the acquisition of 55% of the equity interest in 4Bio, for which the Company paid a total amount of R$ 24,010, distributed as follows: (i) capital increase of R$ 13,000 through the issue of 4Bio shares, and (ii) acquisition of shares of the founding stockholder for the amount of R$ 11,010, of which 50% was paid in local currency and 50% through a transfer of the Company's shares currently held in treasury to be made after the completion and verification of all conditions precedent set forth in the Agreement.

The purchase price is subject to adjustments resulting from possible changes to the 2015 EBITDA, limited to R$ 2,000, which may be recognized as consideration for the acquisition, against goodwill.

The Agreement also establishes the granting of call and put options for all the remaining shares held by the founding stockholder after January 2021, and the exercise price will be calculated based on the average of the adjusted EBITDA of 4Bio for the years ending December 31, 2018, 2019 and 2020 the fair value of which at December 31, 2015 corresponds to R$ 31,632 (R$ 30,230 - October 1, 2015).

Financial liabilities arising from the purchase option were recognized separately from the consideration transferred, through the adoption of the access method, in which the non-controlling interest is already recognized, since the non-controlling stockholder is exposed to risks and has access to the returns associated with their participation, against "carrying value adjustments" in equity.

The fair value of the additional stock option of R$ 30,230 is classified as Level 3 in the fair value hierarchy. The fair value estimates are based on a discount rate of 19.89%, which is the average of EBITDAs projected for the years from 2018 to 2020 and the multiple established by the contract.

On September 22, 2015, final approval was issued by the Administrative Council for Economic Defense, and with the fulfillment of the conditions precedent set forth in the Agreement on October 1, 2015, the Company made a capital increase in 4Bio and made payments provided for in the Agreement, thereafter holding control over 4Bio.

Since there were no material changes in the significant accounting balances of 4Bio in the period between June 30, 2015 and October 1, 2015, the Company adopted the balance sheet of September 30, 2015 as the opening balance for the purposes of allocating the effects of the acquisition.

**All amounts in thousands of reais unless otherwise stated**

The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed recognized on the acquisition date, as well as the fair value at the acquisition date of the previous non-controlling interest in 4Bio.

| | Parent company | Consolidated |
|---|---|---|
| **On October 1, 2015** | | |
| Cash paid to the founding stockholder | 5,505 | 5,505 |
| Capital increase through the issuance of shares of 4Bio | 13,000 | 13,000 |
| **Total consideration transferred** | **18,505** | **18,505** |
| Equity instruments to be transferred to the founding stockholder | 5,505 | 5,505 |
| **Total consideration** | **24,010** | **24,010** |
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | | |
| Cash and cash equivalents | 1,071 | 1,071 |
| Trade receivables | 25,684 | 25,684 |
| Inventories | 11,156 | 11,156 |
| Trademarks (included in intangible assets) (Note 11b) | 5,069 | 5,069 |
| Contractual customer relationships (included in intangible assets) (Note 11b) | 7,928 | 7,928 |
| Distribution channels (included in intangible assets) (Note 11b) | 535 | 535 |
| Licenses and other (included in intangible assets) (Note 11b) | 228 | 228 |
| Property and equipment (Note 11a) | 734 | 734 |
| Taxes recoverable | 943 | 943 |
| Deferred tax assets | 440 | 438 |
| Other receivables | 424 | 426 |
| Trade payables | (19,711) | (19,711) |
| Borrowings | (12,585) | (12,585) |
| Social security and labor obligations | (2,020) | (2,020) |
| Tax obligations | (2,376) | (2,376) |
| Other obligations | (1,561) | (1,561) |
| Deferred tax liabilities | (5,062) | (5,062) |
| **Total identifiable net assets** | **10,897** | **10,897** |
| Capital increase on October 1, 2015 | 13,000 | 13,000 |
| **Total identifiable net assets, adjusted** | **23,897** | **23,897** |
| Non-controlling interest on identifiable net assets, adjusted (45%) | (10,754) | |
| Non-controlling interest on the fair value of the business | | (23,410) |
| Goodwill | 10,867 | 23,523 |
| | **24,010** | **24,010** |

The Company chose to state the non-controlling interest in the subsidiary through the fair value method, corresponding to 45% of the fair value of the business, which was estimated using the price paid for the acquisition of the 55% of 4Bio.

**All amounts in thousands of reais unless otherwise stated**

The goodwill of R$ 23,523 arising from the acquisition represents the future economic benefits expected from the business combination.

Costs related to the acquisition, in the amount of R$ 1,467 for the parent company and R$ 1,895 for the consolidated accounts, were recognized as expenses for the year under other operating expenses account in the statement of income.

Had 4Bio been consolidated from January 1st , 2015, the consolidated statement of income would have shown net pro-forma revenue of R$ 9,021,955 and pro-forma profit of R$ 341,754. This information regarding net revenue and profit was obtained through the aggregation of the amounts of the acquiring and acquired companies and does not represent the actual amounts consolidated for the year (unaudited).

### (b) Changes in investments

At December 31, 2015, the Company's investment balance is as follows:

| Company name | Main activities | Interest (%) | 12/31/2015 |
|---|---|---|---|
| 4Bio Medicamentos S.A. | Retail of special medicines | 55% | 23,497 |

Changes in the investment balance in the subsidiary, presented in the parent company financial statements, are as follows:

| | Parent company 12/31/2015 |
|---|---|
| At January 1, 2015 | |
| Acquisition of interest on October 1, 2015: | 24,010 |
| Equity in the results of subsidiaries | (513) |
| At December 31, 2015 | 23,497 |

For the purposes of calculating the equity of 4Bio Medicamentos S.A., the Company has adjusted the assets, liabilities and related changes in the statement of income of 4Bio based on the allocation of purchase price at the acquisition date. The table below shows the effects on the profit for the year of 4Bio for the purposes of determining the equity in 2015:

| | Parent company 12/31/2015 |
|---|---|
| Result of 4Bio (for the quarter ended December 31, 2015) | 267 |
| Amortization of surplus arising from the business combination | (780) |
| Adjusted loss of 4Bio | (513) |

**All amounts in thousands of reais unless otherwise stated**

| **Adjusted Equity** | **12/31/2015** | **10/1/2015** |
|---|---|---|
| Investment at book value (55%) | 8,006 | 7,740 |
| Allocation of the purchase price (surplus of assets) | 7,005 | 8,187 |
| Deferred income tax liability on allocation adjustments | (2,381) | (2,784) |
| | 12,630 | 13,143 |
| Goodwill based on expected future profitability. | 10,867 | 10,867 |
| | 23,497 | 24,010 |

### (c) Subsidiary's dividend

As established in the stockholders' agreement, notwithstanding the provisions of the bylaws of the subsidiary, and in order to preserve the financial health and business plan of the subsidiary, the stockholders approved the non-distribution of profits, either on the form of dividends or payment of interest on own capital for a period of five years.

**All amounts in thousands of reais unless otherwise stated**

## 11. Property and equipment and intangible assets

### a) Property and equipment

Changes in the parent company's property and equipment are as follows:

| | Land | Buildings | Furniture, fittings and facilities | Machinery and equipment | Vehicles | Leasehold improvements | Store renovation and modernization | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At January 1st , 2014 | 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 closures | | | (1,621) | (676) | | (2,716) | (40) | (5,053) |
| At December 31, 2014 | 27,440 | 41,917 | 295,647 | 168,147 | 21,188 | 515,668 | 10,939 | 1,080,946 |
| Additions | | | 90,649 | 60,547 | 4,084 | 167,679 | | 322,959 |
| Disposals and write offs | | | (2,874) | (2,563) | (3,945) | (76,340) | (40) | (85,762) |
| Provision for store closures | | | 454 | 192 | | 1,368 | 40 | 2,054 |
| At December 31, 2015 | 27,440 | 41,917 | 383,876 | 226,323 | 21,327 | 608,375 | 10,939 | 1,320,197 |
| **Accumulated depreciation** | | | | | | | | |
| Average annual depreciation rates (%) | | 2.5 - 2.7 | 7.4 - 10 | 7.1 - 15.8 | 20.0 - 23.7 | 17.0 - 21.6 | 20.0 | |
| At January 1st , 2014 | | (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 closures | | | 871 | 411 | | 1,376 | 34 | 2,692 |
| At December 31, 2014 | | (17,646) | (114,968) | (73,984) | (12,352) | (206,017) | (8,306) | (433,273) |
| Additions | | (1,113) | (30,179) | (24,094) | (4,032) | (103,678) | (1,225) | (164,321) |
| Disposals and write offs | | | 1,212 | 2,327 | 3,607 | 72,906 | 32 | 80,084 |
| Provision for store closures | | | (412) | (176) | | (782) | (34) | (1,404) |
| At December 31, 2015 | | (18,759) | (144,347) | (95,927) | (12,777) | (237,571) | (9,533) | (518,914) |
| **Net balance** | | | | | | | | |
| At December 31, 2014 | 27,440 | 24,271 | 180,679 | 94,163 | 8,836 | 309,651 | 2,633 | 647,673 |
| At December 31, 2015 | 27,440 | 23,158 | 239,529 | 130,396 | 8,550 | 370,804 | 1,406 | 801,283 |

**All amounts in thousands of reais unless otherwise stated**

Changes in the consolidated property and equipment are as follows:

| | Land | Buildings | Furniture, fittings and facilities | Machinery and equipment | Vehicles | Leasehold improvements | Store renovation and modernization | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At January 1st , 2015 | 27,440 | 41,917 | 295,647 | 168,147 | 21,188 | 515,668 | 10,939 | 1,080,946 |
| Additions through business combinations | | | 411 | 487 | 209 | 346 | | 1,453 |
| Additions | | | 90,651 | 60,552 | 4,084 | 167,679 | | 322,966 |
| Disposals and write offs | | | (2,874) | (2,563) | (3,945) | (76,340) | | (85,722) |
| Provision for store closures | | | 454 | 192 | | 1,368 | | 2,014 |
| At December 31, 2015 | 27,440 | 41,917 | 384,289 | 226,815 | 21,536 | 608,721 | 10,939 | 1,321,657 |
| **Accumulated depreciation** | | | | | | | | |
| Average annual depreciation rates (%) | | 2.5 - 2.7 | 7.4 - 10 | 7.1 - 15.8 | 20 - 23.7 | 17 - 21.6 | 20 | |
| At January 1st , 2015 | | (17,646) | (114,968) | (73,984) | (12,352) | (206,017) | (8,306) | (433,273) |
| Additions through business combinations | | | (191) | (232) | (163) | (133) | | (719) |
| Additions | | (1,113) | (30,192) | (24,109) | (4,034) | (103,686) | (1,225) | (164,359) |
| Disposals and write offs | | | 1,212 | 2,327 | 3,607 | 72,905 | 32 | 80,083 |
| Provision for store closures | | | (412) | (176) | | (782) | (34) | (1,404) |
| At December 31, 2015 | | (18,759) | (144,551) | (96,174) | (12,942) | (237,713) | (9,533) | (519,672) |
| **Net balance** | | | | | | | | |
| At December 31, 2015 | 27,440 | 23,158 | 239,738 | 130,641 | 8,594 | 371,008 | 1,406 | 801,985 |

**All amounts in thousands of reais unless otherwise stated**

## b) Intangible assets

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

| | Points of sale | Software license and systems implementation | Goodwill on business acquisition (Vison Ltda.) | Goodwill on business acquisition (Raia S.A.) | Trademarks | Customer portfolio | Other intangible assets | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At January 1st , 2014 | 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 |
| Write-offs | (5,089) | (6) | | | | | (3) | (5,098) |
| Provision for store closures | (2,001) | (2) | | | | | | (2,003) |
| At December 31, 2014 | 245,228 | 78,462 | 22,275 | 780,084 | 151,700 | 41,700 | 5,563 | 1,325,012 |
| Additions | 45,463 | 22,360 | | | | | 702 | 68,525 |
| Disposals and write offs | (62,325) | (10) | | | | | (786) | (63,121) |
| Provision for store closures | 844 | 1 | | | | | | 845 |
| At December 31, 2015 | 229,210 | 100,813 | 22,275 | 780,084 | 151,700 | 41,700 | 5,479 | 1,331,261 |
| **Accumulated amortization** | | | | | | | | |
| Average annual amortization rates (%) | 17.0 - 23.4 | 20 | Indefinite useful life | Indefinite useful life | Indefinite useful life | 6.7-25 | 20 | |
| At January 1st , 2014 | (85,733) | (36,164) | (2,387) | | | (19,847) | (721) | (144,852) |
| Additions | (40,424) | (10,724) | | | | (9,160) | (129) | (60,437) |
| Write-offs | 4,578 | 6 | | | | | 1 | 4,585 |
| Provision for store closures | 712 | 1 | | | | | | 713 |
| At December 31, 2014 | (120,867) | (46,881) | (2,387) | | | (29,007) | (849) | (199,991) |
| Additions | (42,954) | (11,827) | | | | (7,710) | (33) | (62,524) |
| Disposals and write offs | 60,950 | 3 | | | | | 785 | 61,738 |
| Provision for store closures | (80) | (1) | | | | | | (81) |
| At December 31, 2015 | (102,951) | (58,706) | (2,387) | | | (36,717) | (97) | (200,858) |
| **Net balance** | | | | | | | | |
| At December 31, 2014 | 124,361 | 31,581 | 19,888 | 780,084 | 151,700 | 12,693 | 4,714 | 1,125,021 |
| At December 31, 2015 | 126,259 | 42,107 | 19,888 | 780,084 | 151,700 | 4,983 | 5,382 | 1,130,403 |

**All amounts in thousands of reais unless otherwise stated**

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

| | Points of sale | Software license and systems implementation | Goodwill on business acquisition (Vison Ltda.) | Goodwill on business acquisition (Raia S.A.) | Goodwill on company acquisition (4BIO) | Raia S.A. brands | 4BIO brands | Raia S.A. customers portfolio | 4BIO customers relationship | 4BIO distribution channel | Other intangible assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| At January 1, 2015 | 245,228 | 78,462 | 22,275 | 780,084 | | 151,700 | | 41,700 | | | 5,563 | 1,325,012 |
| Addition through business combinations | | 362 | | | 23,523 | | 5,069 | | 7,928 | 535 | 68 | 37,485 |
| Additions | 45,463 | 22,361 | | | | | | | | | 702 | 68,526 |
| Disposals and write offs | (62,325) | (11) | | | | | | | | | (786) | (63,122) |
| Provision for store closures | 844 | 1 | | | | | | | | | | 845 |
| At December 31, 2015 | 229,210 | 101,175 | 22,275 | 780,084 | 23,523 | 151,700 | 5,069 | 41,700 | 7,928 | 535 | 5,547 | 1,368,746 |
| **Accumulated amortization** | | | | | | | | | | | | |
| Average annual amortization rates (%) | 17 - 23.4 | 20 | Indefinite useful life | Indefinite useful life | Indefinite useful life | Indefinite useful life | 20 | 6.7 - 25 | 7 | 0.3 | 20 | |
| At January 1st, 2015 | (120,867) | (46,881) | (2,387) | | | | | (29,007) | | | (849) | (199,991) |
| Additions through business combinations | | (149) | | | | | | | | | (53) | (202) |
| Additions | (42,954) | (11,842) | | | | | (253) | (7,710) | (142) | (401) | (37) | (63,339) |
| Disposals and write offs | 60,950 | 3 | | | | | | | | | 786 | 61,739 |
| Provision for store closures | (80) | (1) | | | | | | | | | | (81) |
| At December 31, 2015 | (102,951) | (58,870) | (2,387) | | | | (253) | (36,717) | (142) | (401) | (153) | (201,874) |
| **Net balance** | | | | | | | | | | | | |
| At December 31, 2015 | 126,259 | 42,305 | 19,888 | 780,084 | 23,523 | 151,700 | 4,816 | 4,983 | 7,786 | 134 | 5,394 | 1,166,872 |

**c) Goodwill on acquisition of Drogaria Vison Ltda.**

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

The goodwill is based on the expected future profitability and estimated return within seven years, as assessed by an independent expert, and was amortized from April to December 2008. As provided for in CPC Guidance (OCPC) 02, beginning in 2009, goodwill is no longer amortized, but is tested annually for impairment.

**d) Goodwill on acquisition of Raia S.A.**

The Company recorded goodwill of R$ 780,084 arising from the business combination with Raia S.A., which occurred on November 10, 2011, based on the expected future profitability and arising from the difference between the assets assigned and received, with an expected return in five-and-a-half years.

**e) Goodwill on acquisition of 4Bio Medicamentos S.A.**

The Company recorded goodwill of R$ 23,523 arising from the business combination with 4Bio, which occurred on October 01, 2015, based on the expected future profitability and arising from the difference between the assets assigned and received.

**f) Impairment testing of goodwill and intangible assets with an indefinite useful life**

At December 31, 2015, 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 CGUs that gave rise to such goodwill.

The recoverable amount of the sales made by the CGUs 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 13.97% (13.32% - 2014).

The impairment testing of Company intangible assets did not require the recognition of impairment losses.

### Significant assumptions used in calculations based on value in use

The calculation of value in use for the CGUs referred to projected for the following five years is most 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, estimated at 7.96% with perpetuity of 4.5%.

**Gross margin**

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 affected by drug price adjustments due to pre-existing inventories.

**Discount rates**

The discount rate reflects the current market assessment of risks relating to the management of funds generated by the related CGUs.

**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, the historical performance of CGUs and expected future performance assessed by Group management.

**All amounts in thousands of reais unless otherwise stated**

## 12. Borrowings

| Borrowing for acquisition of: | Average annual long term interest rate | Parent company 2015 | Parent company 2014 | Consolidated 2015 |
|---|---|---|---|---|
| **BNDES - FINEM** | | | | |
| Businesses | TJLP (+ 2.80% - Dec/2014) p.a. | | 4,338 | |
| Businesses | IPCA + 7.50% + 1.30% (+ 7.54% + 1.30% - Dec/2014) p.a. | 3,565 | 9,687 | 3,565 |
| Machinery and equipment | TJLP (+ 2.30% - Dec/2014) p.a. | | 172 | |
| **BNDES - Sub-loan** | | | | |
| Businesses | TJLP + 3.32% (+ 3.01% - Dec/2014) p.a. | 138,488 | 136,673 | 138,488 |
| Businesses | SELIC + 2.69% (+ 2.86% - Dec/2014) p.a. | 66,169 | 47,262 | 66,169 |
| Machinery, equipment and vehicles | Fixed + 3.01% ( 3.19% - Dec/2014) p.a. | 9,072 | 14,299 | 9,072 |
| Machinery, equipment and vehicles | TJLP + 1.79% (+ 1.79% - Dec/2014) p.a. | 797 | 1,659 | 797 |
| Machinery, equipment and vehicles | PSI + 8.36% (+ 6.00% - Dec/2014) p.a. | 8,653 | 2,168 | 8,653 |
| Working capital | TJLP (+ 4.15% - Dec/2014) p.a. | | 1,722 | |
| Working capital | SELIC + 3.10% (+ 3.32% - Dec/2014) p.a. | 60,449 | 63,257 | 60,449 |
| Social project | TJLP | 565 | | 565 |
| Development of own brand | TJLP + 1.67% p.a. | 805 | | 805 |
| Acquisition of national Software | TJLP + 1.79% p.a. | 1,122 | | 1,122 |
| **Borrowings** | | | | |
| Other | | | | 6,703 |
| | | 289,685 | 281,237 | 296,388 |
| Current liabilities | | (102,266) | (97,710) | (108,192) |
| Non-current liabilities | | 187,419 | 183,527 | 188,196 |

BNDES: National Bank for Economic and Social Development
FINEM: Financing Program for Business Expansion and Modernization
TJLP: Long-Term Interest Rate
IPCA: Amplified Consumer Price Index
SELIC: Special System for Settlement and Custody

Borrowings from the BNDES are used for the expansion of stores, the acquisition of machinery/equipment, vehicles and also to finance the Company's working capital.

The agreements allow the Company to replace bank guarantees with other guarantees from top-tier financial institutions at any time.

Part of the Company's borrowing from BNDES has been taken out in the form of sub-loans totaling R$ 286,120 (R$ 267,040 - Dec/2014), subject to the following restrictive covenants:

(i) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) margin (EBITDA/net operating revenue): equal to or higher than 3.6%, and

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

Covenants are measured annually and, at December 31, 2015 and 2014, the Company was in compliance with these covenants.

If these requirements were not met, the Company would provide BNDES with bank guarantees to ensure the performance of its obligations under the agreement.

**All amounts in thousands of reais unless otherwise stated**

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

Non-current amounts mature as follows:

| | Parent company | Consolidated |
|---|---|---|
| | **2015** | **2015** |
| 2017 | 83,243 | 84,020 |
| 2018 | 58,684 | 58,684 |
| 2019 | 37,158 | 37,158 |
| 2020 | 8,334 | 8,334 |
| | 187,419 | 188,196 |

## 13. Provision for contingencies and judicial deposits

The Company and its parent company are subject to legal claims (tax, civil and labor) arising in the normal course of business. Management, supported by the opinion of its legal advisors and, where applicable, by specific opinions issued by experts, assesses the probable final outcomes of ongoing litigation and determines whether or not setting up provision for contingencies is necessary.

At December 31, 2015 and 2014, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Labor and social security | 10,024 | 13,647 | 10,024 |
| Tax | 514 | 570 | 514 |
| Civil | 294 | 261 | 326 |
| | 10,832 | 14,478 | 10,864 |
| (-) Corresponding judicial deposits | (4,166) | (5,166) | (4,166) |
| Total | 6,666 | 9,312 | 6,698 |
| Current liabilities | (3,346) | (5,209) | (3,346) |
| Non-current liabilities | 3,320 | 4,103 | 3,352 |

**All amounts in thousands of reais unless otherwise stated**

Changes in the provision were as follows:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Opening balance | 9,312 | 12,933 | 9,312 |
| Additions | 9,679 | 7,318 | 9,711 |
| Write-offs | (12,613) | (11,485) | (12,613) |
| Revaluation of amounts | (3,354) | (2,213) | (3,354) |
| Monetary restatement | 2,642 | 2,932 | 2,642 |
| Defense and appeal related deposits | 1,000 | (173) | 1,000 |
| Closing balance | 6,666 | 9,312 | 6,698 |

The provision for legal claims took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable by external and internal legal advisors, and a portion of these proceedings is guaranteed by pledged assets (Note 21).

**Possible losses**

At December 31, 2015 and 2014, the Group was party to legal proceedings of a tax, civil and labor nature, the likelihood of loss in which is estimated as possible by management and its legal advisors, amounting to R$ 114,388 (R$ 54,594 - 2014) for the parent company and R$ 114,388 for the consolidated accounts.

**Judicial deposits**

At December 31, 2015 and 2014, the Group had the following judicial deposit amounts for which no corresponding provision had been set up:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Labor and social security | 13,048 | 6,339 | 13,048 |
| Tax | 3,343 | 6,743 | 3,343 |
| Civil | 2,339 | 1,034 | 2,339 |
| Total | 18,730 | 14,116 | 18,730 |

### Labor contingencies

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

### Tax contingencies

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

### Civil contingencies

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

**All amounts in thousands of reais unless otherwise stated**

## 14. Income tax and social contribution

### (a) Income tax and social contribution paid

At December 31, 2015 and 2014, effective income and social contribution taxes were as follows:

| | Parent company | | Consolidated |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Profit before income tax and social contribution | 436,807 | 302,224 | 435,902 |
| Interest on capital | (179,210) | (74,559) | (179,210) |
| Taxable profit | 257,597 | 227,665 | 256,692 |
| Combined tax rate (25% for income tax and 9% for social contribution) | 34 | 34 | 34 |
| Theoretical tax expense | (87,583) | (77,406) | (87,275) |
| Permanent additions | (7,054) | (2,220) | (7,054) |
| Equity in the results of investees | (175) | | |
| Reduction of taxes due to incentives | 3,545 | 2,810 | 3,545 |
| Adjustments arising from offsetting of tax losses | (2,671) | | (2.671) |
| Goods destruction process | | (2,102) | |
| Other | (208) | | (207) |
| Tax incentives - donations | (2,455) | (1,920) | (2,455) |
| Effective Income tax and social contribution expense | (96,601) | (80,838) | (96,117) |
| Effective tax rate | 22.1% | 26.7% | 22.1% |

### (b) Deferred income tax and social contribution

Deferred income tax and social contribution assets amounting to R$ 48,832 at December 31, 2015 (R$ 46,690 - 2014) for the parent company and R$49,006 in 2015 in the consolidated accounts arose from temporarily non-deductible expenses that may be carried forward indefinitely, with estimated realization as disclosed in item (c) below.

Deferred income tax and social contribution liabilities amounting to R$ 210,658 at December 31, 2015 (R$ 172,636 - 2014) for the parent company and R$ 214,987 in 2015 in the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; and (ii) goodwill on future profitability.

**All amounts in thousands of reais unless otherwise stated**

At December 31, 2015 and 2014, deferred income and social contribution taxes were as follows:

| | Balance sheet | | | Statement of income | | |
|---|---|---|---|---|---|---|
| | Parent company | | Consolidated | Parent company | | Consolidated |
| | **2015** | **2014** | **2015** | **2015** | **2014** | **2015** |
| Revaluation at fair value of land and buildings | (7,258) | (7,354) | (7,258) | | | |
| Amortization of the goodwill on future profitability | (140,869) | (97,762) | (140,869) | 43,107 | 45,920 | 43,107 |
| Non-deductible intangible assets - merger of Raia S.A. | (62,531) | (67,520) | (62,531) | (4,989) | (5,483) | (4,989) |
| Non-deductible intangible assets - acquisition of 4Bio | | | (4,329) | | | (731) |
| Goodwill on future profitability of Drogaria Vison | 365 | 365 | 365 | | | |
| Tax losses to be offset against future taxable profits | | 2,671 | | 2,671 | 3,263 | 2,671 |
| Tax benefit from goodwill on acquisitions | | 1,399 | | 1,399 | 5,594 | 1,399 |
| Adjustment to present value | 2,308 | | 2,363 | (2,308) | | (2,364) |
| Provision for inventory obsolescence | 21,838 | 17,055 | 21,838 | (4,783) | (8,155) | (4,783) |
| Provision for sundry obligations | 2,691 | 4,232 | 2,705 | 1,541 | 959 | 1,922 |
| Provision for employee profit sharing | 9,532 | 6,711 | 9,620 | (2,821) | (3,756) | (2,909) |
| Provision for contingencies | 3,683 | 4,923 | 3,694 | 1,240 | 1,172 | 1,229 |
| Provision for impairment of trade receivables | 1,859 | 1,623 | 1,865 | (236) | (33) | (198) |
| Provision for commercial leases (renewal action) | 1,667 | 1,434 | 1,667 | (233) | (1,433) | (233) |
| Provision for customer loyalty programs | 1,871 | 1,254 | 1,871 | (617) | (1,154) | (617) |
| Provision for store closures | 760 | 1,241 | 760 | 481 | (1,241) | 481 |
| Provision for stock option plan | 1,437 | 256 | 1,437 | (1,181) | (256) | (1,181) |
| Provision for internal campaigns | 116 | 241 | 116 | 125 | 282 | 125 |
| Provision for Officers' bonuses | | 2,725 | | 2,725 | (1,089) | 2,725 |
| Sundry provision | 705 | 560 | 705 | (145) | (2,529) | (145) |
| **Deferred income tax and social contribution expense (benefit)** | | | | 35,976 | 32,061 | 35,509 |
| **Deferred tax assets (liabilities), net** | (161,826) | (125,946) | (165,981) | | | |
| Reflected in the balance sheet as follows: | | | | | | |
| Deferred tax liabilities | (161,826) | (125,946) | (165,981) | | | |
| **Deferred tax assets (liabilities), net** | (161,826) | (125,946) | (165,981) | | | |

| **Reconciliation of deferred tax assets (liabilities), net** | **2015** | **2014** | **2015** |
|---|---|---|---|
| **At the beginning of the year** | (125,946) | (93,980) | (125,946) |
| Additions through business combinations | | | (4,622) |
| Taxable revenue recognized in the statement of income | (35,976) | (32,061) | (35,509) |
| Realization of deferred tax recognized in equity | 96 | 95 | 96 |
| **At the end of the year** | (161,826) | (125,946) | (165,981) |

**All amounts in thousands of reais unless otherwise stated**

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

The projections of future taxable profits are based on estimates relating to the Group's performance, the behavior of the market in which the Group operates and certain economic aspects, among other factors. Actual amounts may differ from these estimates. According to projections, the tax credit amounting to R$ 48,832 in the parent company and R$ 49,006 in the consolidated accounts will be substantially realized by the end of December 2016.

## 15. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common diluted shares. At December 31, 2015 and 2014, the Group's share did not have any dilutive effect, and the profits of basic and diluted shares were equal.

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

| | Parent company | |
|---|---|---|
| | **2015** | **2014** |
| **Basic** | | |
| Profit for the year | 340,206 | 221,386 |
| Weighted average number of common shares | 329,426 | 329,286 |
| **Basic earnings per share - R$** | 1.03272 | 0.67232 |
| **Diluted** | | |
| Profit for the year | 340,206 | 221,386 |
| Weighted average number of common shares | 329,426 | 329,286 |
| Weighted average number of common shares adjusted for dilution effect | 329,426 | 329,286 |
| **Diluted earnings per share - R$** | 1.03272 | 0.67232 |

**All amounts in thousands of reais unless otherwise stated**

## 16. Equity

### (a) Capital

On November 26, 2015, the Company's share capital was increased by R$ 900,000 through the capitalization of part of the capital reserves, without issuing new shares, and therefore no bonus shares were issued to stockholders.

At December 31, 2015, the fully paid-up capital amounted to R$ 1,808,639 (R$ 908,639 - 2014), represented by 330,386,000 common registered book-entry shares with no par value, of which 198,520,879 shares were outstanding (196,380,486 ordinary shares - 2014).

Pursuant to the Company's bylaws, it is authorized to increase its capital up to the limit of 400,000,000 common shares, subject to the approval of the Board of Directors.

The change in the number of shares outstanding was as follows:

| | **Shares outstanding** |
|---|---|
| At December 31, 2014 | 196,380,486 |
| (Purchase)/sale of restricted shares, net | 2,140,393 |
| At December 31, 2015 | **198,520,879** |

At December 31, 2015, the Company's common shares were quoted at R$ 35.48 (closing quote) (R$ 25.35 at December 31, 2014).

### Treasury shares

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

| | **Parent company** |
|---|---|
| | **Number of shares** |
| At December 31, 2014 | (1,100,000) |
| At December 31, 2015 | **(1,100,000)** |

**All amounts in thousands of reais unless otherwise stated**

Treasury shares at December 31, 2015 were as follows:

| Number of shares purchased (in units) | Total amount paid for the shares (**) | Unit cost of the shares | | | Market value per share at December 31, 2015 (*) |
|---|---|---|---|---|---|
| | | Minimum | Maximum | Average | |
| 1,100,000 | 20,898 | 18.39 | 19.30 | 18.96 | 39,028 |

(*) Based on the price quote of R$ 35.48 per share.
(**) Includes brokerage expenses and fees.

### (c) Restricted share plan

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

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

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

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

The shares offered to the officer through the Restricted Share Plan may not be sold, assigned or transferred to third parties for a period of four years from the date of the grant, provided that, every year, from the second anniversary of the grant date, the officer will acquire the right to receive a third of their restricted stock.

In 2015, the Company granted to its officers restricted shares that corresponded to R$ 3,471 (R$ 754 - 2014). The balance of options granted and not yet transferred corresponded to R$ 4,225 at December 31, 2015.

All amounts in thousands of reais unless otherwise stated

### (d) Stockholders' remuneration

Under the Company's bylaws, stockholders are entitled to minimum dividend corresponding to 25% of adjusted annual profit. The dividend proposed, including interest on equity, is calculated as follows:

| | Parent company | |
|---|---|---|
| | **2015** | **2014** |
| Profit for the year | 340,206 | 221,386 |
| Legal reserve | (17,010) | (11,069) |
| Realization of the revaluation reserve in the year | 186 | 186 |
| Dividend calculation basis (a) | 323,382 | 210,503 |
| Minimum mandatory dividends, according to statutory provision (25%) | 80,846 | 52,626 |
| Interest on equity proposed | 150,250 | 74,559 |
| Income Tax Withheld at Source (IRRF) on interest on capital | (21,161) | (10,561) |
| Interest on capital (supplementary) | | 28,959 |
| IRRF (theoretical expense) | | (4,344) |
| Compensation net of income tax withheld at source (b) | 129,089 | 88,613 |
| % distributed on the dividend calculation basis (b ÷ a) | 39.92 | 42.10 |
| Amount in excess of the mandatory minimum dividend | 48,243 | 35,987 |
| IRRF (theoretical expense) | | 4,344 |
| | 48,243 | 40,331 |

The Company recognized interest on equity of R$ 150,250 (R$ 74,559 - 2014), observing both the limit of the TJLP variation in 2015 and 2014 and the expense deductibility limits for income and social contribution tax calculation, pursuant to Law 9,249/95.

At December 31, 2015 the amount of R$ 48,243 (R$ 40,331 - 2014) in excess of the minimum mandatory dividend established in the Company's bylaws was recorded in equity as proposed additional dividend.

**All amounts in thousands of reais unless otherwise stated**

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

| | Parent company | |
|---|---|---|
| | **2015** | **2014** |
| Opening balance | 28,664 | 9,464 |
| Additions | 117,020 | 60,923 |
| Payments | (121,024) | (41,527) |
| Write-offs | (258) | (196) |
| Closing balance | 24,402 | 28,664 |

## 17. Net sales revenue

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014 (Reclassified Note 5)** | **2015** |
| Gross sales revenue | | | |
| Sales revenue | 9,227,077 | 7,648,838 | 9,283,815 |
| Service revenue | 12,124 | 10,052 | 12,163 |
| | 9,239,201 | 7,658,890 | 9,295,978 |
| Taxes on sales | (277,539) | (221,733) | (278,605) |
| Returns, rebates and other | (116,080) | (85,701) | (119,524) |
| Net sales revenue | 8,845,582 | 7,351,456 | 8,897,849 |

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

**All amounts in thousands of reais unless otherwise stated**

## 18. Information on the nature of expenses recognized in the statement of income

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

| | Parent company | | Consolidated |
|---|---|---|---|
| | 2015 | 2014 (Reclassified Note 5) | 2015 |
| Cost of sales | (6,137,644) | (5,207,625) | (6,183,289) |
| Selling expenses | (1,141,137) | (942,024) | (1,144,608) |
| Service provider expenses | (101,760) | (77,910) | (101,919) |
| Depreciation and amortization | (226,846) | (187,568) | (227,698) |
| Other (i) | (728,083) | (584,091) | (730,654) |
| | (8,335,470) | (6,999,218) | (8,388,168) |
| **Classified in the statement of income as:** | | | |
| | 2015 | 2014 (Reclassified Note 5) | 2015 |
| Cost of sales | (6,137,644) | (5,207,625) | (6,183,289) |
| Selling expenses | (1,737,740) | (1,409,067) | (1,742,093) |
| General and administrative expenses | (233,240) | (194,958) | (235,088) |
| Depreciations and amortizations (ii) | (226,846) | (187,568) | (227,698) |
| | (8,335,470) | (6,999,218) | (8,388,168) |

(i) These refer mostly to property rental expenses, credit and debit card management charges, transportation expenses, the maintenance of assets, utilities bills, consumables and condominium fees.

(ii) Depreciation and amortization totaled R$ 226,846 in 2015, of which R$ 190,395 corresponded to the area of sales and R$ 36,451 to the administrative area.

## 19. Other operating expenses

In 2015, other operating expenses totaled R$ 8,390 (R$ 9,473 - 2014) for the parent company and R$ 8,818 for the consolidated accounts. These amounts consisted of non-recurring expenses with provision for the impairment of trade receivables of an outsourced PBM, transaction and acquisition of 4Bio and change in provisioning of PBM receivables.

**All amounts in thousands of reais unless otherwise stated**

## 20. Finance income and costs

### (a) Finance income

| | Parent company | | Consolidated |
|---|---|---|---|
| | 2015 | 2014 (Reclassified Note 5) | 2015 |
| Discounts obtained | 1,636 | 243 | 1,667 |
| Short term investment yields | 27,256 | 16,548 | 27,256 |
| Interest received | | 8 | |
| Monetary gains | 2,285 | 1,542 | 2,294 |
| Other finance income | 18 | 6 | 41 |
| Taxes thereon (PIS/COFINS) | (810) | | (810) |
| Present Value Adjustment (PVA) - finance income | 56,142 | 40,113 | 58,338 |
| Total finance income | 86,527 | 58,460 | 88,786 |

### (b) Finance costs

| | Parent company | | Consolidated |
|---|---|---|---|
| | 2015 | 2014 (Reclassified Note 5) | 2015 |
| Discounts granted to customers | (425) | (62) | (440) |
| Interest, charges and bank fees | (1,260) | (935) | (1,321) |
| Charges on borrowings | (31,048) | (23,638) | (31,624) |
| Monetary losses | (5,228) | (614) | (5,266) |
| Interest on additional stock option | (1,402) | | (1,402) |
| PVA - finance costs | (111,566) | (73,752) | (113,694) |
| Total finance costs | (150,929) | (99,001) | (153,747) |
| **Finance results** | (64,402) | (40,541) | (64,961) |

**All amounts in thousands of reais unless otherwise stated**

## 21. Guarantees for lawsuits

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

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Furniture and facilities | 37 | 46 | 37 |
| Machinery and equipment | 85 | 86 | 85 |
| | 122 | 132 | 122 |

## 22. Lease agreement commitments

The Company and its subsidiary have lease agreements with terms ranging from one to 20 years. Annual lease expenses vary depending on the number of agreements entered into or terminated. Total monthly expenses on these lease agreements (including rental, condominium fees and real estate tax amounted to R$ 31,099 (R$ 25,131 - 2014) for the parent company and R$ 31,275 for the consolidated accounts.

At December 31, 2015 and 2014, the future minimum payments relating to leases of stores (under cancelable lease agreements) were as follows:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| First 12 months | 306,669 | 230,883 | 307,046 |
| From 13 to 60 months | 764,191 | 571,451 | 764,847 |
| Over 60 months | 225,582 | 173,366 | 225,582 |
| | 1,296,442 | 975,700 | 1,297,475 |

**All amounts in thousands of reais unless otherwise stated**

## 23. Financial instruments and risk management policy

### Financial instruments by category

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| **Assets as per balance sheet** | | | |
| Loans and receivables | | | |
| Cash and cash equivalents (Note 6) | 264,549 | 281,189 | 266,051 |
| Trade receivables (Note 7) | 572,083 | 465,990 | 601,831 |
| Other receivables | 98,040 | 107,590 | 98,261 |
| Judicial deposits (Note 13) | 18,730 | 14,116 | 18,730 |
| | 953,402 | 868,885 | 984,873 |
| **Total assets** | 953,402 | 868,885 | 984,873 |
| **Liabilities as per balance sheet** | | | |
| Liabilities at fair value through profit or loss | | | |
| Additional stock option (Note 10) | 31,632 | | 31,632 |
| | 31,632 | | 31,632 |
| Other financial liabilities | | | |
| Trade payables | 1,177,928 | 871,477 | 1,203,382 |
| Borrowings (Note 12) | 289,685 | 281,237 | 296,388 |
| Other payables | 123,316 | 91,938 | 124,265 |
| | 1,590,929 | 1,244,652 | 1,624,035 |
| **Total liabilities** | 1,622,561 | 1,244,652 | 1,655,667 |

### Financial risk management

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

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

### (a) Market risk

### Foreign exchange risk

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

### Interest rate risk

The Group's interest rate risk arises mainly from obligations at variable rates. The Group's management understands that the single risk to which it is exposed relates to the mismatch between BNDES financing (R$ 3,565) subject to IPCA + interest against investments in CDI.

Most of the BNDES transactions are entered into based on the TJLP + interest and on the SELIC rate. Short-term investments are entered into based on the CDI variations, which does not result in higher interest rate risk since these variations are not significant. Management understands that there is a low risk of significant changes in profit or loss or in cash flows.

### (b) Credit risk

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

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

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the year ended December 31, 2015, credit sales represented 49% (48% - 2014) and 50% for the consolidated accounts of which 90% (87% - 2014) and 87% in the consolidated accounts related to credit card sales which, in the opinion of the Group and based on the history of losses, posed an extremely low risk. The remaining 10% (13% - 2014) and 13% for the consolidated accounts are credits from PBMs, special plans with companies and post-dated checks and bills for payment that pose a low risk, due to customer selectivity and the adoption of individual limits.

### (c) Liquidity risk

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

### (d) Sensitivity analysis

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

The most probable scenario (scenario I), according to the assessment made by management, is based on a three-month horizon. Two further scenarios are presented, pursuant to CVM Instruction 475/08, in order to show a 25% and 50% deterioration in the risk variables considered (scenarios II and III).

**All amounts in thousands of reais unless otherwise stated**

| Parent company | | | | |
|---|---|---|---|---|
| **Operation** | **Risk** | **Scenario I (probable)** | **Scenario II** | **Scenario III** |
| Short term investments - CDI | 0.5% increase | 1,130 | 1,413 | 1,695 |
| Revenue | | 1,130 | 1,413 | 1,695 |
| BNDES financing (IPCA + interest) | 1% mismatch | 36 | 45 | 53 |
| REFIS (SELIC) | 0.5% increase | 7 | 9 | 10 |
| Expense | | 43 | 54 | 63 |

REFIS: Tax Recovery Program

| Consolidated | | | | |
|---|---|---|---|---|
| **Operation** | **Risk** | **Scenario I (probable)** | **Scenario II** | **Scenario III** |
| Short term investments - CDI | 0.5% increase | 1,137 | 1,421 | 1,705 |
| Revenue | | 1,137 | 1,421 | 1,705 |
| BNDES financing (IPCA + interest) | 1% mismatch | 36 | 45 | 53 |
| REFIS (SELIC) | 0.5% increase | 7 | 9 | 10 |
| Expense | | 43 | 54 | 63 |

The risk of variations in the TJLP on BNDES operations which could result in material losses for the Group is not considered as probable by management.

### (e) Capital management

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

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

Accordingly, the gearing ratio is calculated by dividing net debt by equity. Net debt is calculated as total borrowing less total cash and cash equivalents, as shown below:

| | **Parent company** | | **Consolidated** |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Short and long-term borrowings | 289,685 | 281,237 | 296,388 |
| (-) Cash and cash equivalents | (264,549) | (281,189) | (266,051) |
| Net debt | 25,136 | 48 | 30,337 |
| Equity attributable to the stockholders of the parent company | 2,640,629 | 2,456,937 | 2,640,629 |
| Non-controlling interest | | | 22,989 |
| Total equity | 2,640,629 | 2,456,937 | 2,663,618 |
| Gearing ratio | 0.95 | 0.00 | 1.14 |

**All amounts in thousands of reais unless otherwise stated**

### (f) Fair value estimation

The carrying values of trade receivables and payables are assumed to approximate their fair values, taking into consideration the realization of these balances, and settlement terms not exceeding 60 days.

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

At December 31, 2015, the Group had no material assets and liabilities measured at fair value at Level 1 and or Level 2 in the fair value hierarchy. The following table presents the changes in Level 3 instruments for the year ended December 31, 2015:

| | **Parent company and consolidated** |
|---|---|
| | **Additional stock option** |
| Opening balance | |
| Acquisition of 4Bio (Note 10) | 30,230 |
| Expenses recognized in the statement of income | 1,402 |
| Closing balance | 31,632 |
| Total expensed for the year included in the statement of income | 1,402 |
| Changes in unrealized expenses for the year included in the statement of income | 1,402 |

## 24. Derivative financial instruments

The Group does not have any operations involving derivative financial instruments.

**All amounts in thousands of reais unless otherwise stated**

## 25. Transactions with related parties

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

| | Relationship | Parent company | | Consolidated | Parent company | | Consolidated |
|---|---|---|---|---|---|---|---|
| | | Current assets | | | Revenue | | |
| | | 2015 | 2014 | 2015 | 2015 | 2014 | 2015 |
| Receivables | | | | | | | |
| Special plans (i) | | | | | | | |
| Regimar Comercial S.A. | Stockholder/Family | 12 | 8 | 12 | 74 | 68 | 74 |
| Heliomar S.A. | Stockholder/Board Member | 2 | 1 | 2 | 10 | 11 | 10 |
| Rodrigo Wright Pipponzi (Editora Mol Ltda.) | Stockholder/Family | 1 | | 1 | 2 | 1 | 2 |
| | | 15 | 9 | 15 | 86 | 80 | 86 |

**All amounts in thousands of reais unless otherwise stated**

| | Relationship | Parent company | | Consolidated | Parent company | | Consolidated |
|---|---|---|---|---|---|---|---|
| | | Current liabilities | | | Expenses | | |
| | | 2015 | 2014 | 2015 | 2015 | 2014 | 2015 |
| Payables | | | | | | | |
| Rentals (ii) | | | | | | | |
| Heliomar S.A. | Stockholder/Board Member | 19 | 18 | 19 | 198 | 188 | 198 |
| Antonio Carlos Pipponzi | Stockholder/Board Member | 6 | 5 | 6 | 77 | 71 | 77 |
| Rosalia Pipponzi Raia | Stockholder/Board Member | 6 | 5 | 6 | 77 | 71 | 77 |
| Estate of Franco Maria David Pietro Pipponzi | Stockholder/Board Member | 6 | 5 | 6 | 77 | 71 | 77 |
| | | 37 | 33 | 37 | 429 | 401 | 429 |
| Service providers (ii) | | | | | | | |
| Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire - Advogados | Stockholder/Family | 1 | | 1 | 4,422 | 3,463 | 4,422 |
| Associação Obra do Berço (Literat Editora Ltda.) | Stockholder/Family | | | | | 1,260 | |
| Rodrigo Wright Pipponzi Editora Mol Ltda.) (iii) | Stockholder/Family | 702 | 70 | 702 | 6,293 | 4,702 | 6,293 |
| | | 703 | 70 | 703 | 10,715 | 9,425 | 10,715 |
| | | 740 | 103 | 740 | 11,144 | 9,826 | 11,144 |

**All amounts in thousands of reais unless otherwise stated**

(i) Sales carried out through special plans: these transactions have been entered into under commercial conditions equivalent to those adopted with other companies.

(ii) Store rental and rendering of marketing and legal advisory services: these transactions are carried out under normal market conditions.

(iii) These balances and transactions relate to service agreements for the development, creation and production of marketing materials for the institutional sales area, and the design of the Company's internal monthly magazine. The agreements are valid for an indefinite period of time and may be terminated by either party at any time without cost or penalties.

There are no transactions other than the amounts presented above, and the category of related parties relates only to the Company's key management personnel.

(b) Other related parties

On May 14, 2015, a Term of Commitment was signed whereby Natura Cosméticos S.A. ("Natura") undertook to assign a lease agreement to the Company for R$ 1,000, paid in June 2015, relating to a property located on Oscar Freire Street entered into by Natura on July 22, 2013, for a period of sixty months. Natura's founding controlling stockholders are also stockholders of the Company.

(c) Key management compensation

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

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Fees and social charges | 11,369 | 11,120 | 11,719 |
| Bonuses and social charges | 22,715 | 16,606 | 22,904 |
| Reversal of the provision for bonuses | (8,016) | (7,612) | (8,016) |
| | 26,068 | 20,114 | 26,607 |

**All amounts in thousands of reais unless otherwise stated**

## 26. Insurance coverage

The Group has adopted a policy of taking out insurance coverage at amounts deemed sufficient to cover any losses on assets or civil liability attributed to it taking into consideration the nature of its activities and the guidance of its insurance consultants. The Group had the following insurance coverage at December 31, 2015:

| | Parent company | | Consolidated |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Inventory loss risks | 117,363 | 110,386 | 118,799 |
| Permanent assets | 157,637 | 119,615 | 158,637 |
| Loss of profits | 142,500 | 74,917 | 142,500 |
| Civil liability risks | 23,175 | 14,410 | 23,175 |
| | **440,675** | **319,328** | **443,111** |

## 27. Non-cash transactions

At December 31, 2015, the main transactions that did not involve the Group's cash were:

(i) the consideration through shares to be transferred for the acquisition of 4Bio (Note 10);
(ii) the financial liability arising from the granting of additional share purchase options in 4Bio (Note 10);
(iii) part of the remuneration of key management personnel (Note 25); and
(iv) the forward acquisition of property and equipment items in the amount of R$ 11,604 (R$ 4,961 - 2014).

## 28. Events after the reporting period

On February 1st , 2016, the Extraordinary Meeting of the Board of Directors approved the American Depositary Receipts (ADRs) Program Level 1.

The program aims to increase the Company's visibility in the capital markets, promoting the liquidity of the shares, broadening the stockholders base and facilitating access to the shares by foreign investors. The program is in the implementation phase, when all the legal procedures necessary for its realization will be fulfilled with the regulators.

The Bank of New York Mellon will be the depository institution in the United States of America, responsible for the issuance of the respective depositary receipts, and the custodian bank is Banco Itaú-Unibanco. The Company's ADRs are traded over the counter in New York, in the United States of America and each ADR represents one common share.

The ADR Program Level I does not imply a capital increase or issuance of new shares.

(A free translation of the original in Portuguese)

## Raia Drogasil S.A.

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

In accordance with article 25, paragraph 1, items V and VI of CVM Instruction 480/09, the Company's officers represent that they have reviewed and discussed and agree with the financial statements and the opinion expressed in the independent auditor's report.

São Paulo, February 18, 2016

Marcilio D'Amico Pousada
CEO

Antonio Carlos Coelho
Officer

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

Antonio Carlos Marques de Oliveira
Accountant Responsible
CRC-1SP215445/O-0

The Company's Supervisory Board, in exercising 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, 2015 and, based on the examinations performed and on clarifications provided by management, and also considering the favorable unqualified report issued by independent auditor PricewaterhouseCoopers Auditores Independentes, the Supervisory Board members concluded that the documents above mentioned were fairly presented, in all material respects, and unanimously decided to submit them to the General Stockholders' Meeting to be convened pursuant to Law 6,404/76.

São Paulo, February 18, 2016

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Gilberto Lério
Supervisory Board Member

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Fernando Carvalho Braga
Supervisory Board Member

______________________________

Mário Antonio Luiz Corrêa
Supervisory Board Member