(A free translation of the original in Portuguese)

Raia Drogasil S.A.

Parent company and consolidated financial statements at December 31, 2020 and independent auditor's report

São Paulo, March 9, 2021. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 4rd quarter of 2020 (4Q20) and for the year of 2020. The Company's parent company and consolidated financial statements for the years ended December 31, 2020 and 2019 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM), the Brazilian Accounting Standards - General Technical (NBC TG) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and provide all the significant information related solely to the financial statements, which is consistent with the information used by management. The financial statements were prepared in Reais and all growth rates, unless otherwise stated, relate to the same period of 2019.

Since 2019, our financial statements have been prepared in accordance with IFRS 16. In order to better represent the economics of the business, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard. Reconciliation with IFRS 16 can be found on pages 15 and 16.

ANNUAL CONSOLIDATED HIGHLIGHTS:

- **DRUGSTORES:** 2,299 retail stores in operation (240 openings and 11 closures)
- **MARKET SHARE:** 1.0 percentage point national increase, with gains in every region
- **GROSS REVENUE:** R$ 21.2 billion, 15.1% growth (7.4% retail same-store sales growth)
- **STORE CONTRIBUTION MARGIN*:** 9.5%, 12.2% of growth and 0.3 p.p. of margin pressure
- **ADJUSTED EBITDA:** R$ 1,429.2 million, a 6.7% EBITDA margin and 6.4% of growth
- **ADJUSTED NET INCOME:** R$ 601.0 million, 2.8% of net margin and 2.4% of growth
- **CASH FLOW:** R$ 291.2 million positive free cash flow, R$ 103.9 million total cash generation
- **EVERY CARE COUNTS GRANT:** R$ 25 million donated to 51 hospitals to fight COVID-19

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

RADL3
R$ 22.28/share

NUMBER OF SHARES
1,651,930,000

MARKET CAP
R$ 36,805 (million)

CLOSING
March 8th, 2021

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Summary	2019	2020	4Q19	1Q20	2Q20	3Q20	4Q20
(R$ thousand)							
# of Stores - Retail	2,070	2,299	2,070	2,104	2,159	2,220	2,299
Organic Openings	240	240	79	39	55	64	82
Onofre Stores	42						
Store Closures	(34)	(11)	(1)	(5)	0	(3)	(3)
4Bio	3	4	3	3	3	3	4
# of Stores - Retail + 4Bio	2,073	2,303	2,073	2,107	2,162	2,223	2,303
Headcount (EoP)	41,450	44,631	41,450	42,250	42,115	43,223	44,631
Pharmacist Count (EoP)	7,840	8,788	7,840	8,125	8,414	8,658	8,788
# of Tickets (000)	255,899	246,876	68,156	67,173	52,308	60,298	67,098
Gross Revenue	18,396,046	21,180,475	5,030,160	5,206,320	4,721,872	5,384,230	5,868,052
Gross Profit	5,183,302	5,891,182	1,411,003	1,441,851	1,320,122	1,494,996	1,634,213
% of Gross Revenues	28.2%	27.8%	28.1%	27.7%	28.0%	27.8%	27.8%
Adjusted EBITDA	1,343,595	1,429,169	350,431	369,356	231,811	397,159	430,843
% of Gross Revenues	7.3%	6.7%	7.0%	7.1%	4.9%	7.4%	7.3%
Adjusted Net Income	587,148	600,984	168,692	152,753	61,688	172,871	213,672
% of Gross Revenues	3.2%	2.8%	3.4%	2.9%	1.3%	3.2%	3.6%
Net Income	542,914	579,259	143,275	145,840	60,210	174,717	198,492
% of Gross Revenues	3.0%	2.7%	2.8%	2.8%	1.3%	3.2%	3.4%
Free Cash Flow	1,471	291,227	48,400	(48,150)	(437,520)	351,785	425,112

MANAGEMENT LETTER

Fiscal 2020 was a landmark year in RD's history. In the period, we established our Aspiration to become the company that most promotes access to a healthy life in Brazil by 2030, an ambitious objective that has started to guide all we do. This Aspiration pushes us out of our comfort zone of pharma retailing to become our customers' main ally for health promotion and disease prevention, a profound transformation in our role. To fulfill it, we developed in 2020 a new Strategy, defined new Sustainability objectives intrinsically aligned with the Strategy and began transforming our organizational structure, business model and corporate culture, as well as repositioning our retail banners and other brands in the same direction. This Aspiration is also aligned with our Purpose of taking close care of people's health and well-being during all times of their lives, which has evolved from an inspiration into a business objective.

In a year intensely affected by the COVID-19 global pandemic, which continues taking so many lives and bringing so much uncertainty, the initiatives we put into place to protect and assist our employees, customers and communities were guided by our Purpose and by our new Aspiration. These initiatives include the adoption of rigorous safety protocols within our stores to protect customers and employees, the guaranteed integral coverage of employee hospitalization costs related to COVID-19 and of the 24 thousand free telemedicine consultations our employees made with the Albert Einstein Hospital, one of Latin America´s premiere health institutions, the preservation of all job posts and the full remuneration of employees placed on temporary leave as well as the donation of R$ 25 million to 51 hospitals located outside of major urban centers to support their communities in fighting the pandemic through the *Todo Cuidado Conta* (Every Care Counts) grant.

We presented to the market during our investor day our new strategy based on 3 pillars: New Pharmacy, Marketplace and Health Platform. The New Pharmacy consists in the resignification of the traditional pharmacy into a Health Hub, with in-store health services, combined with a digital and omnichannel experience. With the Marketplace, we are starting to significantly enhance our assortment, by deepening the mix in current categories as well as expanding our presence into new health verticals. Finally, with the Health Platform we will have a health services marketplace, including telemedicine, combined with journeys developed to support our customers for disease prevention as well as for the promotion of healthy habits, including adherence to treatment, healthy nutrition, physical exercise and sleep. These businesses will be complementary and will reinforce each other, starting with the customer acquisition and the downloading of our apps, which usually happen in our stores with a low marginal customer acquisition cost (CAC), and culminating in an increase of the customer buying frequency and share-of-wallet from the digital transformation of our retail operations and from the broad range of products and services offered in the marketplace and in the health platform. As customer spending and loyalty increase, this combination of assets has the potential to multiply the customer lifetime value (CLV) and the Company's value creation.

RD is embarking on a transformational journey: it amplifies our target market, challenges the way we operate and requires the development of new assets and capabilities. However, if we are successful, it will also positively transform the health of Brazilians, who today suffer from a complex and inefficient system limited to treating diseases rather than promoting health. On the one hand, we are fully aware of the complexity of the challenge we are embracing and humbly recognize that it will be a long-term process, for which we still don't have all the answers. But on the other hand, we are certain to have unique assets that yield us the credentials for this journey: we have 39 million active customers and are the link in the healthcare value chain with the greatest capillarity, proximity and frequency of interaction with the population. After all, our 2.3 thousand stores serve 90% of the Brazilian A class population within a 1.5 km radius and with a frequency of interaction which is superior to that of any other health care player or retail vertical. We also have a PBM that serves 57 million employees and beneficiaries of more than 1,000 commercial groups and 350 health operators, 4Bio, the leading provider of high-cost and high-complexity specialty medicine for the patients of the major health operators in the country, and are also investing in start-ups to accelerate our Strategy through the RD Ventures platform, which already invested in *Manipulaê* (apothecary pharmacies marketplace) and has carried out the recently announced deal of *tech.fit* (promotion of healthy habits), which is still pending regulatory approval, and may include additional future acquisitions.

This new strategy proved essential already in 2020 to support our customers, employees and communities in fighting the pandemic. As a part of our journey to become a safe harbor for health and well-being, we intensified the services we offer in our Health Hubs. We expanded our vaccination service, reaching a total of 73 stores that offer immunization against flu and other diseases, and collaborated with municipal governments in providing free flu shots at our stores within the National Immunization Program. Finally, we began offering COVID-19 testing. In 2020 alone, we administered 0.9 million tests within our stores (1.5 million from May/20 to the present date), and have 1,135 stores offering this service in 256 different cities. With our capillarity and frequency of interaction, we are one of the largest testers in the Country, with a 2020 national market share of 7.4% according to combined data from ABRAMED (Brazilian Diagnostic Medicine Association) and ABRAFARMA.

In the context of social isolation, we also accelerated the expansion of our omnichannel offerings to better serve our customers. We created in 2020 a neighborhood delivery service, with orders made directly to the stores by phone or social media and with free and fast pedestrian deliveries done by our store employees within a 500-meter radius from our stores. This service complements Click & Collect, which is also available in 100% of our stores since 2018. We also count on 492 stores serving 241 cities with motorized ship-from-store deliveries. As a result, we reached digital channel revenues of R$ 1.2 billion in 2020, equivalent to 5.9% of our retail gross revenue (6.3% in the 4Q20), in contrast to R$ 0.3 billion in 2019. In the 4Q20, 83% of digital orders were delivered from or collected at one of our stores.

It is important to highlight that we don't see the digital channels as a stand-alone business, but rather as a tool to increase customer convenience, engagement, loyalty and spending through their whole journey, including in-store purchases. Finally, our analysis indicates that digitalized customers increase their overall spending with us by 20% to 25%, with a significant portion still in-store.

We have also advanced with the digitalization of our store operations, including the offering of smart coupons and the launching of Stix, our loyalty points coalition in partnership with GPA, which interactions are 100% done through our mobile apps. In addition to the improved experience, these services also drive the digital onboarding of customers, incentivizing them to download our apps and to experiment with all of our channels and services. In the 4Q20, we reached 7.9 million cumulative app downloads and 24 million monthly visits in our digital channels, all with a low marginal CAC given the pivotal role of the stores in digital customer acquisition.

In spite of the intense social isolation observed during the initial phase of the pandemic, we managed to mitigate the losses in sales through the digitalization of the relationship with our customers. Our gross revenue totaled R$ 21.2 billion, an annual increment of R$ 2.8 billion and a consolidated growth in sales of 15.1%, with a 3.0% growth in mature stores, just 1.5 percentage below inflation. However, already in the 4Q20, total growth was of 16.7%, with a growth of 6.0% in mature stores, 1.5 percentage point above inflation, and we recorded a record market share of 14.7%, a gain of 1.0 percentage point and an increase in every region. The adjusted EBITDA of the year totaled R$ 1,492.2 million, with a growth of 6.4%. The adjusted net income was of R$ 601.0 million, a growth of 2.4%. Finally, even in the context of the pandemic, we recorded in 2020 a positive free cash flow of R$ 291.2 million and an also positive total cash generation of R$ 103.9 million, with a leverage ratio of only 0.6 times our EBITDA, a testament to the resilience of our business and the robustness of our capital structure.

Despite the limitations imposed by the pandemic, we opened 240 stores and closed only 11. We entered the state of Rondônia, opened our first distribution center (DC) in the state of Rio Grande do Sul and closed our oldest facility, located in São Paulo, optimizing our logistics network by rebalancing capacity with our other 3 DCs in the state, including Guarulhos, our largest and most modern facility, which was opened in 2019.

In 2020, we have developed a strategic Sustainability vision that counts on a regenerative approach, rather than a compensatory one, which is aligned with our Aspiration of becoming by 2030 the company that contributes the most towards a healthy society in Brazil and with the UN Global Pact, to which we have become a signatory, defined in three major dimensions: *Healthier People*, *Healthier Planet* and *Healthier Businesses*. We have also enhanced our transparency with the publication of our Annual and Sustainability Report 2019, and have already disclosed several milestones of 2020 in this earnings release.

Considering all the uncertainties we faced in 2020, we would like to thank our stockholders, including both minority investors and majority shareholders, for the support and trust bestowed on us, as well as to our clients, who have entrusted us with their health and believed in the safety of our protocols and solutions, both in-store or through our digital channels, thus rewarding us with their loyalty. Finally, we must acknowledge and thank the infinite effort and unlimited dedication of our employees, true healthcare heroes who selflessly leave their families at home every day to place the life and health of our customers above everything else.

CHALLENGES AND OPPORTUNITIES FOR 2021

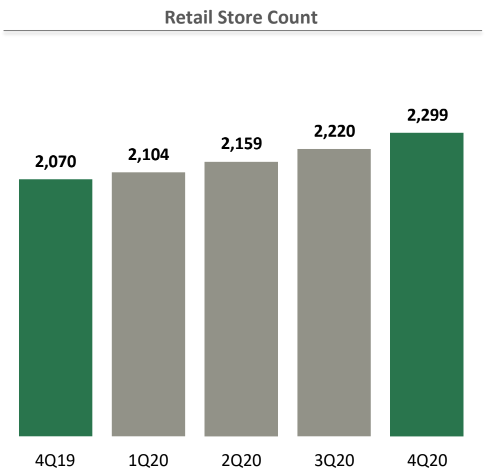
Advance in digitalization, with the experience of a truly digital company: The New Pharmacy continues to be our priority for 2021, as we will be building the foundations of the marketplace and of the health platform. Our stores are the gateway for the customer acquisition and for their digital onboarding, with a very low marginal CAC. It is in the stores that the customer discovers the app and adopts our omnichannel solutions, increasing their engagement, frequency and spending in the New Pharmacy. But since the new businesses will be primarily digital, it is the digitalization of the customer relationship through the New Pharmacy that will feed both the marketplace and the health platform. In spite of the recent advances in digital penetration and in the quality of our apps, our digital experience is still below the one provided by our stores and by digital-native companies. In 2021, our goal is improving the digital experience and increasing our digital NPS. This will depend on developing an agile and digital culture fully focused on the customer. Therefore, we will continue to expand our agile teams, eliminate technological, cultural and structural bottlenecks to make them more efficient and adopt agile management principles in several traditional processes.

Develop our team to support our Strategy and execution: Just as we are obsessed for serving our clients, so we are for developing people. Our main goal for 2021 is to attract, retain and develop individuals with digital mindset and with the capabilities required to support our new Strategy, based on digital and healthcare, and our execution, which is driven by agile principles. We will keep hiring outside specialists, incorporating people from acquired start-ups and supporting our current employees on developing new skills and in adapting to the new culture.

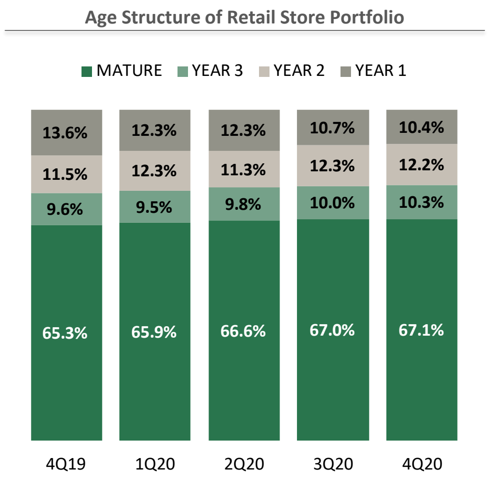
Advance our Sustainability 2030 agenda: We developed in 2020 a regenerative Sustainability agenda, fully aligned with our business strategy and focused on our Aspiration to become the company that most promotes healthy lives in Brazil. In 2021, we will announce the details of our sustainability commitments and our goals up to 2030. We will also improve our reporting, increasing transparency in our 2020 Annual & Sustainability Report and will establish internally the main strategies to pursue these commitments and goals.

STORE DEVELOPMENT

We opened 240 new stores in 2020, fully delivering our store opening guidance in spite of the pandemic, and closed 11 stores (82 openings and 3 closures in the 4Q20), ending the year with 2,299 retail stores in operation, in addition to 4 4Bio units. We reiterate our gross openings guidance of 240 stores per year for 2021 and 2022.



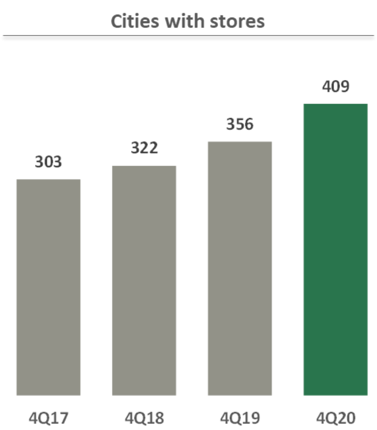
	4Q19	1Q20	2Q20	3Q20	4Q20
Openings	79	39	55	64	82
Closures	(1)	(5)	0	(3)	(3)

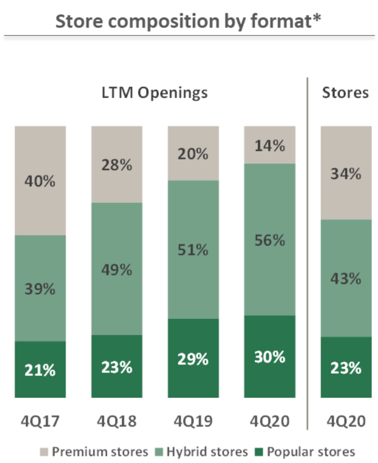


At the end of the period, 32.9% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and profitability.

Of the 11 stores closed in 2020 (3 in the 4Q20), 2 stores were still in the maturation process (1 in the 4Q20) and represent corrections of mistakes that are to be expected in a large-scale expansion such as RD's. The remaining 9 closures were mature stores (2 in the 4Q20), driven by the optimization of our store portfolio with positive return expectations associated to them.

We continued to diversify our store network in 2020, both geographically and demographically, with 72% of our openings in the last twelve months outside of the state of São Paulo, our native market. We also increased our capillarity, extending our presence to 409 cities, with 53 additions in the year. Also, while 66% of our stores have popular or hybrid formats, 86% of the openings in the year belong to these clusters, increasing our reach into the extended middle class.





* Premium and super premium stores are grouped together, as well as popular and super popular stores.
Openings exclude the Onofre acquisition.

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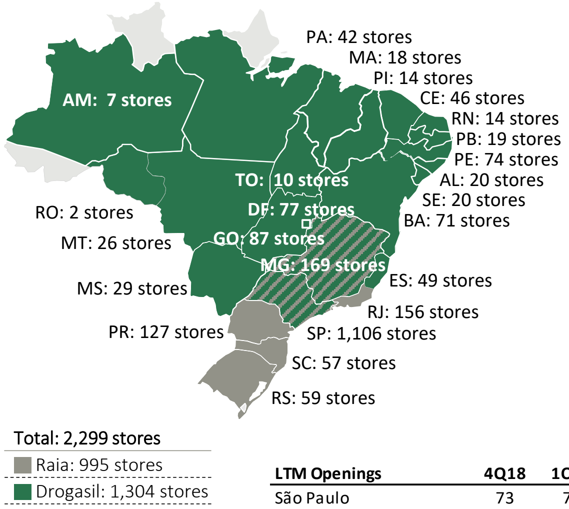
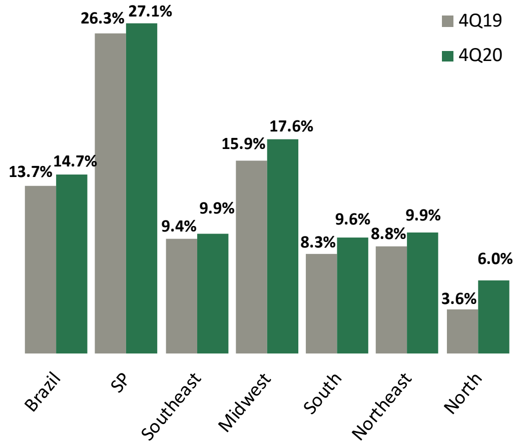
Finally, we entered the state of Rondônia with 2 openings in the 4Q20, ending the year with an established presence in 24 states, which account for 99.3% of the Brazilian pharmaceutical market.

Retail Geographic Presence



Retail Market Share



Source: IQVIA. Southeast excludes SP.

LTM Openings	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
São Paulo	73	76	67	65	76	71	71	71	66
Other States	167	182	176	166	164	146	154	166	174
Onofre				42	42	42	42		
Total	240	258	243	273	282	259	267	237	240
*São Paulo %**	*30%*	*29%*	*28%*	*28%*	*32%*	*33%*	*32%*	*30%*	*28%*

*Disconsiders Onofre

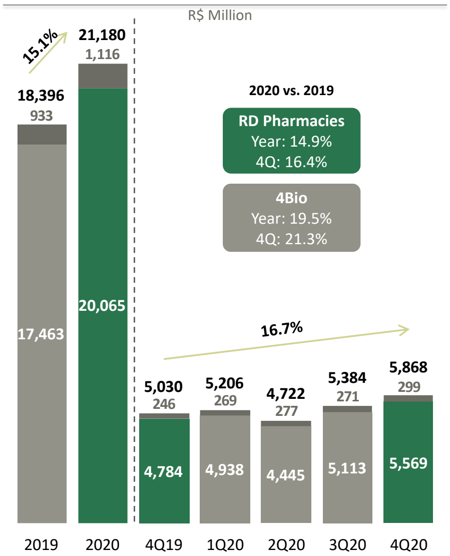
We achieved record market shares in every region of Brazil. Our national share reached 14.7%, a 1.0 percentage point increase when compared to the 4Q19, driven by our continued efforts in market consolidation through our store expansion and digital transformation.

The Northern region was our main highlight, with a market share of 6.0%, a 2.4 percentage points gain vs. the 4Q19, followed by the Midwest, where we reached a market share of 17.6%, a 1.7 percentage point gain. We registered a market share in the South of 9.6%, an increase of 1.3 percentage point. We also recorded market shares of 9.9% in the Northeast, an increase of 1.1 percentage point, of 27.1% in São Paulo, an increase of 0.8 percentage point and of 9.9% in the Southeast (excluding São Paulo), an increase of 0.5 percentage point.

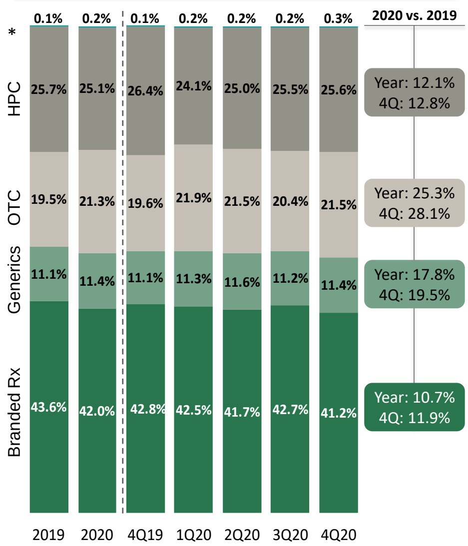
We ended 2020 with a network of 11 DCs. During the year, we closed our oldest DC in the city of São Paulo, a planned capacity redeployment that leverages the other 3 facilities we operate in the state, including the Guarulhos DC, our largest and most automated facility opened in 2019. We also opened our first DC in the southern state of Rio Grande do Sul, located in the metropolitan region of Porto Alegre, which will allow us to accelerate our expansion and improve our supply chain efficiency in the region.

GROSS REVENUES

Consolidated Gross Revenue



Retail Sales Mix

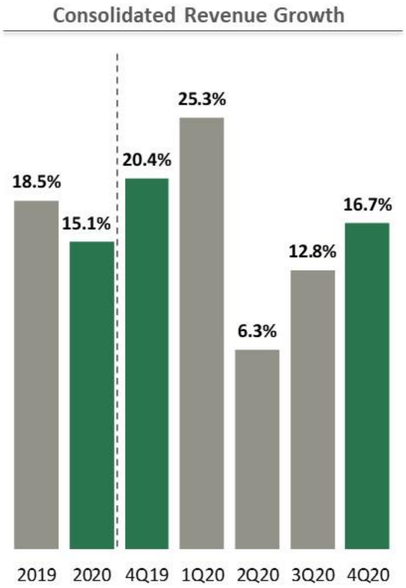


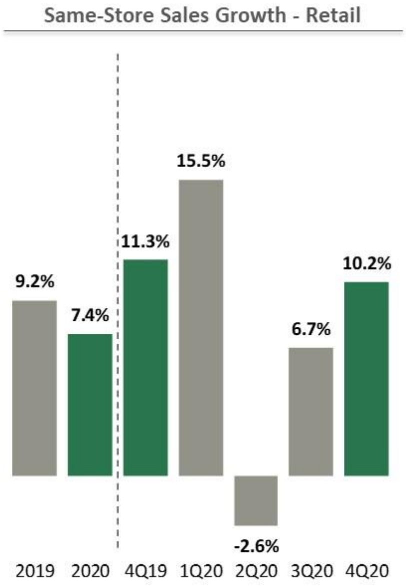
* Services

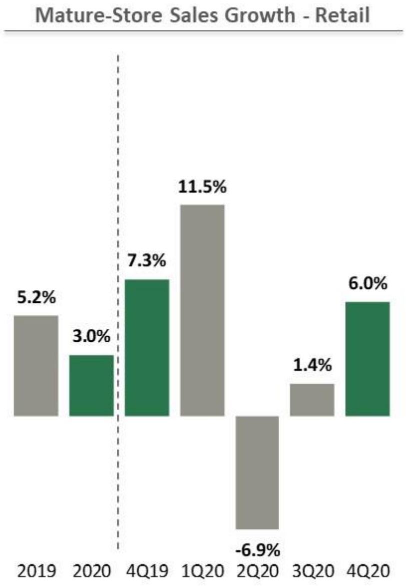
We ended 2020 with consolidated gross revenue of R$ 21,180 million (R$ 5,868 in the quarter), a 15.1% increase over 2019 (16.7% in the quarter) despite the challenging scenario of the COVID-19 pandemic, a testament to the resiliency of our business. Our retail revenue increased 14.9% in the year (16.4% in the quarter), while 4Bio grew 19.5% (21.3% in the quarter).

OTC was the highlight of the year, growing 25.3% (28.1% in the quarter) and gaining 1.8 percentage point of participation (1.9 in the quarter). The increase of OTC in the sales mix was driven by products related to the pandemic, such as COVID-19 tests, hand sanitizers, masks and vitamins. Generics grew 17.8% (19.5% in the quarter) and gained 0.3 percentage point in the mix (0.3 in the quarter), withholding a positive trend since our price repositioning in 2018.

Meanwhile, HPC grew 12.1% (12.8% in the quarter) and lost 0.6 percentage point of participation in sales (0.8 lost in the quarter) and Branded Rx grew 10.7% (11.9% in the quarter), losing 1.6 percentage point in the sales mix (1.6 in the quarter).

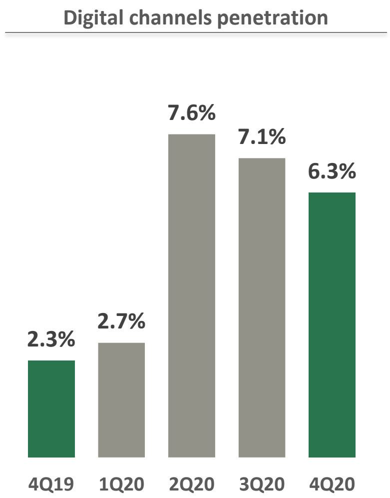


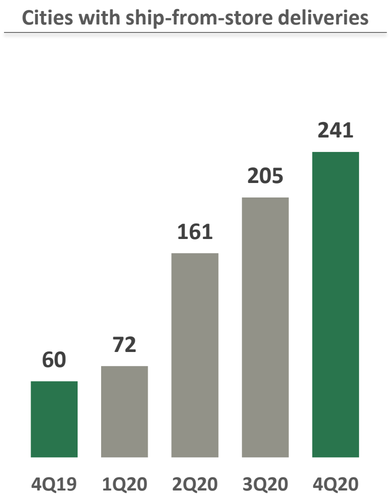


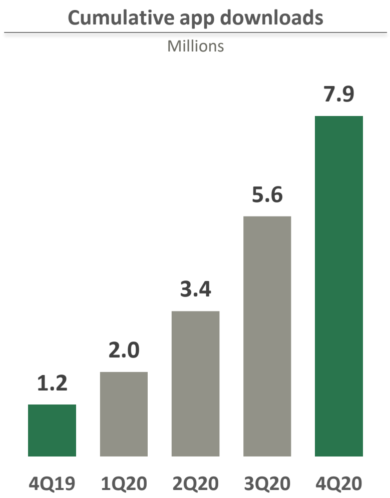


We ended the year with same-store sales growth of 7.4% (10.2% in the quarter) and with mature store sales growth of 3.0% (6.0% in the quarter, a real growth of 1.5 percentage points), including a negative calendar effect of 0.3% in the year and of 0.1% in the quarter.

DIGITAL





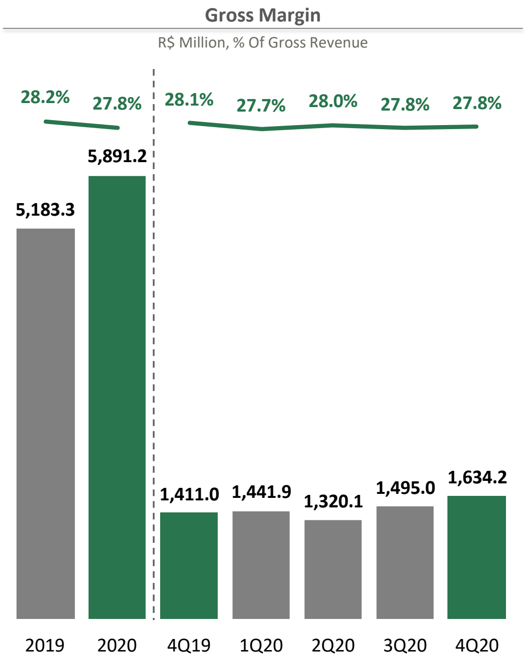


The gradual relaxation of social isolation and strengthening of traffic at our stores led to a slight decrease in digital channel penetration to 6.3%, still significantly above the 2.3% of 4Q19. Our ship-from-store network reached 492 stores in 241 cities in the 4Q20, up from 114 stores in 60 cities in the 4Q19.

We reached the total of 7.9 million cumulative app downloads since the beginning of 2019, driven by our expanded omnichannel offering and by the digitalization of the in-store experience, including smart coupons and Stix, our points coalition in partnership with GPA that is fully reliant on our apps for customer enrollment, balance control and point redemption.

Stix, which began operations in October, reached the milestones of 1 million enrolled customers within the first 7 weeks, with more than 80% of them actively earning points and 30% active in both RD and GPA. These milestones highlight the potential for the coalition, which is expected to include new retail verticals in 2021.

GROSS PROFIT



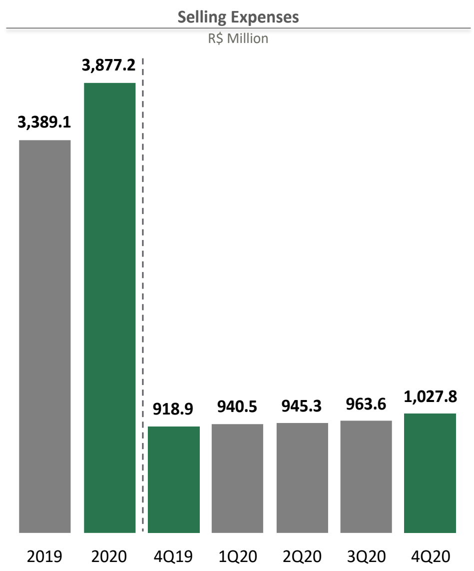
Our gross profit in 2020 was of R$ 5,891.2 million, with a gross margin of 27.8%, a 0.4 percentage point pressure versus 2019, driven by a 0.2 percentage point pressure from a lower Net Present Value (NPV) adjustment, a non-cash effect stemming from lower interest rates, and by a 0.2 pressure from higher promotional intensity related the digitalization of our customers, net of other gains.

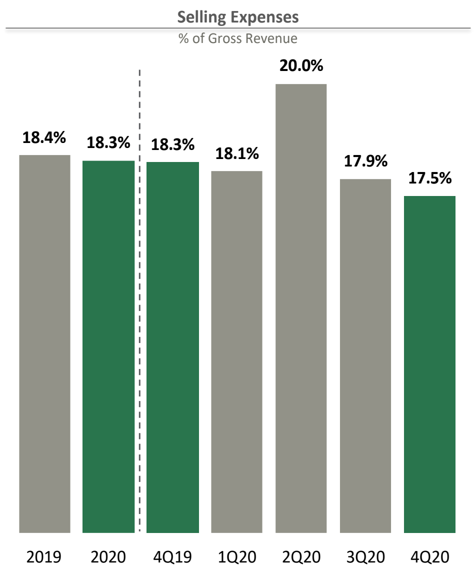
In the 4Q20, our gross profit was of R$ 1,634.2 million with a gross margin of 27.8%, a 0.3 percentage point pressure over the 4Q19, of which 0.2 percentage point was also due to the non-cash NPV adjustment and 0.1 percentage point was driven by higher promotional intensity related to digital, also net of other margin gains.

SELLING EXPENSES

In 2020, selling expenses totaled R$ 3,877.2 million, equivalent to 18.3% of gross revenue, a 0.1 percentage point dilution over 2019. This includes a dilution of 0.4 percentage point in labor expenses, 0.1 percentage point from rentals, and another 0.1 percentage point from lower shipping costs to stores. This was partly offset by a pressure of 0.2 percentage point from intensified store cleaning, 0.1 percentage point from digital marketing, 0.1 from on-line delivery costs resulting from higher digital channel penetration and another 0.1 percentage point in other pressures.

Selling expenses in the quarter totaled R$ 1,027.8 million, equivalent to 17.5% of gross revenue and a 0.8 percentage point dilution over the 4Q19. We recorded dilutions of 0.7 percentage point in labor expenses, of 0.2 both in rentals and in freight costs and of 0.1 in other expenses. These gains were driven mainly by the operating leverage achieved in the quarter, as our mature stores grew 1.5 percentage point above inflation. On the other hand, we recorded a 0.2 percentage point pressure from intensified store cleaning expenses and a 0.1 percentage point pressure from both digital marketing and on-line delivery costs resulting from higher digital channel penetration.

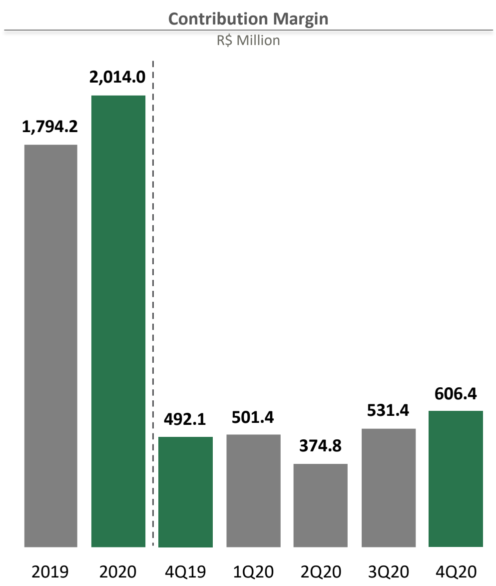


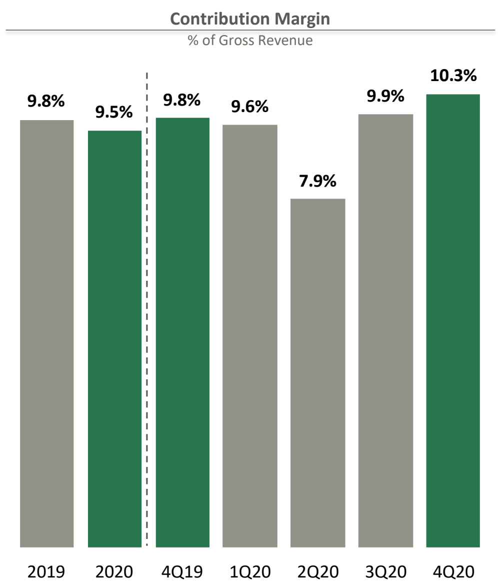


CONTRIBUTION MARGIN

We recorded a store contribution margin of 9.5% in 2020, an increase of 12.2% and a margin pressure of 0.3 percentage point in the year. Our gross margin went down by 0.4 percentage point driven by higher promotional intensity to drive the digital onboarding of our customers, partially offset by a sales expense dilution of 0.1 percentage point. In spite of the pandemic, our mature stores still grew 3.0%, only 1.5% below inflation and nearly offsetting the -6.9% performance of the 2Q20, but generating a loss in operating leverage that limited our capacity to further dilute our sales expenses and to maintain our margins.

We recorded in the 4Q20 a store contribution margin of 10.3%, an increase of 23.2% and a margin gain of 0.5 percentage point. Our gross margin was pressured by 0.3 percentage point, which was more than fully offset by a sales expense dilution of 0.8 percentage point, driven by a mature store growth of 6.0%, which was 1.5% above inflation despite a lingering pressure on shopping malls sales, translating into operating leverage gains.



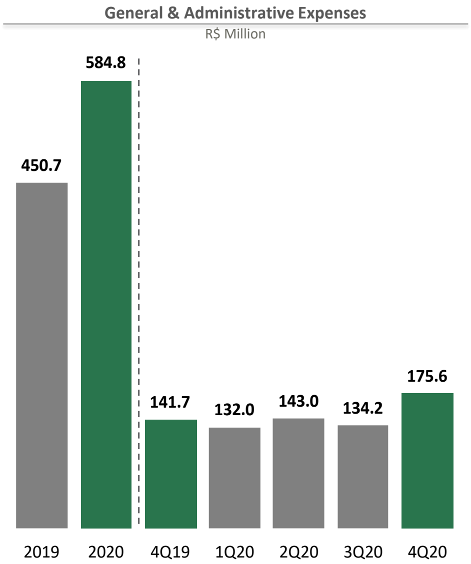


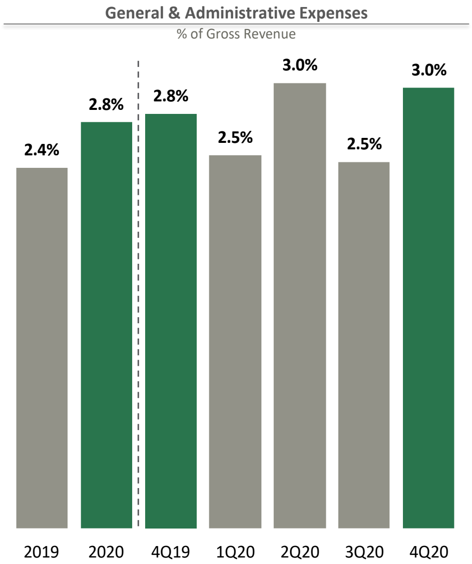
GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 584.8 million in 2020, equivalent to 2.8% of gross revenue, a 0.4 percentage point pressure over 2019, including a 0.1 percentage point pressure in personnel, marketing and IT expenses each.

In the 4Q20, general and administrative expenses amounted to R$ 175.6 million, equivalent to 3.0% of gross revenue, a 0.2 percentage point pressure. We recorded a 0.2 percentage point pressure in IT expenses and 0.1 in personnel, partly offset by lower labor contingencies, as we reported a higher level than normal in the 4Q19.

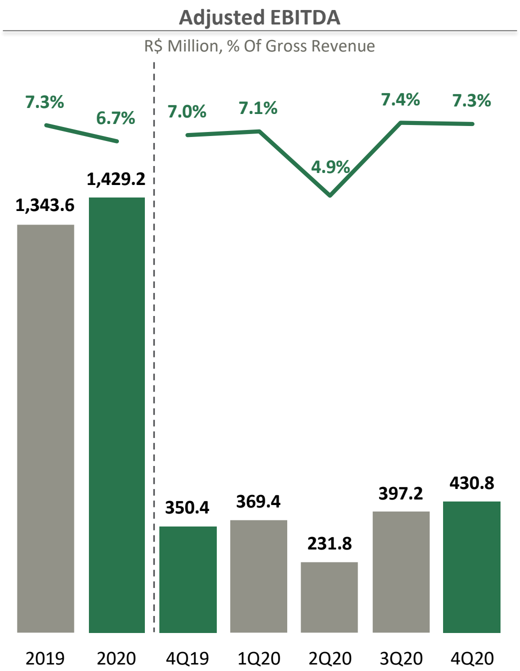
Our digital transformation and the construction of our marketplace and health platform pressured general and administrative expenses by R$ 36.9 million in 2020 and R$ 14.7 million in the 4Q20. These strategic long-term investments pressured general and administrative expenses by 0.2 percentage point in both the year and in the quarter.





EBITDA

Despite a year negatively impacted by the COVID-19 pandemic, our adjusted EBITDA grew 6.4% to R$ 1,429.2 million in 2020, with an EBITDA margin of 6.7% and a 0.6 percentage point pressure compared to the previous year. In the 4Q20, our adjusted EBITDA grew 22.9% over the previous year to R$ 430.8 million, an EBITDA margin of 7.3% and a 0.3 percentage point expansion.



* 2,070 Retail stores by the end of the 4Q19 less 11 closures.

2,059* stores operating since 2019:
(performance in 2020)

- R$ 19.6 billion in Gross Revenues
- EBITDA of R$ 1,425.3 million
- EBITDA margin of 7.3%

RD Pharmacies

- EBITDA of R$ 1,414.5 million (R$ 425.3 million in the 4Q20)
- EBITDA margin of 7.0% (7.6% in the 4Q20)

4Bio

- EBITDA of R$ 14.6 million (R$ 5.5 million in the 4Q20)
- EBITDA margin of 1.3% (1.9% in the 4Q20)

New stores opened in the year, as well as those in the opening process, reduced the EBITDA by R$ 10.8 million in 2020 (a R$ 5.2 million increase in the quarter). Considering only the 2,059 stores in operation since the end of 2019 and the full absorption of logistics, general and administrative expenses by such stores, our retail EBITDA would have totaled R$ 1,425.3 million (R$ 420.1 million in the quarter), equivalent to an EBITDA margin of 7.3% (7.9% in the quarter).

RD Pharmacies reached in 2020 an adjusted EBITDA of R$ 1,414.5 (R$ 425.3 million in the quarter) and a margin of 7.0% (7.6% in the quarter), a 0.6 percentage point pressure over 2019 (0.3 percentage point expansion in the quarter).

Finally, 4Bio reached an EBITDA of R$ 14.6 million in 2020 (R$ 5.5 million in the quarter) and a margin of 1.3% (1.9% in the quarter), a 0.3 percentage point margin pressure (1.4 percentage point expansion in the quarter).

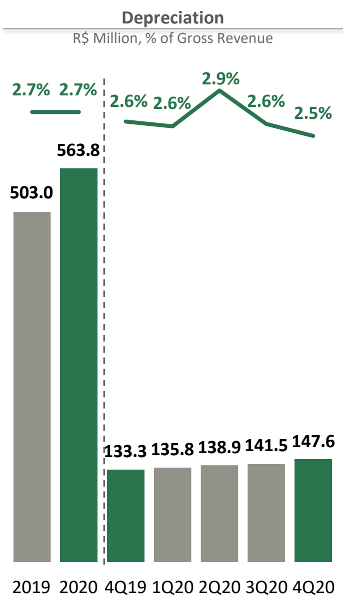
EBITDA RECONCILIATION AND NON-RECURRING EXPENSES

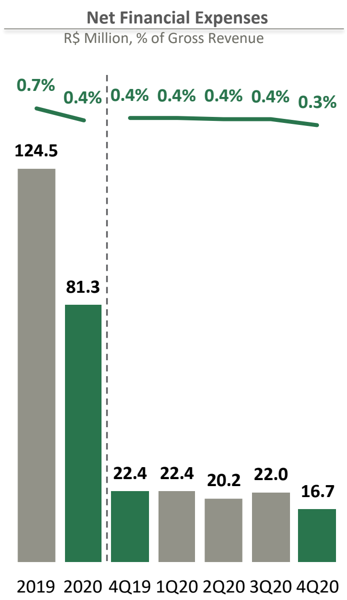
EBITDA Reconciliation	1Q20	2Q20	3Q20	4Q20	2020
(R$ million)					
Net Income	**145.8**	**60.2**	**174.7**	**198.5**	**579.3**
(+) Income Tax	54.8	10.2	57.4	41.5	164.0
(+) Equity Equivalence	0.0	0.0	4.3	3.6	7.9
(+) Financial Result	22.4	20.2	22.0	16.7	81.3
EBIT	**223.1**	**90.6**	**258.4**	**260.3**	**832.4**
(+) Depreciation and Amortization	135.8	138.9	141.5	147.6	563.8
EBITDA	**358.9**	**229.6**	**400.0**	**407.8**	**1,396.3**
(+) Donations		25.9	2.0	1.3	29.3
(+) Consulting, Advisory and Restructuring Expenses	0.4	8.0	(2.3)	10.0	16.1
(+) Provisions for Inventory Losses from previous periods	11.5	(0.1)		(0.0)	11.4
(+) Asset Write-off	(0.2)	0.2	1.7	4.5	6.2
(+) Losses from previous periods				4.3	4.3
(+) Distribution Center Closure			0.7	0.0	0.7
(-) INSS, Pis and Cofins Credits from Previous Years		(32.0)	(3.9)		(35.8)
(+) Other non-recurring / non-operating net expenses	(1.3)	0.2	(0.9)	2.8	0.7
Non-recurring / non-operating Expenses	**10.5**	**2.2**	**(2.8)**	**23.0**	**32.9**
Adjusted EBITDA	**369.4**	**231.8**	**397.2**	**430.8**	**1,429.2**

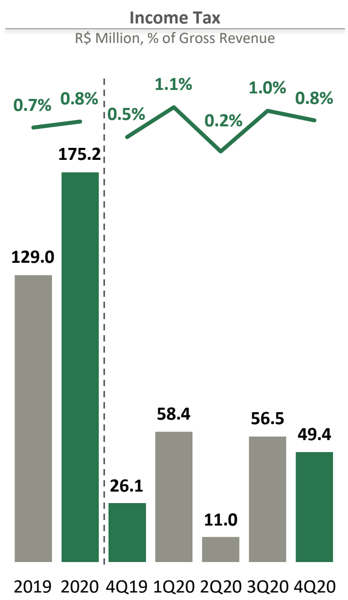
In 2020, we recorded R$ 32.9 million in non-recurring/non-operating expenses, of which R$ 23.0 million were incurred in the 4Q20.

In the 4Q20, we recorded R$ 10.0 million in consulting expenses to support the development of our health platform. We've also recorded R$ 4.5 million in asset write-offs related to store closures, R$ 4.3 million in losses from previous periods and R$ 1.3 in donations of masks. Finally, we recorded R$ 2.8 million in other non-recurring/non-operating expenses.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES







Depreciation expenses amounted to R$ 563.8 million in 2020 (R$ 147.6 million in the quarter), equivalent to 2.7% of gross revenue (2.5% in the quarter) stable when compared to the previous year (0.1 percentage point dilution in the quarter).

Net financial expenses totaled R$ 81.3 million in 2020 (R$ 16.7 million in the quarter), representing 0.4% of gross revenue (0.3% in the quarter), a 0.3 percentage point decrease over the previous year (0.1 percentage point decrease in the quarter). Net Present Value adjustment penalized the financial result by R$ 24.6 million in 2020 (R$ 6.8 million in the quarter).

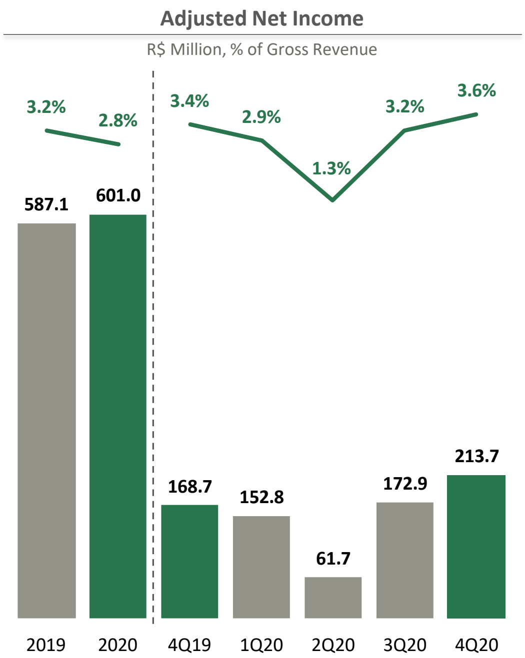
In addition, we recorded R$ 4.3 million in net financial expenses from the option to acquire 4Bio (R$ 0.7 million in the quarter), versus R$ 5.7 million net financial expenses in 2019 (R$ 4.1 million net financial income in the 4Q19).

Excluding the NPV adjustments and the financial expenses on the option to acquire 4Bio, the interest accrued on net debt amounted to R$ 52.4 million in 2020 (R$ 9.3 million in the quarter) or 0.2% of gross revenue (also 0.2% of gross revenue in the quarter), 0.1 percentage point lower versus 2019.

We booked R$ 175.2 million in income taxes (R$ 49.4 million in the 4Q20), equivalent to 0.8% of gross revenue (0.8% in the 4Q20).

NET INCOME

Adjusted Net income totaled R$ 601.0 million in 2020, equivalent to a net margin of 2.8% (R$ 213.7 million in the quarter, a net margin of 3.6%). This represented a 2.4% increase in net income and a 0.4 percentage point net margin pressure over the previous year (26.7% increase and a 0.2 percentage point expansion in the quarter).



CASH CYCLE

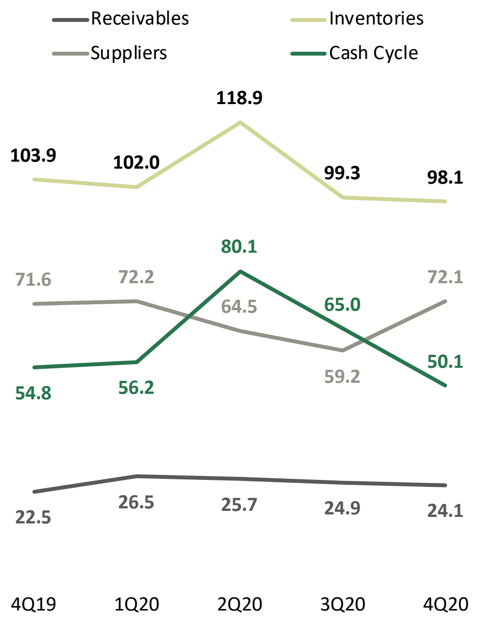
Our cash cycle in the 4Q20 was 4.7 days lower when compared to the same period of the previous year. Our inventories decreased by 5.8 days, while receivables increased by 1.6 day. Finally, accounts payable were 0.5 day above the level of the 4Q19.

It's important to mention that we experienced significant cash cycle pressures in the 2Q20 and 3Q20 related to the pandemic, as we increased inventories as a precaution against supply chain uncertainties and faced a two-month postponement of the price cap increase from late March to late May, leading to sustained peak inventories for a longer period.

In the 4Q20, not only we were able to fully normalize the cycle, draining the precautionary inventories, but we also generated efficiency gains that led to the 4.7 days cash cycle reduction.

Cash Cycle*

COGS Days, Gross Revenue Days



* Adjusted for discounted receivables.

CASH FLOW

We recorded a positive free cash flow of R$ 291.2 million and a total cash generation of R$ 103.9 million in 2020. Our operating cash flow totaled R$ 964.3 million, which fully funded the R$ 673.1 million in investments undertaken in the period. Resources from operations totaled R$ 1,240.0 million, equivalent to 5.9% of gross revenue, while we recorded a working capital consumption of R$ 275.7 million.

In the 4Q20, we recorded a positive free cash flow of R$ 425.1 million and a total cash generation of R$ 358.0 million. Our operating cash flow totaled R$ 623.0 million, which fully funded the R$ 197.9 million in investments undertaken in the period. Resources from operations totaled R$ 409.3 million, equivalent to 7.0% of gross revenue, while we recorded a working capital reduction of R$ 213.7 million.

Cash Flow	**4Q20**	**4Q19**	**2020**	**2019**
(R$ million)				
Adjusted EBIT	**283.3**	**217.2**	**865.3**	**826.3**
NPV Adjustment	(7.9)	(17.3)	(24.4)	(55.5)
Non-Recurring Expenses	(23.0)	(38.5)	(32.9)	205.9
Income Tax (34%)	(85.8)	(54.9)	(274.7)	(332.1)
Depreciation	147.6	133.3	563.8	507.3
Others	95.2	29.1	142.9	31.4
Resources from Operations	**409.3**	**268.9**	**1,240.0**	**1,183.3**
Cash Cycle*	378.5	(60.4)	(256.9)	(418.8)
Other Assets (Liabilities)**	(164.8)	(6.3)	(18.8)	(106.5)
Operating Cash Flow	**623.0**	**202.2**	**964.3**	**657.9**
Investments	**(197.9)**	**(153.8)**	**(673.1)**	**(656.5)**
Free Cash Flow	**425.1**	**48.4**	**291.2**	**1.5**
Interest on Equity	(63.4)	(93.0)	(190.5)	(186.6)
Income Tax Paid over Interest on Equity	(13.1)	(14.1)	(25.0)	(30.5)
Net Financial Expenses***	(9.9)	(6.7)	(56.7)	(67.8)
Income Tax (Tax benefit over financial expenses and interest on equity)	19.4	18.9	84.9	95.0
Total Cash Flow	**358.0**	**(46.5)**	**103.9**	**(188.4)**

*Includes adjustments to discounted receivables.

**Includes NPV adjustments.

***Excludes NPV adjustments.

Of the R$ 673.1 million invested in the year, R$ 337.9 million corresponded to new store openings, R$ 125.3 million to the renovation or expansion of existing stores and R$ 209.8 million to investments in infrastructure, including R$ 46.7 million for our digital transformation and the construction of our marketplace and health platform, of which R$ 11.9 million was related to the 4Q20.

Net financial expenses totaled R$ 56.7 million in 2020 (R$ 9.9 million in expenses in the quarter), excluding the NPV adjustments. These were more than fully offset by the R$ 84.9 million in tax shields related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters (R$ 19.4 million in the quarter).

We accrued R$ 193.0 million in interest on equity in 2020 (R$ 47.0 million in the quarter) versus R$ 211.5 million in 2019 (R$ 49.0 million in the 4Q19), reflecting a payout of 33.3% over the Net Income, through the full usage of the legal interest on equity limit.

INDEBTEDNESS

We ended the 4Q20 with an adjusted net financial debt of R$ 819.5 million, versus R$ 923.4 million in the same period of 2019. This equals an adjusted net debt to EBITDA ratio of 0.6x, 0.1x lower than the same period of the previous year. We contracted R$ 700 million in additional debt during the beginning of the COVID-19 pandemic as a cautionary measure to guarantee the stability of our operations, as our leverage temporarily peaked at 1.2x in the 2Q20. The rapid normalization of our leverage ratio from the 2Q20 peak is a testament to the resilience of our business and to our strict working capital management discipline.

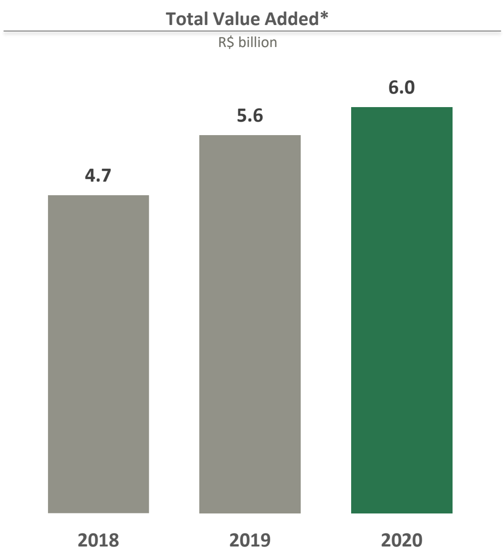
Our net debt includes R$ 46.4 million in liabilities related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio considering the amendment to 4Bio's purchase and sale agreement, as announced to the market in September 24, 2019, which will now occur in two different stages: the 1st call/put option on 2/3 of the remaining shares (30% of total 4Bio shares) exercisable in 2021; and the 2nd call/put option on 1/3 of the remaining shares (15% of total 4Bio shares) exercisable in 2024. Other conditions of the agreement remain unchanged. The estimated valuation of 4Bio will be revisited every year-end to reflect changes in the financial outlook of the Company.

Net Debt	4Q20	3Q20	2Q20	1Q20	4Q19
(R$ million)					
Short-term Debt	531.2	536.5	537.4	533.5	228.7
Long-term Debt	1,122.2	1,195.5	1,191.1	879.7	897.8
Total Gross Debt	**1,653.5**	**1,732.0**	**1,728.4**	**1,413.2**	**1,126.5**
(-) Cash and Equivalents	880.4	600.2	266.4	533.7	299.2
Net Debt	**773.1**	**1,131.8**	**1,462.0**	**879.5**	**827.3**
Discounted Receivables	-	-	2.4	41.4	54.1
Put/Call options to acquire 4Bio (estimated)	46.4	45.8	44.5	43.3	42.1
Adjusted Net Debt	**819.5**	**1,177.6**	**1,508.9**	**964.2**	**923.4**
Adjusted Net Debt / EBITDA	0.6x	0.9x	1.2x	0.7x	0.7x

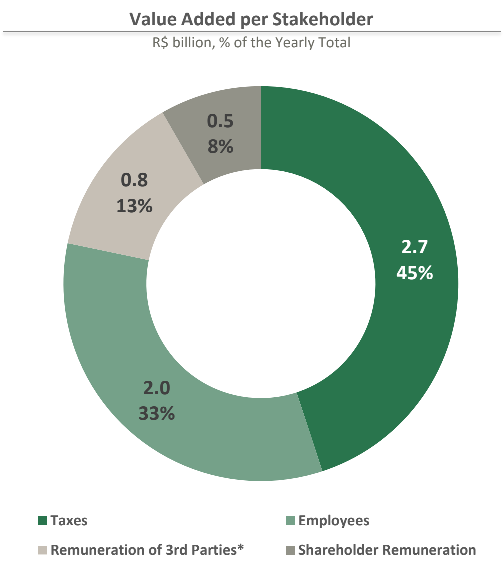
Our gross debt totaled R$ 1,653.5 million, of which 52.6% corresponds to the debentures issued in 2017, 2018 and 2019, as well as a Certificate of Real Estate Receivables, 1.7% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and the remaining 45.7% corresponds to other credit lines. Of our total debt, 67.9% is long-term, while 32.1% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R$ 880.4 million.

SHARED VALUE CREATION

In 2020, the Company shared R$ 6.0 billion in added value, an increase of 7.4% over the previous year, split as follows: R$ 2.7 billion was shared with our government, in the federal, state and municipal levels in the form of taxes and fees, R$ 2.0 billion with our employees, R$ 0.8 billion with landlords and financial institutions and R$ 0.5 billion with our shareholders.

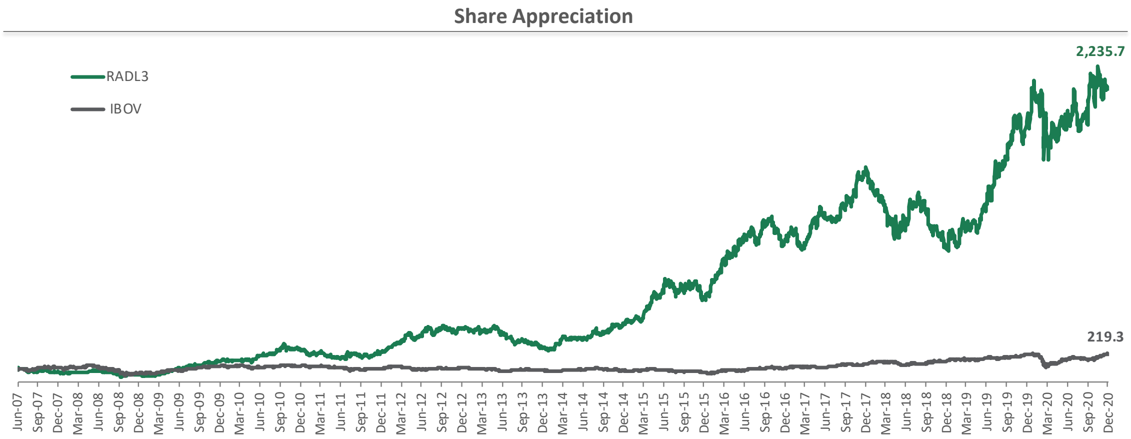


* Adjusted for effective rentals and interest expenses



TOTAL SHAREHOLDER RETURNS

Our share price increased by 12.1% in 2020, 9.2 percentage points above the IBOVESPA, which increased by 2.9%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 2,135.7% versus a return of only 119.3% for the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 26.2%.



Considering the IPO of Raia in December of 2010, the cumulative return amounted to 759.5% versus an increase of only 75.5% of the IBOVESPA. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 24.3%. Lastly, our shares recorded an average daily trading volume of R$ 178.0 million in the year.

In September of 2020, we conducted a share split in the proportion of 1:5, increasing the total number of shares outstanding to 1,651,930,000, all ordinary.

Also, in January 2021, RD's shares were included in *ICO2 – Índice Carbono Eficiente*, B3's Efficient Carbon Index, with a weight of 2.283%. According to B3's website, the inclusion of companies in the ICO2 index demonstrates a commitment towards transparency regarding emissions and anticipates vision into their preparations for a low carbon economy.

SUSTAINABILITY

In 2020, we improved the transparency in our reporting to the market with the publication of our 2019 Annual and Sustainability Report. We also presented during our investor day our strategic vision and Sustainability Aspiration in becoming the company that contributed the most towards a healthy society in Brazil by 2030, and we will present in 2021 details of commitments and targets for 2030.

Defined in three major dimensions, our Sustainability Aspiration brings in the *Healthier People* dimension a focus on the integral health of our employees, customers and communities; in the *Healthier Planet* dimension a focus on the management of impacts from carbon emission, energy and waste from the operations of RD and our value chain; and in the *Healthier Businesses* dimension the economic empowerment of employees, suppliers and community through education and employment, diversity and inclusion.

Healthier People: We advanced in the health care of our employees in 2020 through a comprehensive program for health promotion and prevention, named *cuidar+dosnossosfuncionários (caring more of our employees)*, with the objective of creating a health culture and developing healthier habits and self-care. An example of the program is the establishment of a primary care clinic in our office for a pilot group of 2,500 people including our corporate team as well as nearby stores, which is operated by the Albert Einstein Hospital, one of Latin America´s premiere health institutions. The structure is formed by a family doctor, nurse and care coordinator that preventively track employee health. Besides that, we began offering COVID-19 tests at our stores since May, having made 1.5 million tests since then.

Healthier Planet: In the 4Q20, we expanded our reverse logistics program to over 1,800 stores, offering the communities we serve a structured program for the environmentally friendly disposal of drugs and their packages. For the first time, we compensated for 50% of our greenhouse gas emissions of 2019. With 17,123 tCO2e compensated through the *Projeto de Redução de Emissões de Metano Lages*, of the company ENGIE. This project's proposal is to generate renewable electricity from leftovers of the wood and foresting industries in the Lages (SC) region, supplying the national electric grid. Also, in partnership with *The Nature Conservancy Brasil*, we will plant, in the next 3 years, 45 thousand trees in priority areas for restoration in the city of Extrema (MG). This action will be done through our Digital Receipt project, initiated in 2019, that gives customers of our physical Droga Raia and Drogasil stores the option to receive their purchase receipts by e-mail rather than the printed version which is often simply discarded. Finally, we highlight the inclusion of our shares in B3's ICO2 index and the improvement of our CDP Carbon score from D- to C, above the Latin America average of D.

Healthier Businesses: We completed in December the first step of an engagement program with suppliers of critical categories to evaluate them under socioenvironmental criteria and actively contribute to a positive result in their value chain. We sent a self-evaluation form to 201 companies and received 134 answers, a 66% rate in the first year. All respondents were evaluated according to a predefined score for each question. In the case of 7 private label suppliers, we also made an evaluation *in loco*. Finally, we hired 14,875 people in 2020, ending the year with 3,181 additional job posts.

IFRS 16

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

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

	IAS 17					IFRS 16					Change	
Income Statement *(R$ million)*	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020**	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020**	**Δ 4Q20**	**Δ 2020**
Gross Revenue	**5,206.3**	**4,721.9**	**5,384.2**	**5,868.1**	**21,180.5**	**5,206.3**	**4,721.9**	**5,384.2**	**5,868.1**	**21,180.5**	**0.0**	**0.0**
Gross Profit	**1,441.9**	**1,320.1**	**1,495.0**	**1,634.2**	**5,891.2**	**1,441.9**	**1,320.1**	**1,495.0**	**1,634.2**	**5,891.2**	**0.0**	**0.0**
Gross Margin	27.7%	28.0%	27.8%	27.8%	27.8%	27.7%	28.0%	27.8%	27.8%	27.8%	0.0%	0.0%
Selling Expenses	(940.5)	(945.3)	(963.6)	(1,027.8)	(3,877.2)	(778.3)	(779.3)	(794.6)	(852.0)	(3,204.1)	175.8	673.1
G&A	(132.0)	(143.0)	(134.2)	(175.6)	(584.8)	(131.4)	(142.5)	(133.8)	(175.2)	(582.9)	0.4	1.9
Total Expenses	**(1,072.5)**	**(1,088.3)**	**(1,097.8)**	**(1,203.4)**	**(4,462.0)**	**(909.6)**	**(921.8)**	**(928.4)**	**(1,027.1)**	**(3,787.0)**	**176.3**	**675.0**
as % of Gross Revenue	20.6%	23.0%	20.4%	20.5%	21.1%	17.5%	19.5%	17.2%	17.5%	17.9%	-3.0%	-3.2%
Adjusted EBITDA	**369.4**	**231.8**	**397.2**	**430.8**	**1,429.2**	**532.2**	**398.3**	**566.6**	**607.1**	**2,104.2**	**176.3**	**675.0**
as % of Gross Revenue	7.1%	4.9%	7.4%	7.3%	6.7%	10.2%	8.4%	10.5%	10.3%	9.9%	3.0%	3.2%
Non-Recurring Expenses / Revenues	(10.5)	(2.2)	2.8	(23.0)	(32.9)	(12.5)	(1.0)	3.1	(21.1)	(31.5)	1.9	1.4
Depreciation and Amortization	(135.8)	(138.9)	(141.5)	(147.6)	(563.8)	(277.9)	(275.1)	(286.4)	(309.4)	(1,148.8)	(161.8)	(585.0)
Financial Results	(22.4)	(20.2)	(22.0)	(16.7)	(81.3)	(74.2)	(72.9)	(76.7)	(75.8)	(299.6)	(59.1)	(218.3)
Equity Equivalence	0.0	0.0	(4.3)	(3.6)	(7.9)	0.0	0.0	(4.3)	(3.6)	(7.9)	0.0	0.0
Income Tax	(54.8)	(10.2)	(57.4)	(41.5)	(164.0)	(43.6)	(3.0)	(47.2)	(27.0)	(120.8)	14.5	43.1
Net Income	**145.8**	**60.2**	**174.7**	**198.5**	**579.3**	**124.0**	**46.2**	**155.0**	**170.3**	**495.5**	**(28.2)**	**(83.7)**
as % of Gross Revenue	2.8%	1.3%	3.2%	3.4%	2.7%	2.4%	1.0%	2.9%	2.9%	2.3%	-0.5%	-0.4%

Balance Sheet *(R$ million)*	4Q20 IAS 17	4Q20 IFRS 16	Change Δ 4Q20
Assets	**10,665,655.6**	**13,828,087.8**	**3,162,432.2**
Current Assets	**7,020,471.5**	**7,020,488.2**	**16.7**
Taxes Receivable	61,490.6	61,531.2	40.6
Other Accounts Receivable	261,044.5	261,020.6	(23.9)
Non-Current Assets	**3,645,184.1**	**6,807,599.6**	**3,162,415.5**
Income Tax and Social Charges deferred	34,604.6	36,260.5	1,655.9
Other Credits	352,350.1	351,864.6	(485.5)
Investments	0.0	0.0	(0.0)
Property, Plant and Equipment	1,859,220.4	5,020,465.4	3,161,245.0
Liabilities and Shareholder's Equity	**10,665,655.6**	**13,828,087.8**	**3,162,432.2**
Current Liabilities	**4,366,522.1**	**4,801,304.1**	**434,782.0**
Financial Leases	0.0	503,318.5	503,318.5
Dividend and Interest on Equity	66,295.0	16,491.7	(49,803.4)
Other Accounts Payable	181,417.5	162,684.4	(18,733.1)
Non-Current Liabilities	**1,757,270.3**	**4,601,163.9**	**2,843,893.6**
Financial Leases	0.0	2,927,606.8	2,927,606.8
Income Tax and Social Charges Deferred	158,141.3	74,428.1	(83,713.2)
Shareholder's Equity	**4,541,863.2**	**4,425,619.8**	**(116,243.3)**
Income Reserves	1,780,379.4	1,664,171.5	(116,207.9)
Non Controller Interest	62,530.6	62,495.2	(35.5)

Cash Flow *(R$ million)*	IAS 17 1Q20	IAS 17 2Q20	IAS 17 3Q20	IAS 17 4Q20	IAS 17 2020	IFRS 16 1Q20	IFRS 16 2Q20	IFRS 16 3Q20	IFRS 16 4Q20	IFRS 16 2020	Change Δ 4Q20	Change Δ 2020
Adjusted EBIT	**233.5**	**92.9**	**255.6**	**283.3**	**865.3**	**254.3**	**123.2**	**280.2**	**297.7**	**955.4**	**14.4**	**90.1**
NPV Adjustment	(9.1)	(1.8)	(5.6)	(7.9)	(24.4)	(9.1)	(1.8)	(5.6)	(7.9)	(24.4)	0.0	0.0
Non-Recurring Expenses	(10.5)	(2.2)	2.8	(23.0)	(32.9)	(12.5)	(1.0)	3.1	(21.1)	(31.5)	1.9	1.4
Income Tax (34%)	(72.7)	(30.2)	(86.0)	(85.8)	(274.7)	(79.1)	(40.9)	(94.4)	(91.4)	(305.8)	(5.6)	(31.1)
Depreciation	135.8	138.9	141.5	147.6	563.8	277.9	275.1	286.4	309.4	1,148.8	161.8	585.0
Rental Expenses	0.0	0.0	0.0	0.0	0.0	(160.9)	(167.7)	(169.7)	(178.2)	(676.4)	(178.2)	(676.4)
Others	29.7	5.0	12.9	95.2	142.9	36.1	15.7	21.4	100.7	174.0	5.6	31.1
Resources from Operations	**306.7**	**202.6**	**321.3**	**409.3**	**1,240.0**	**306.7**	**202.6**	**321.3**	**409.3**	**1,240.0**	**0.0**	**0.0**
Cash Cycle*	(248.2)	(532.1)	144.9	378.5	(256.9)	(248.2)	(532.1)	144.9	378.5	(256.9)	0.0	0.0
Other Assets (Liabilities)**	32.8	43.3	70.0	(164.8)	(18.8)	32.8	43.3	70.0	(164.8)	(18.8)	0.0	0.0
Operating Cash Flow	**91.3**	**(286.3)**	**536.2**	**623.0**	**964.3**	**91.3**	**(286.3)**	**536.2**	**623.0**	**964.3**	**0.0**	**0.0**
Investments	**(139.5)**	**(151.3)**	**(184.4)**	**(197.9)**	**(673.1)**	**(139.5)**	**(151.3)**	**(184.4)**	**(197.9)**	**(673.1)**	**0.0**	**0.0**
Free Cash Flow	**(48.1)**	**(437.5)**	**351.8**	**425.1**	**291.2**	**(48.1)**	**(437.5)**	**351.8**	**425.1**	**291.2**	**0.0**	**0.0**
Interest on Equity	(0.6)	(107.0)	(19.5)	(63.4)	(190.5)	(0.6)	(107.0)	(19.5)	(63.4)	(190.5)	0.0	0.0
Income Tax Paid over Interest on Equity	0.0	(5.4)	(6.6)	(13.1)	(25.0)	0.0	(5.4)	(6.6)	(13.1)	(25.0)	0.0	0.0
Net Financial Expenses***	(12.1)	(17.5)	(17.2)	(9.9)	(56.7)	(12.1)	(17.5)	(17.2)	(9.9)	(56.7)	0.0	0.0
Income Tax (Tax benefit over financial expenses and interest on equity)	20.1	22.6	22.8	19.4	84.9	20.1	22.6	22.8	19.4	84.9	0.0	0.0
Total Cash Flow	**(40.8)**	**(544.8)**	**331.3**	**358.0**	**103.9**	**(40.8)**	**(544.8)**	**331.3**	**358.0**	**103.9**	**0.0**	**0.0**

*Includes adjustments to discounted receivables.

**Includes NPV adjustments.

***Excludes NPV adjustments.

4Q20/2020 Results Conference Calls – March 10th, 2021

Portuguese
at 10:00 am (Brasília)

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Consolidated Adjusted Income Statement *(R$ thousand)*	4Q19	4Q20	2019	2020
Gross Revenue	**5,030,160**	**5,868,052**	**18,396,046**	**21,180,475**
Taxes, Discounts and Returns	(245,045)	(314,311)	(893,150)	(1,113,637)
Net Revenue	**4,785,115**	**5,553,741**	**17,502,896**	**20,066,838**
Cost of Goods Sold	(3,374,112)	(3,919,528)	(12,319,594)	(14,175,656)
Gross Profit	**1,411,003**	**1,634,213**	**5,183,302**	**5,891,182**
Operational (Expenses) Revenues				
Sales	(918,902)	(1,027,786)	(3,389,057)	(3,877,221)
General and Administrative	(141,670)	(175,584)	(450,650)	(584,793)
Operational Expenses	**(1,060,572)**	**(1,203,370)**	**(3,839,707)**	**(4,462,014)**
EBITDA	**350,431**	**430,843**	**1,343,595**	**1,429,169**
Depreciation and Amortization	(133,256)	(147,571)	(502,963)	(563,847)
Operational Earnings before Financial Results	**217,176**	**283,271**	**840,632**	**865,322**
Financial Expenses	(43,722)	(30,289)	(200,562)	(135,480)
Financial Revenue	21,291	13,600	76,070	54,182
Financial Expenses/Revenue	**(22,431)**	**(16,689)**	**(124,491)**	**(81,298)**
Equity Equivalence	0	(3,551)	0	(7,867)
Earnings before Income Tax and Social Charges	**194,745**	**263,031**	**716,141**	**776,157**
Income Tax and Social Charges	(26,052)	(49,359)	(128,993)	(175,172)
Net Income	**168,692**	**213,672**	**587,148**	**600,984**

Consolidated Income Statement *(R$ thousand)*	4Q19	4Q20	2019	2020
Gross Revenue	**5,030,160**	**5,868,052**	**18,396,046**	**21,180,475**
Taxes, Discounts and Returns	(245,045)	(314,311)	(893,150)	(1,113,637)
Net Revenue	**4,785,115**	**5,553,741**	**17,502,896**	**20,066,838**
Cost of Goods Sold	(3,374,112)	(3,919,528)	(12,319,594)	(14,175,656)
Gross Profit	**1,411,003**	**1,634,213**	**5,183,302**	**5,891,182**
Operational (Expenses) Revenues				
Sales	(918,902)	(1,027,786)	(3,389,057)	(3,877,221)
General and Administrative	(141,670)	(175,584)	(450,650)	(584,793)
Other Operational Expenses, Net	(38,511)	(23,000)	(67,022)	(32,917)
Operational Expenses	**(1,099,083)**	**(1,226,370)**	**(3,906,728)**	**(4,494,931)**
EBITDA	**311,920**	**407,842**	**1,276,573**	**1,396,251**
Depreciation and Amortization	(133,256)	(147,571)	(502,963)	(563,847)
Operational Earnings before Financial Results	**178,665**	**260,271**	**773,610**	**832,405**
Financial Expenses	(43,722)	(30,289)	(200,562)	(135,480)
Financial Revenue	21,291	13,600	76,070	54,182
Financial Expenses/Revenue	**(22,431)**	**(16,689)**	**(124,491)**	**(81,298)**
Equity Equivalence	0	(3,551)	0	(7,867)
Earnings before Income Tax and Social Charges	**156,234**	**240,031**	**649,119**	**743,240**
Income Tax and Social Charges	(12,959)	(41,539)	(106,205)	(163,981)
Net Income	**143,275**	**198,492**	**542,914**	**579,259**

Assets	**4Q19**	**4Q20**
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	299,226	880,357
Accounts Receivable	1,189,019	1,555,434
Inventories	3,851,389	4,225,407
Taxes Receivable	155,395	61,491
Other Accounts Receivable	244,699	261,045
Anticipated Expenses	26,369	36,738
	5,766,096	7,020,472
Non-Current Assets		
Deposit in Court	30,001	25,753
Taxes Receivable	58,304	111,548
Income Tax and Social Charges deferred	0	34,605
Other Credits	334,911	352,350
Investments	(0)	0
Property, Plant and Equipment	1,777,735	1,859,220
Intangible	1,245,441	1,261,708
	3,446,391	3,645,184
ASSETS	9,212,488	10,665,656

Liabilities and Shareholder's Equity *(R$ thousand)*	**4Q19**	**4Q20**
Current Liabilities		
Suppliers	2,653,237	3,106,937
Loans and Financing	228,661	531,204
Salaries and Social Charges Payable	296,673	309,161
Taxes Payable	102,672	138,673
Dividend and Interest on Equity	92,946	66,295
Provision for Lawsuits	26,008	32,835
Other Accounts Payable	160,632	181,417
	3,560,828	4,366,522
Non-Current Liabilities		
Loans and Financing	897,815	1,122,250
Provision for Lawsuits	67,114	70,822
Income Tax and Social Charges deferred	166,234	158,141
Other Accounts Payable	386,449	406,058
	1,517,612	1,757,270
Shareholder's Equity		
Common Stock	2,500,000	2,500,000
Capital Reserves	129,768	148,029
Revaluation Reserve	11,848	11,677
Income Reserves	1,429,597	1,780,379
Accrued Income	0	0
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	51,421	62,531
Additional Dividend Proposed	41,643	69,478
	4,134,047	4,541,863
LIABILITIES AND SHAREHOLDERS' EQUITY	9,212,488	10,665,656

Cash Flow	4Q19	4Q20	2019	2020
(R$ thousand)				
Earnings before Income Tax and Social Charges	**156,234**	**237,468**	**908,588**	**743,240**
Adjustments				
Depreciation and Amortization	133,255	147,572	507,269	563,848
Compensation plan with restricted shares, net	3,224	5,107	13,439	18,090
Interest over additional stock option	(4,097)	657	5,734	4,335
P,P&E and Intangible Assets residual value	7,881	693	24,474	3,580
Provisioned Lawsuits	14,291	83,076	3,892	92,379
Provisioned Inventory Loss	(432)	(8,242)	(585)	15,080
Provision for Doubtful Accounts	1,773	9,646	1,658	11,480
Provisioned Store Closures	(1)	4,173	(6,505)	2,260
Interest Expenses	15,673	14,004	66,746	59,515
Debt Issuance Costs Amortization	728	1,296	2,718	4,576
Equity Equivalence Result	0	6,840	0	7,867
Gains from business combination	2,407	0	(356,628)	0
	330,936	**502,290**	**1,170,800**	**1,526,250**
Assets and Liabilities variation				
Clients and Other Accounts Receivable	11,136	(94,660)	(252,043)	(377,894)
Inventories	(388,669)	(290,490)	(674,930)	(389,100)
Other Short Term Assets	51,795	(296)	130,307	57,395
Long Term Assets	(30,456)	(25,315)	(369,517)	(82,267)
Suppliers	371,197	763,645	465,192	456,032
Salaries and Social Charges	(49,532)	(100,110)	45,442	12,488
Taxes Payable	(35,761)	18,761	(34,692)	29,659
Other Liabilities	3,713	(65,456)	9,194	(52,206)
Rents Payable	2,336	3,404	3,917	2,943
Cash from Operations	**266,695**	**711,773**	**493,670**	**1,183,300**
Interest Paid	(26,985)	(10,044)	(41,764)	(40,084)
Income Tax and Social Charges Paid	(56)	(76,431)	(111,143)	(201,441)
Net Cash from (invested) Operational Activities	**239,654**	**625,298**	**340,763**	**941,775**
Investment Activities Cash Flow				
Cash acquired from business combination	0	0	283,685	0
P,P&E and Intangible Acquisitions	(153,582)	(201,732)	(656,697)	(676,420)
P,P&E Sale Payments	(219)	5,348	237	6,648
Investments in Associates	0	(3,289)	0	(3,289)
Loans granted to subsidiaries	0	1,768	0	(36)
Net Cash from Investment Activities	**(153,801)**	**(197,905)**	**(372,775)**	**(673,097)**
Financing Activities Cash Flow				
Funding	21,866	8,416	738,923	728,216
Payments	(122,220)	(92,225)	(462,651)	(225,245)
Interest on Equity and Dividends Paid	(92,955)	(63,433)	(186,601)	(190,518)
Net Cash from Funding Activities	**(193,309)**	**(147,242)**	**89,671**	**312,453**
Cash and Cash Equivalents net increase	**(107,456)**	**280,151**	**57,658**	**581,131**
Cash and Cash Equivalents in the beggining of the period	**406,683**	**600,206**	**241,568**	**299,226**
Cash and Cash Equivalents in the end of the period	**299,226**	**880,357**	**299,226**	**880,357**

PROFIT ALLOCATION

Following the legal and statutory provisions, we propose the following allocation for the retained earnings which amount to R$ 485,188 thousand:

- Legal Reserve	R$ 24,222 thousand
- Statutory Reserve	R$ 198.316 thousand
- Interest on Capital (R$ 0. 117012069 per share)	R$ 193.000 thousand
- Tax Incentive Reserve	R$ 69.650 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 Auditing Standards (SEP), the Company informs herein that, during 2020, Ernst & Young Auditores Independentes S.S., provided external audit services related to the financial statements for 2020.

The Company's policy towards its independent auditors, with regard to the provision of services not related to the independent audit, is based on the principles that preserve the auditor's independence. These principles are based on the fact that the auditor should not audit his own work, nor perform managerial functions or advocate for his client. During the year ended December 31, 2020, Ernst & Young Auditores Independentes S.S. provided independent audit services at the Company. The amount of fees incurred with the independent auditors in fiscal year 2020 was R $ 1,050 thousand related to independent auditing services related to the financial statements.

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

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

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the accompanying individual and consolidated financial statements of Raia Drogasil S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020 and the statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Raia Drogasil S.A. as at December 31, 2020, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

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

Technology environment

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

How our audit conducted this matter

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

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

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

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

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

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

Deficiencies in the design and operation of ITGCs have altered our assessment of the nature, timing and extent of our planned substantive procedures to obtain sufficient and appropriate audit evidence for December 31, 2020. Taking this into consideration, based on the result of the audit procedures performed, provided us with adequate and sufficient audit evidence to be acceptable in the context of the financial statements taken as a whole.

Commercial agreements on the purchase of goods for resale

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

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

How our audit conducted this matter

Our audit procedures included, among others, the following:

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

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

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

Based on the results of audit procedures performed on commercial agreements, which is consistent with management’s assessment, we understand that the criteria and assumptions adopted by management, as well as the respective disclosures in Note 4(t) are acceptable in regard to the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2020, prepared under the responsibility of Company’s management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company’s financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

Audit of corresponding figures

The individual and consolidated financial statements of the Company for the year ended December 31, 2019 were examined by another independent auditor who issued their report on February 19, 2020 with an unmodified opinion on these financial statements.

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

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

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

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

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

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

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

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

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

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

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries’ internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

São Paulo, March 9, 2021.

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

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

Raia Drogasil S.A.

Balance sheet at December 31, 2020 and 2019

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

	Parent Company		Consolidated	
Assets	**2020**	**2019**	**2020**	**2019**
Current assets				
Cash and cash equivalents (Note 6)	855,257	294,863	880,357	299,226
Trade receivables (Note 7)	1,373,801	1,049,906	1,555,434	1,189,019
Inventory (Note 8)	4,112,842	3,771,335	4,225,408	3,851,388
Recoverable taxes (Note 9)	59,288	135,771	61,531	145,617
Other current receivables	258,187	241,268	261,022	244,427
Prepaid expenses	36,482	25,791	36,738	26,369
	6,695,857	5,518,934	7,020,490	5,756,046
Non-current assets				
Judicial deposits (Note 16)	25,753	30,001	25,753	30,001
Recoverable taxes (Note 9)	96,035	58,304	111,548	68,099
Deferred income tax and social contribution (Note 18b)	-	-	36,261	-
Accounts receivable from subsidiary (Note 28)	57,806	56,103	-	-
Arbitration restricted asset (Note 17)	341,906	332,927	341,906	332,927
Other noncurrent receivables	6,958	1,480	9,956	1,481
Investments (Note 10)	78,266	60,263	-	-
Property and equipment in use (Note 11a)	1,854,211	1,773,335	1,859,220	1,777,735
Right-of-use lease (Note 15)	3,158,394	3,032,604	3,161,245	3,036,525
Intangible assets (Note 11b)	1,228,783	1,211,915	1,261,709	1,245,441
	6,848,112	6,556,932	6,807,598	6,492,209
Total assets	**13,543,969**	**12,075,866**	**13,828,088**	**12,248,255**

	Parent Company		Consolidated	
Liabilities and Equity	**2020**	**2019**	**2020**	**2019**
Current liabilities				
Trade payables (Note 13)	2,943,379	2,532,293	3,106,938	2,653,236
Borrowing (Note 14)	497,751	228,661	531,204	228,661
Leases payable (Note 15)	501,924	565,204	503,318	566,646
Salaries and social charges	302,833	291,073	309,160	296,674
Taxes and contributions	123,584	88,126	131,798	94,362
Income tax and social contribution payable	6,873	8,309	6,873	8,309
Dividends and interest on capital (Note 20e)	16,492	68,255	16,492	68,255
Provision for legal claims (Note 16)	32,646	26,008	32,835	26,008
Other current payables	157,714	133,529	162,685	136,334
	4,583,196	3,941,458	4,801,303	4,078,485
Non-current liabilities				
Borrowing (Note 14)	1,122,250	897,815	1,122,250	897,815
Leases payable (Note 15)	2,926,026	2,615,451	2,927,607	2,617,987
Provision for legal claims (Note 16)	70,822	67,114	70,822	67,114
Deferred income tax and social contribution (Note 18b)	72,772	142,810	74,428	123,986
Payables to subsidiary's shareholder (Note 10.1 (a))	46,448	42,113	46,448	42,113
Arbitration liability (Note 17)	341,843	332,900	341,843	332,900
Provision for losses on investments (Note 10)	4,578	-	4,578	-
Other noncurrent obligations	12,908	11,192	13,188	11,436
	4,597,647	4,109,395	4,601,164	4,093,351
Total liabilities	9,180,843	8,050,853	9,402,467	8,171,836
Equity (Note 20)				
Attributable to owners of the parent				
Share capital	2,500,000	2,500,000	2,500,000	2,500,000
Capital reserves	148,029	129,768	148,029	129,768
Revenue reserves	1,664,172	1,371,984	1,664,172	1,371,984
Additional dividends proposed	69,478	41,643	69,478	41,643
Carrying value adjustments	(18,553)	(18,382)	(18,553)	(18,382)
	4,363,126	4,025,013	4,363,126	4,025,013
Non-controlling interests	-	-	62,495	51,406
Total equity	4,363,126	4,025,013	4,425,621	4,076,419
Total liabilities and equity	**13,543,969**	**12,075,866**	**13,828,088**	**12,248,255**

Raia Drogasil S.A.

Statement of income
Years ended December 31, 2020 and 2019
All amounts in thousands of reais, except earnings per capital share (A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net sales revenue (Note 21)	19,068,701	16,697,637	20,066,840	17,565,600
Cost of sales	(13,261,372)	(11,586,282)	(14,175,708)	(12,367,239)
Gross profit	5,807,329	5,111,355	5,891,132	5,198,361
Operating income (expenses)				
Selling expenses (Note 22)	(4,202,358)	(3,693,581)	(4,256,422)	(3,754,770)
General and administrative expenses (Note 22)	(661,168)	(509,901)	(679,320)	(533,393)
Other operating income/(expenses) (Note 23)	(31,526)	230,936	(31,539)	208,271
Equity in the results of investees (Note 10)	5,684	(14,436)	(7,867)	-
	(4,889,368)	(3,986,982)	(4,975,148)	(4,079,892)
Profit before finance results	917,961	1,124,373	915,984	1,118,469
Finance results				
Finance income (Note 24a)	51,145	71,299	54,182	76,945
Finance costs (Note 24b)	(348,046)	(402,577)	(353,798)	(411,246)
	(296,901)	(331,278)	(299,616)	(334,301)
Profit before income tax and social contribution	621,060	793,095	616,368	784,168
Income tax and social contribution (Note 18)				
Current	(206,565)	(117,057)	(206,565)	(109,113)
Deferred	69,949	96,202	85,730	113,680
	(136,616)	(20,855)	(120,835)	4,567
Profit for the year	**484,444**	**772,240**	**495,533**	**788,735**
Attributable to:				
Owners of the Company	-	-	484,444	772,240
Non-controlling interests	-	-	11,089	16,495
	-	**-**	**495,533**	**788,735**
Earnings per share - basic (Note 19)	0.29374	0.46886	0.29374	0.46886
Earnings per share - diluted (Note 19)	0.29299	0.46761	0.29299	0.46761

Raia Drogasil S.A.

Statement of comprehensive income
Years ended December 31, 2020 and 2019
All amounts in thousands of reais, except earnings per capital share (A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit for the year	484,444	772,240	495,533	788,735
Components of comprehensive income				
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	484,444	772,240	495,533	788,735
Attributable to:				
Owners of the Company	-	-	484,444	772,240
Non-controlling interests	-	-	11,089	16,495
Total	-	-	**495,533**	**788,735**

Raia Drogasil S.A.

Statement of changes in equity 2020 and 2019

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

(A free translation of the original in Portuguese)

		Capital reserves				Revenue reserves					Carrying value adjustments				
	Share capital	Special restatement	Premium on issue/ sale of shares	Treasury shares	Restricted shares and other	Legal	Statutory	Tax incentives	Retained earnings	Additional dividend proposed	Revaluation reserve	Transactions with non-controlling interest	Total	Non-controlling interests	Total equity
At January 1, 2019	**1,808,639**	**10,191**	**137,699**	**(55,466)**	**23,940**	**115,519**	**1,364,931**	**41,623**	**-**	**70,990**	**12,022**	**(30,230)**	**3,499,858**	**34,910**	**3,534,768**
Capital increase with															
part of the Company's capital reserve (Note 20a)	691,361	-	-	-	-	-	(691,361)	-	-	-	-	-	-	-	-
Dividend for 2018 approved at the Annual General Meeting (AGM) of April 10, 2019	-	-	-	-	-	-	-	-	-	(70,990)	-	-	(70,990)	-	(70,990)
Realization of revaluation reserve, net of income tax and social contribution	-	-	-	-	-	-	-	-	174	-	(174)	-	-	-	-
Interest on capital expired	-	-	-	-	-	-	-	-	529	-	-	-	529	-	529
Restricted share plan - granted (Note 20d)	-	-	-	-	13,367	-	-	-	-	-	-	-	13,367	-	13,367
Restricted share plan - delivered (Note 20d)	-	-	(1,960)	17,290	(15,330)	-	-	-	-	-	-	-	-	-	-
Restricted shares - delivery of 4Bio shares (Note 10)	-	-	-	35	3	-	-	-	-	-	-	-	38	-	38
Profit for the year	-	-	-	-	-	-	-	-	772,240	-	-	-	772,240	16,496	788,736
Allocation of profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	38,612	-	-	(38,612)	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	-	407,066	-	(407,066)	-	-	-	-	-	-
Interest on capital proposed - R$ 0.127224366 per share (Note 20e)	-	-	-	-	-	-	-	-	(190,029)	-	-	-	(190,029)	-	(190,029)
Tax incentive reserve (Note 20b)	-	-	-	-	-	-	-	95,593	(95,593)	-	-	-	-	-	-
Additional interest on capital proposed	-	-	-	-	-	-	-	-	(21,472)	21,472	-	-	-	-	-
Dividend proposed by subsidiary	-	-	-	-	-	-	-	-	(20,171)	20,171	-	-	-	-	-
At December 31, 2019	**2,500,000**	**10,191**	**135,739**	**(38,141)**	**21,980**	**154,131**	**1,080,636**	**137,216**	**-**	**41,643**	**11,848**	**(30,230)**	**4,025,013**	**51,406**	**4,076,419**
Dividend for 2019 approved at the Annual General Meeting (AGM) of March 23, 2020	-	-	-	-	-	-	-	-	-	(41,643)	-	-	(41,643)	-	(41,643)
Realization of revaluation reserve, net of income tax and social contribution	-	-	-	-	-	-	-	-	171	-	(171)	-	-	-	-
Interest on capital expired	-	-	-	-	-	-	-	-	573	-	-	-	573	-	573
Restricted share plan - granted (Note 20d)	-	-	-	-	18,217	-	-	-	-	-	-	-	18,217	-	18,217
Restricted share plan - delivered (Note 20d)	-	-	1,174	11,814	(12,988)	-	-	-	-	-	-	-	-	-	-
Restricted shares - delivery of 4Bio shares (Note 10)	-	-	-	44	-	-	-	-	-	-	-	-	44	-	44
Profit for the year	-	-	-	-	-	-	-	-	484,444	-	-	-	484,444	11,089	495,533
Allocation of profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	24,222	-	-	(24,222)	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	-	198,316	-	(198,316)	-	-	-	-	-	-
Tax incentive reserve (Note 20b)	-	-	-	-	-	-	-	69,650	(69,650)	-	-	-	-	-	-
Interest on capital proposed - R$ 0.0.11701207 per share (Note 20e)	-	-	-	-	-	-	-	-	(123,522)	-	-	-	(123,522)	-	(123,522)
Additional interest on capital proposed	-	-	-	-	-	-	-	-	(69,478)	69,478	-	-	-	-	-
At December 31, 2020	**2,500,000**	**10,191**	**136,913**	**(26,283)**	**27,209**	**178,353**	**1,278,952**	**206,866**	**-**	**69,478**	**11,677**	**(30,230)**	**4,363,126**	**62,495**	**4,425,621**

Raia Drogasil S.A.

Statement of cash flows
Years ended December 31, 2020 and 2019
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit before income tax and social contribution	621,060	793,095	616,368	784,168
Adjustments				
Depreciation and amortization (Note 22)	1,172,524	1,033,227	1,177,282	1,041,033
Compensation plan with restricted shares, net	18,138	13,367	18,090	13,440
Interest on additional stock option (Note 10.1a)	4,335	5,733	4,335	5,733
Loss (profit) on sale/write-off of property and equipment and intangible assets	3,579	19,395	3,580	47,120
(Reversal) provision for legal claims (Note 16)	92,190	3,892	92,379	3,892
(Reversal) provision for inventory losses	15,080	(662)	15,080	(585)
(Reversal) provision for expected credit losses	10,796	(970)	11,480	739
(Reversal) provision for store closures	2,261	(12,403)	2,260	(6,504)
Interest expenses (Note 14)	58,991	65,625	59,515	66,746
Interest expenses – Leases (Note 15)	227,781	215,722	228,019	216,100
Amortization of transaction costs of debentures and promissory notes (Note 14)	4,576	2,717	4,576	2,717
Gain on bargain purchase (Note 5)	-	(355,263)	-	(355,263)
Equity in the results of investees (Note 10)	5,684	14,436	7,867	-
	2,225,627	1,797,911	2,240,831	1,819,336
Changes in assets and liabilities				
Trade and other receivables	(334,691)	(244,044)	(377,895)	(250,834)
Inventory	(356,587)	(660,429)	(389,100)	(667,147)
Other current assets	48,972	130,277	57,122	130,307
Long-term receivables	(38,961)	(162,605)	(83,938)	(370,089)
Trade payables	413,418	456,920	456,034	465,192
Salaries and social charges	11,760	46,744	12,486	45,443
Taxes and contributions	(34,300)	(31,999)	(11,806)	(25,442)
Other obligations	16,663	9,624	34,540	9,559
Rentals payable	8,508	(17,803)	8,508	(17,838)
Cash provided by operations	1,960,409	1,324,596	1,94,782	1,138,487
Interest paid (Note 14)	(40,084)	(60,756)	(40,084)	(62,133)
Income tax and social contribution paid	(201,441)	(111,143)	(201,441)	(111,143)
Interest paid – Leases (Note 15)	(227,781)	(215,722)	(228,019)	(216,100)
Net cash provided by operating activities	1,491,103	936,975	1,477,238	749,111
Cash flows from investing activities				
Investments in associated companies	(7,789)	-	(3,289)	-
Cash acquired in business combination (Note 5)	-	-	-	283,685
Purchases of property and equipment and intangible assets	(673,185)	(282,987)	(676,421)	(286,646)
Proceeds from sale of property and equipment	6,648	315	6,648	221
Loans granted to subsidiary	(1,838)	(14,745)	(35)	-
Cash from merged company (Note 6)	-	69,856	-	-
Net cash used in investing activities	(678,164)	(227,561)	(673,097)	(2,740)
Cash flows from financing activities				
Borrowing (Note 14)	695,287	543,123	728,216	738,647
Repayments of borrowings (Note 14)	(225,245)	(250,477)	(225,245)	(462,651)
Leases paid	(534,069)	(758,749)	(535,463)	(778,108)
Interest on capital and dividends paid	(190,518)	(186,601)	(190,518)	(186,601)
Net cash used in financing activities	(254,545)	(652,704)	(223,010)	(688,713)
Net increase (decrease) in cash and cash equivalents	560,394	56,710	581,131	57,658
Cash and cash equivalents at the beginning of the year	294,863	238,153	299,226	241,568
Cash and cash equivalents at the end of the year	**855,257**	**294,863**	**880,357**	**299,226**

Raia Drogasil S.A.
Statement of value added
Years ended December 31, 2020 and 2019
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Revenue				
Gross sales and services	19,915,692	17,362,325	21,007,448	18,313,292
Other income	1,868	1,141	1,868	1,148
Provision for (reversal of) expected credit losses	(187)	(970)	570	(739)
	19,917,373	17,362,496	21,009,886	18,313,701
Inputs acquired from third parties				
Cost of sales and services	(11,992,268)	(10,449,152)	(12,905,413)	(11,237,209)
Materials, energy, outsourced services and other	(1,297,653)	(1,072,628)	(1,325,901)	(1,121,677)
Impairment of assets	(3,151)	206	(3,151)	206
	(13,293,072)	(11,521,574)	(14,234,465)	(12,358,680)
Gross value added	6,624,301	5,840,922	6,775,421	5,955,021
Depreciation and amortization	(1,144,069)	(1,004,597)	(1,148,827)	(1,012,403)
Net value added generated by the entity	5,480,232	4,836,325	5,626,594	4,942,618
Value added received through transfer				
Equity in the results of investees	5,684	(14,436)	(7,867)	-
Finance income	57,501	73,594	60,554	79,265
Other	(770)	358,110	(770)	358,216
	62,415	417,268	51,917	437,481
Total value added to distribute	**5,542,647**	**5,253,593**	**5,678,511**	**5,380,099**
Distribution of value added				
Personnel	1,986,368	1,812,996	2,018,482	1,847,845
Direct remuneration	1,547,808	1,395,459	1,566,942	1,416,111
Benefits	306,523	287,171	317,873	299,333
Unemployment compensation fund	132,037	130,366	133,667	132,401
Taxes and contributions	2,627,186	2,160,967	2,712,918	2,226,327
Federal	671,186	479,422	662,859	462,775
State	1,923,847	1,653,314	2,017,510	1,734,837
Municipal	32,153	28,231	32,549	28,715
Providers of capital	444,649	507,390	451,578	517,192
Interest	346,774	401,209	352,176	409,517
Rentals	97,875	106,181	99,402	107,675
Interest on capital and dividends	484,444	772,240	495,533	788,735
Interest on capital	123,522	169,858	123,522	169,858
Dividends and interest on capital proposed	69,478	41,643	69,478	41,643
Profits reinvested for the year	291,444	560,739	291,444	560,739
Noncontrolling interests in retained earnings	-	-	11,089	16,495
Value added distributed and retained	**5,542,647**	**5,253,593**	**5,678,511**	**5,380,099**

All amounts in thousands of reais unless otherwise stated

1. Operations

Raia Drogasil S.A. ("Company" or "Raia Drogasil" or "Parent Company") is a publicly-held company listed on the Novo Mercado ("New Market") listing segment of B3 S.A. - Brasil, Bolsa, Balcão, under ticker RADL3, with its headquarters in the capital of the state of São Paulo.

Raia Drogasil S.A. and its subsidiary 4Bio Medicamentos S.A. (together "Consolidated" or "Group") are mainly engaged in the retail sale of medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics and specialty medicines.

The Group conducts its sales through 2,303 stores (2,073 stores - 2019), distributed in 24 Brazilian states (23 states - 2019), as presented below:

	Consolidated	
State	**2020**	**2019**
São Paulo	1,108	1,049
Minas Gerais	169	143
Rio de Janeiro	156	142
Paraná	127	112
Goiás	87	73
Distrito Federal	77	72
Pernambuco	75	67
Bahia	71	68
Rio Grande do Sul	59	42
Santa Catarina	57	49
Espírito Santo	49	46
Ceará	46	31
Pará	42	35
Mato Grosso do Sul	29	25
Mato Grosso	26	22
Alagoas	20	18
Sergipe	20	18
Paraíba	19	15
Maranhão	18	13
Rio Grande do Norte	14	14
Piauí	14	9
Tocantins	11	7
Amazonas	7	3
Rondônia	2	-
Total	**2,303**	**2,073**

Raia Drogasil's stores, as well as the Group's e-commerce demands, are supplied by eleven distribution centers located in nine states: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás, Pernambuco, Bahia, Ceará and Rio Grande do Sul. In 2020, the Company discontinued the operations of the distribution center in Butantã (SP) and started operations in the distribution center in Rio Grande do Sul.

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

2. Presentation of financial statements

In conformity with Rule 505/2006 issued by the CVM, authorization to issue these financial statements was granted by the Company's Board of Directors on March 9, 2021.

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, 2020 and 2019 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM), the Brazilian General Technical Accounting Standards (NBC TG) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and provide all the significant information related solely to the financial statements, which is consistent with the information used by management.

The parent company financial statements are disclosed together with the consolidated financial statements.

The consolidated financial statements include the Company's financial statements, the financial statements of its subsidiaries 4Bio and RD Ventures FIP. These consolidated financial statements have been prepared in accordance with consolidation practices and applicable legal provisions.

With the acquisition of Onofre on July 1, 2019 and merger on August 1, 2019, the Company accounted for equity in the results of subsidiary and consolidated the balances of the subsidiary Onofre until the date of its merger. Therefore, the consolidated statements of cash flows and value added for the year ended December 31, 2019 include 12 months of operations of the Company, 12 months of operations of the subsidiary 4Bio and 1 month of operation of Onofre.

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

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

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 IFRS and CPC that were effective as at December 31, 2020.

In the financial statements for the year ended December 31, 2019, Management made changes, between lines, in the classification of property and equipment in the balance sheet, which was segregated as follows: i) property and equipment in use; and ii) right-of-use lease. The changes are being presented in the financial statements for the year ended December 31, 2020. These changes did not impact total property and equipment or the balances in the balance sheet, profit for the year or profit before income tax and social contribution, and the balances of the Company's balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows.

All amounts in thousands of reais unless otherwise stated

Impacts of Covid-19 pandemic

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

The Company adopted the assessment of trade receivables at December 31, 2020 as the calculation basis. On this date, the Company's receivables with respect to total accumulated sales were represented by: (i) Cards (82,3%), (ii) Cash (14.7%) and others (3,0%).

Trade receivables at December 31, 2020 are presented below:

Trade receivables	Dec-2020	%
Credit /debit cards	1,324,927	96.5%
Popular Pharmacy	17,058	1.2%
Agreements with companies – Univers	18,500	1.3%
Medicine Benefit Program – PBM	12,374	0.9%
Trade receivables – Checks (cash/post-dated)	1,448	0.1%
Trade receivables – Apps /Marketplace	138	0.0%
Trade receivables - Manipulaê	2	0.0%
Provision for expected credit losses	(646)	(0.0%)
Total	**1,373,801**	**100.0%**

It is worth emphasizing that, regarding trade receivables items with greater representation: (i) Credit / debit cards (96.5%) are concentrated on card administrators (Getnet, Cielo and Rede), where, of this amount, the Company should receive 67.8% in January 2021, and the remaining amount is substantially scheduled to be received in February, March, April and May 2021; and (ii) for the Popular Pharmacy Program (1.2%), there are no indicators that would justify any impact on the provision in Management's understanding.

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

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

In 2020, 240 stores were opened and 11 stores were closed. All store closures were carried out to optimize our store portfolio, with positive expectations of return. The Covid-19 pandemic had no significant impact on the Company's expansion plan.

In accordance with CVM Ruling 859/2020, which addresses amendments to Technical Pronouncement CPC 06 (R2) – Covid-19-Related Rent Concessions – the Company has assessed that the benefits arising from lease discounts obtained on some properties are specific events and have not resulted in changes in the terms of lease agreements (Note 22).

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

New accounting procedures

The following accounting pronouncements were adopted for the first time to financial reporting periods beginning on or after January 1, 2020:

(a) CPC 00 (R2) / Framework – Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. Management understands that these amendments had no impact on the Company's parent company and consolidated financial statements.

(b) CPC 06 (R2) / IFRS 16 (CVM Ruling 859/2020) – Leases

Covid-19-Related Rent Concessions:

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease agreement modification when accounting for the related benefits as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 pandemic related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 pandemic related rent concession the same way it would account for the change under CPC 06 (R2), if the change was not a lease modification.

Management assessed and concluded that there were impacts on the Company's parent company and consolidated financial statements related to discounts in lease agreements, these benefits were recognized as gain in the statement of income for 2020. The discounts were not recorded or remeasured in the future economic benefits of the lease asset or liability, since the Company believes that such discounts related to the Covid-19 pandemic did not represent a modification of the lease agreements (Note 22).

(c) CPC 15 (R1) / IFRS 03 – Business Combinations

Definition of a business:

The amendments to CPC 15 (R1) clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, they clarify that a business can exist without including all of the inputs and processes needed to create outputs. Management understands that these amendments had no impact on the Company's parent company and consolidated financial statements.

(d) CPC 26 (R1) / IAS 1 – Presentation of Financial Statements and CPC 23 / IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

Definition of materiality:

The amendments to CPC 26 (R1) / IAS 1 and CPC 23 / IAS 8 clarify the definition of materiality and align the definition used in the conceptual framework and in other accounting standards. Management believes that these amendments had no significant impact on the Company's financial statements, as it applies technical guidance OCPC 7 and, thus, only discloses relevant information.

(e) CPC 38 / IAS 39, CPC 40 (R1) / IFRS 7 and CPC 48 (CVM Ruling 854/2020) – Reform of the benchmark interest rate

Reform of the benchmark interest rate:

CVM Ruling 854/2020 became effective as of January 1, 2020. This ruling addresses the amendments to Technical Pronouncements CPC 38, CPC 40 (R1) and CPC 48, issued by the Accounting Pronouncements Committee (CPC), as a result of the reform of the benchmark interest rate, in respect of the expected discontinuance of the use of the London Interbank Offered Rate (LIBOR) as the benchmark interest rate after 2021. Management understands that there will not be an impact from the reform of the benchmark interest rate, given that, to date, it has no financial assets or liabilities linked to that index.

Standards issued but not yet effective

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

(a) CPC 11, CPC 50 / IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (standard not yet issued by CPC in Brazil, but which will be coded as CPC 50 - Insurance Contracts and will replace CPC 11 - Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The core of IFRS 17 is the general model, supplemented by:

(i) A specific adaptation for contracts with direct participation features (the variable fee approach); and

(ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Management understands that this standard is not applicable to the Company's financial statements.

(b) CPC 26 (R1) / IAS 1: Presentation of Financial Statements

Classification of Liabilities as current or non-current:

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, corresponding to CPC 26 (R1) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement;

(i) That a right to defer must exist at the end of the reporting period;

(ii) That classification is unaffected by the likelihood that an entity will exercise its deferral right; and

(iii) That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

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.

(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".

(i) Payables to subsidiary's shareholder

On the acquisition of 55% of the shares of 4Bio Medicamentos Ltda. (currently named 4Bio Medicamentos S.A. or 4Bio), the Company and the founder shareholder signed an agreement with call option and put option for the total remaining shares held by the founder shareholder whose strike price will be calculated based on adjusted multiples of EBITDA of 4Bio to be assessed from 2021 to 2023. (Note 10.1a).

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

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

On the occurrence of a significant change in assumption during the year, assumptions that comprise the fair value of the option are revised/updated in order to reflect the fair value of the financial liability at year end. Any adjustments are recorded in the line item of Payables to Subsidiary's shareholder (Note 10.1a) against finance costs.

(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. The financial investments included in cash equivalents are classified in the category of "amortized cost".

(d) Financial instruments

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

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

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

Currently the Company has only financial assets recognized at fair value through other comprehensive income, which are represented by debt securities , in which the contractual cash flows consist basically in principal and interest and the Group's business model objective is achieved by collecting contractual cash flows and selling financial assets.

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

- Debt investments that do not qualify for measurement at amortized cost or at FVOCI;
- Equity investments held for trading; and
- Equity investments for which the entity did not elect to recognize gains and losses through other comprehensive income.

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

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

Recognition and derecognition

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

Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows;

- Where those cash flows represent solely payments of principal and interest are measured at amortized cost;

- Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of income;

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of income;

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FTVPL. A gain or loss on a debt investment that is subsequently measured at FTVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Group records the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses from customers are measured using weighted estimates of probable credit losses based on historical losses and projections of related assumptions. Credit losses are measured at present value based on all cash shortfalls (i.e. the difference between the cash flows due to the Company under a contract and the cash flows the Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

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

In accordance with CPC 48 / IFRS 9 – Financial Instruments, expected losses are measured using one of the following criteria:

- 12-month expected credit losses: these are credit losses that result from possible default events within 12 months after the balance sheet date

- Lifetime expected credit losses: these are credit losses that result from all possible default events over the expected life of a financial instrument.

Offsetting financial instruments

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

Fair value hierarchy

The Group classifies and discloses the fair value of the 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 expected credit losses is set up when there is strong evidence that the Group will not be able to collect all the amounts due. The provision is determined as the difference between the carrying amount and the recoverable amount (Note 7).

(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 required to make the sale. The inventories balances are presented less the estimated losses and adjustment to present value at the date of the transactions, when applicable.

(g) Income tax and social contribution

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

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

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

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

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

(h) Judicial deposits

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

(i) Property and equipment

Property and equipment are stated at acquisition cost, net of accumulated depreciation and/or accumulated 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. The residual value, the useful lives of assets and the depreciation methods are reviewed at year-end and adjusted prospectively, when applicable.

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

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 for 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, which are of less than twenty years.

(3) Software use licenses and IT system development

Software use licenses are stated at acquisition cost and amortized using the straight-line method over their estimated useful lives represented by the rate described 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, represented by 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 non-financial 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 impairment.

If that is the case, the recoverable amount is calculated to identify any indication of impairment. When impairment is identified, it is recognized in the amount at which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the net sale price and value in use of the asset. The impairment of present and future transactions is recognized in the statement of income as expenses, in the categories of expenses consistent with the function of the affected asset.

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

(l) Leases

In adopting CPC 06 (R2) / IFRS 16- Leases, the Group recognized lease liabilities involving leases that had already been classified as "operating leases" according to the principles of IAS 17 - "Leases". These liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at January 1st, 2019. The weighted average of the lessee's nominal incremental borrowing rate applied to lease liabilities at January 1st, 2019 was 6.69% p.a. Details on rates per contractual period are stated in Note 15.

For leases previously classified as finance leases, the Group recognized the carrying amount of the lease asset and liability immediately before the transition to the carrying amount of the right-of-use asset and lease liability on the date of initial application. The measurement principles of CPC 06 (R2) / IFRS 16 apply only after this date. The remeasurements of the lease liabilities were recognized as adjustments to the respective right-of-use assets immediately after the date of initial application.

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

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

(m) Provisions

Provision is 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, and a reliable estimate can be made of the amount of the obligation. Provision for legal proceedings is recorded reflecting the best estimates of the risk involved, in amounts deemed sufficient to cover probable losses. The proceedings rated as involving possible losses are disclosed in explanatory notes and those rated as remote losses are not provisioned or disclosed.

(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 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 20 (d).

(o) Capital and income reserves

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

The statutory reserve is established in the Company's bylaws, limited to 65% of the profit for the year, to set up the "Statutory Income Reserve", which has the purpose and objective of improving the Company's working capital, observing that its balance, except the Contingency Reserve and the Unrealized Income Reserve, cannot exceed 100% of the capital. Once this limit is reached, the General Meeting will decide on the excess amount, in accordance with Article 199 of the Corporation Law, and shall apply it in the capital contribution or capital increase or in the payment of dividends.

(p) 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 dividends 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 minimum mandatory dividend.

(q) Tax incentive reserve

The Company and its subsidiary enjoy ICMS tax incentives that, pursuant to supplementary Law 160/17, are classified as investment grant. In light of such law, the Company's management is allocating the amounts described in Note 20e to the tax incentive reserve, in the line item of income reserve, subject to approval at the Annual General Meeting. The tax incentive amounts are not part of the calculation base of the minimum mandatory dividend, and can only be incorporated into capital in conformity with Law 6,406/76.

(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

CPC 47 / IFRS 15 – Revenue from contracts with customers establishes a comprehensive framework for determining whether, when, and for how much revenue is recognized from the identification of performance obligations, the transfer of control of the product or service to the customer and the determination of the selling price. The standard is applicable to all contracts with customers, except rental contract (rental income), financial instruments (interest) and insurance contracts, to which specific rules apply.

This standard establishes a model that aims to identify whether the criteria for revenue recognition have been satisfied and comprise the following aspects:

(i) Identification of a contract with a customer;

(ii) Determination of the performance obligations;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price; and

(v) Recognition of revenue at a point in time or over time, in accordance with the satisfaction of the performance obligations.

Sales of goods (medicines, perfumery and self-service products)

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

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

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

Returns and cancellations

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

Significant financing component

In accordance with CPC 47 / IFRS 15, in determining the transaction price, the Company shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. In these circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

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.

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

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

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

For transactions of this nature, the Group recognizes as reduction of cost of sales against an amount receivable from special plans or reduction of contract liabilities

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

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

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

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

(u) Gain on bargain purchase

A bargain purchase occurs in a business combination when the price paid to acquire the business is less than the fair value of the equity of the acquired company, represented by the assets acquired and liabilities assumed. Gains on bargain purchase are immediately recognized in the statement of income for the year.

Before recognizing a gain on bargain purchase, the Company carries out a review of the amounts calculated in the measurement of the value to ensure that all assets acquired and all liabilities assumed were correctly identified.

Recognizing the unusual nature of this gain in business combinations, the Company reviews the procedures used to ensure that the measurement of the amounts to be recognized on the acquisition date are properly measured for the following cases:

(i) Identifiable assets acquired and liabilities assumed;

(ii) Consideration transferred to obtain control of acquired company.

After confirming the adequacy of value of the gain on bargain purchase, the Company records the transaction in the Company's financial statements, net of tax effects. Income tax and social contribution recorded in a bargain purchase are paid at the rate of 1/60th.

(v) 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.

(w) Significant accounting judgments, estimates and assumptions

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

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

(i) Taxes recoverable

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

(ii) Fair value of the financial instruments

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

(iii) Impairment

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

(iv) Provision for tax, civil and labor risks

The Group is party to various legal and administrative proceedings, as mentioned in Note 16. Provision is recorded for all litigation contingencies the likelihood of loss of which is estimated as probable, in an amount that can be reliably estimated. The assessments of the likelihood of loss include the evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal advisors and the Group's compensation history

(v) Lessee’s incremental borrowing rate

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

The lessee’s incremental borrowing rate is the interest rate that a lessee would have to pay when borrowing for the acquisition of an asset similar to that which is the subject of the lease agreement, for a similar term and when pledging a similar guarantee, with the funds required to obtain an asset with a similar value to the right-of-use asset and in a similar economic environment.

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

The adoption of CPC 06 (R2) / IFRS 16 allowed the incremental rate to be determined for a grouping of agreements, since this choice is associated with the validation that the grouped contracts have similar characteristics.

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

(vi) Determination of the lease term

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

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

- If the termination (or non-extension) incurs significant fines, it is reasonably certain that the Group will use the extension (or will not terminate the agreement).

- If leasehold improvements are made to third-party properties with a significant residual balance, it is reasonably certain that the Group will extend (or not terminate) the lease.

- In addition, the Group considers other factors, including past practices regarding the periods of use of the specific types of assets (leased or Company-owned), the duration of leases, and the costs and business disruption required to replace a leased asset.

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

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

(vii) Gain on bargain purchase

In determining the gain on bargain purchase, the fair values of the assets acquired and liabilities assumed are taken into account, which are compared with the related amounts paid. As part of the business combination process, the Company is required to measure the fair value of the assets acquired and liabilities assumed and compare these with the related amounts paid.

These are measurements that involve assumptions and critical judgments in determining the fair values of assets and liabilities and that, as they result in a gain to be recorded in income for the year, require careful evaluation by Management to ensure that they do not result in a future reversal of a portion of the gain recorded in the transaction. Therefore, this is a critical estimate made by the Company's Management.

5. Business combinations

(a) Acquisition of Drogaria Onofre Ltda.

As disclosed in the financial statements at December 31, 2018, on February 26, 2019 the Company entered into an agreement for purchase of share units (“CVQ”) with CCI Foreign, S.à.r.l. and Beauty Holdings, L.L.C., comprising 100% of the share units of Drogaria Onofre Ltda. (“Onofre”).

The acquisition of Onofre occurred on July 1st, 2019, when all the conditions precedent set forth in the CVQ were fulfilled.

In connection with the acquisition of Drogaria Onofre Ltda., the Company engaged a specialized independent firm to advise Management in determining the fair value of assets and liabilities assumed at July 1st, 2019 for purposes of determining the gain on bargain purchase (negative goodwill).

All amounts in thousands of reais unless otherwise stated

The accounting standard CPC 15 (R1) / IFRS 3, which addresses business combination, requires the identification of the accounting acquirer in a business acquisition. In this case, the Company's shareholders started holding control over Onofre on July 1st, 2019, date in which the agreements were formalized, and such date was considered as the "acquisition date" for purposes of accounting recognition of the transaction.

The consideration assumed by Raia Drogasil for the acquisition of Onofre is based on the commitment undertaken to be responsible for the rights (assets) and obligations (liabilities) of Onofre. There was no financial disbursement in the acquisition agreement.

Management adopted the balance sheet as at June 30, 2019 as the opening balance sheet for purposes of allocating the effects of the acquisition. The details of the fair values of the net assets acquired and liabilities assumed and the consequent preliminary measurement of the discount/bargain purchase are shown below:

Assets and liabilities	June 30, 2019 (Fair value)
Current assets	**497,387**
Cash and cash equivalents	283,685
Trade receivables	44,608
Inventory	96,371
Taxes recoverable	63,613
Other	9,110
Non-current assets	**392,033**
Judicial deposits	4,133
Indemnification asset	127,037
Property and equipment	196,418
Intangible assets	62,487
Other	1,958
Total assets	**889,420**
Current liabilities	**(121,531)**
Trade payables	(53,777)
Leases	(27,959)
Social security and labor obligations	(13,686)
Tax obligations	(4,205)
Provision for contingencies	(16,841)
Other	(5,063)
Non-current liabilities	**(410,219)**
Leases	(58,036)
Provision for contingencies	(10,831)
Probable and possible contingencies – Business combination	(17,254)
Deferred income taxes (surplus value of inventories)	(2,407)
Obligations with former controlling shareholders (b)	(324,098)
Total liabilities	**(534,157)**
Total assets, net	**355,263**
Gain obtained on acquisition	**355,263**
Net assets acquired (equity)	178,089
Surplus/deficit allocated to assets and liabilities	177,174

As in the circumstances of determining a gain on the acquisition of a business, the Company's Management determined a preliminary gain on the acquisition of a business considered and subject to possible adjustments according to the measurement period provided for in CPC 15 (R1) / IFRS 3.

The preliminary gain resulting from the acquisition, of R$ 355,263, was recognized as revenue for the year, in the line item of Other operating income; simultaneously, deferred income tax (25%) and social contribution (9%) were recognized on this amount, pursuant to legislation in effect for cases of discount/gain on bargain purchase calculation.

All amounts in thousands of reais unless otherwise stated

The surplus/deficit value allocated to the assets and liabilities of Onofre determined in the report are shown below:

Surplus/deficit allocated to assets and liabilities	**R$**
Inventory (i)	21,237
Property and equipment (ii)	10,447
Intangible assets (iii)	38,114
Indemnification asset (iv)	127,037
Contingencies – Business combination (v)	(17,254)
Deferred income taxes (surplus value of inventories) (vi)	(2,407)
Total impact of the fair value	**177,174**

(i) Refer to inventory of goods. The balance of inventory available for sale was adjusted to fair value considering the average turnover, historical margin of the sales channels, and the expected Selic rate.

(ii) Comprises the set of property and equipment items of Onofre, comprising land, buildings, facilities, machinery and equipment, furniture and fittings, hardware, vehicles, leasehold improvements and construction in progress. The account balance was adjusted to fair value, according to the appraisal of the net assets.

(iii) Includes the intangible asset identified as the "Onofre Trademark" which was valued considering the following assumptions:

- Remaining useful life estimate - estimated at 21.5 years to reach a 90% economic benefit concentration for projected cash flow at present value;
- The estimated rate of royalties - applied to projected revenue was 1.3% based on profit sharing methodologies and royalty transactions;
- Total revenue - Projected by Raia Drogasil Management pursuant to the Business Enterprise Value (BEV - Company Valuation)
- Discount rate - For the calculation of the present value of the projected intangible asset cash flow, a discount rate of 15.1% was applied, estimated based on the WACC calculated for the Company, plus a risk premium
- Tax amortizations benefit (TAB) - tax benefit generated by the possible amortization of said fair value of the asset over its estimated useful life.

It is worth highlighting that from the surplus of R$ 38,114 allocated to Onofre trademark, the Company wrote in the year ended December 31, 2019 an impairment in the amount of R$ 22,665 related to the surplus allocated to the stores since they were migrated to the Droga Raia or Drogasil brands. The write-off was recognized in profit or loss for the period in the line item Other operating expenses.

(iv) Refers to the amount of the consideration transferred in a transaction, as bank guarantee (letter of guarantee), to cover the liabilities arising from the legal dispute involving the former shareholders of Onofre and CVS, as follows: (i) arbitral proceeding at the Brazil-Canada Chamber of Commerce Arbitration and Mediation Center; and (ii) advance production of evidence in progress at the 23rd District Court of São Paulo, as established in the SPA. Considering that part of the liability related to such obligations with the former controlling shareholders is guaranteed by a financial investment linked to the lawsuits amounting to R$ 197,061, the fair value of R$ 127,037 was determined by the difference between the materialized balance of the liability provisions with former controlling shareholders and the restricted financial investments, limited to R$ 167,000.

(v) Refer to contingencies classified as possible in the balance sheet of Onofre for Business Combination purposes, according to CPC 15 (R1)/ IFRS 3, the fair value or possible losses is being included in the preliminary purchase price allocation.

Pursuant to CPC 15 (R1) and IFRS 3, an acquirer shall recognize, at the acquisition date, a contingent liability assumed in a business combination, even if it is not probable that outflows (incorporating economic benefits) shall be required for the fair value assumed in the negotiation in the assumption of settlement of the provision for contingency.

All amounts in thousands of reais unless otherwise stated

The Company concluded that the fair values of contingencies for possible losses are close to the expected disbursement amounts and are allocated in the acquisition price for the determination of the fair value of Onofre's equity.

(vi) Refer to deferred income taxes recorded in relation to the 1/3 of the surplus value of inventories "written off" before the merger of Onofre.

The result of such operation is substantially due to the fact that the Seller no longer desires to operate in Brazil.

(b) Payables to former controlling shareholders assumed by Seller

The liability classified in non-current in the amount of R$ 341,843 (R$ 332,900- 2019) refers to obligations with former shareholders of Onofre with the Seller, and settlement depends on an arbitral decision. In the agreement for acquisition of Onofre by Raia Drogasil, it was agreed that the financial investments and the letter of guarantee (indemnification asset) in the amounts of R$ 207,721 (R$ 202,356 - 2019) and R$ 134,185 (R$ 130,571 - 2019), respectively, shall remain linked to the arbitration liability as a guarantee of settlement. Accordingly, Raia Drogasil shall not be harmed by, or benefit from, this transaction as from the acquisition date (July 1st, 2019) until the date of its complete settlement. The updated amount of R$ 341,906 (R$ 332,927 – 2019) is classified as restricted arbitration asset under the non-current group, as described in Note 17.

As established in the CVQ, the Sellers shall be responsible for conducting the arbitral proceeding until its complete termination and the Company shall be held harmless for any losses or gains resulting from the resolution of the arbitration. Accordingly, the income earned from July 1st, 2019 with monetary restatement of the mentioned assets and liabilities, as well as the corresponding taxes levied on said transactions, shall be calculated and eliminated from income against the balance sheet accounts, which amount at December 31, 2020 represents a reimbursement to Sellers in the amount of R$ 63 (R$ 27 – 2019).

(c) Merger of Drogaria Onofre Ltda. on August 1st, 2019

On August 1st, 2019, an Extraordinary General Meeting was held, which approved the proposal for the merger of Drogaria Onofre Ltda. into Raia Drogasil S.A., which was based on the appraisal report at book value on Onofre's net assets as of December 31, 2018, prepared by a specialized independent expert.

With the acquisition of Onofre on July 1st, 2019 and merger on August 1st, 2019, the Company recorded the results of one month of Onofre's operations in the Company's consolidated financial statements for the year ended December 31, 2018. See Note 10.1 b.

The balances merged by the Company at August 1st, 2019 are shown as follows:

Balances merged	August 1st, 2019
Current assets	274,373
Non-current assets	529,285
Current liabilities	(107,003)
Non-current liabilities	(398,653)
Net assets merged	**298,002**

All amounts in thousands of reais unless otherwise stated

6. Cash and cash equivalents

	Parent Company		Consolidated	
Cash and cash equivalents items	**2020**	**2019**	**2020**	**2019**
Cash and banks	116,076	121,382	117,167	123,597
Investment fund	-	-	2,174	-
Automatic investments (i)	11,871	45,766	13,145	47,156
Bank Deposit Certificates - CDB (ii)	53,716	2,892	53,716	2,892
Debentures held under repurchase agreements (iii)	673,594	124,823	694,155	125,581
Total	**855,257**	**294,863**	**880,357**	**299,226**

On the merger date of August 1st, 2019, the amount of Onofre's cash and cash equivalents merged was R$ 69,856.

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

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

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

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

The Group's exposure to interest rate risks on financial investments is disclosed in Note 26 a.

All amounts in thousands of reais unless otherwise stated

7. Trade receivables

	Parent Company		Consolidated	
Trade receivables items	**2020**	**2019**	**2020**	**2019**
Trade receivables	1,376,516	1,055,053	1,559,908	1,196,895
(-) Allowance for expected credit losses	(646)	(1,250)	(2,069)	(3,430)
(-) Adjustment to present value	(2,069)	(3,897)	(2,405)	(4,446)
Total	**1,373,801**	**1,049,906**	**1,555,434**	**1,189,019**

The aging of trade receivables is presented below:

	Parent Company		Consolidated	
Maturities	**2020**	**2019**	**2020**	**2019**
Not yet due	1,372,587	1,050,277	1,545,854	1,178,374
Overdue				
Between 1 and 30 days	2,954	1,745	6,565	8,612
Between 31 and 60 days	537	2,077	2,214	4,469
Between 61 and 90 days	60	178	969	1,041
Between 91 and 180 days	378	776	3,038	2,774
Between 181 and 360 days	-	-	1,268	1,625
(-) Provision for expected credit losses	(646)	(1,250)	(2,069)	(3,430)
(-) Adjustment to present value	(2,069)	(3,897)	(2,405)	(4,446)
Total	**1,373,801**	**1,049,906**	**1,555,434**	**1,189,019**

Days sales outstanding, represented by credit and debit cards and partnerships with companies and the Government, are approximately 40 days (36 days - 2019), term that is considered part of the normal conditions inherent in Group's operations. A substantial portion of the amounts overdue for more than 31 days is represented by collection through special plans and PBMs.

The changes in the Company's provision for expected credit losses are presented below:

	Parent Company		Consolidated	
Changes in the provision for expected credit losses	**2020**	**2019**	**2020**	**2019**
Opening balance	(1,250)	(892)	(3,430)	(1,355)
Additions	(13,951)	(8,196)	(18,427)	(12,607)
Reversals	3,155	3,097	6,947	5,261
Losses	11,400	4,741	12,841	5,271
Closing balance	**(646)**	**(1,250)**	**(2,069)**	**(3,430)**

Trade receivables are classified as financial assets at amortized cost and are therefore measured as described in Note 4 d – Impairment.

All amounts in thousands of reais unless otherwise stated

8. Inventory

	Parent Company		Consolidated	
Inventory items	**2020**	**2019**	**2020**	**2019**
Goods for resale	4,139,133	3,792,148	4,251,814	3,872,374
Consumables	6,317	1,215	6,317	1,215
(-) Provision for inventory losses [(i)]	(28,196)	(13,116)	(28,196)	(13,116)
(-) Adjustment to present value	(4,412)	(8,912)	(4,527)	(9,085)
Total inventory	**4,112,842**	**3,771,335**	**4,225,408**	**3,851,388**

(i) The changes in amounts of provision for inventory losses are due to the changes in estimates, as from January 1, 2020, in the provision for inventory losses of stores and distribution centers, the effect of which on the current period is R$ 13,663.

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

	Parent Company		Consolidated	
Changes in the expected losses	**2020**	**2019**	**2020**	**2019**
Opening balance	(13,116)	(11,140)	(13,116)	(11,140)
Additions	(24,505)	(8,737)	(24,505)	(8,737)
Write-offs	9,425	6,761	9,425	6,761
Closing balance	**(28,196)**	**(13,116)**	**(28,196)**	**(13,116)**

For the year ended December 31, 2020, cost of sales recognized in the statement of income was R$ 13,261,372 (R$ 11,586,282 – 2019) for the Parent Company and R$ 14,175,708 (R$ 12,367,239 - 2019) for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the year amounting to R$ 147,861 (R$ 105,483 - 2019) for the Parent Company and R$ 148,940 (R$ 106,773 - 2019) for the consolidated accounts.

The effect of the recognition, reversal or write-off of expected losses on goods inventories is included in cost of sales in the statement of income.

All amounts in thousands of reais unless otherwise stated

9. Recoverable taxes

	Parent Company		Consolidated	
Recoverable taxes items	**2020**	**2019**	**2020**	**2019**
Taxes on profit recoverable				
Withholding Income Tax (IRRF)	1,255	2,022	1,255	2,022
Corporate Income Tax (IRPJ)	214	1,557	7,162	8,763
Social Contribution on Net Profit (CSLL)	23	-	2,535	2,974
Subtotal	1,492	3,579	10,952	13,759
Other recoverable taxes				
Value Added Tax on Sales and Services (ICMS) – credit balance	43,710	78,044	48,396	83,812
ICMS – Refund of ICMS withheld in advance	10,543	25,519	10,543	25,519
ICMS on acquisitions of fixed assets	92,583	77,023	92,583	77,023
Social Integration Program (PIS)	427	1,535	1,120	2,219
Social Contribution on Revenue (COFINS)	2,706	7,814	5,623	10,823
Social Investment Fund - 1982 - securities issued to cover court-ordered debts	561	561	561	561
National Institute of Social Security (INSS)	3,301	-	3,301	-
Subtotal	153,831	190,496	162,127	199,957
Total	**155,323**	**194,075**	**173,079**	**213,716**
Current assets	59,288	135,771	61,531	145,617
Non-current assets	96,035	58,304	111,548	68,099

The ICMS credits amounting to R$ 43,710 and R$ 10,543 (R$ 78,044 and R$ 25,519 - 2019) for the Parent Company and R$ 48,396 and R$ 10,543 (R$ 83,812 and R$ 25,519 - Dec/2019) for the consolidated accounts are the result of applying different ICMS rates and of refunds of ICMS-ST (the Substitute Taxpayer Regime) on goods receiving and shipping operations carried out by the Company's distribution centers in the states of Pernambuco and Rio Grande do Sul, in order to supply their branches located in other Brazilian states. The respective tax credits have been progressively consumed in the last months, mainly due to goods that are not under the substitute taxpayer regime.

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

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

The Company has a lawsuit filed in 1986 to discuss the right to exclude the ICMS from the Pis and Finsocial calculation basis, for which a final and unappealable decision was rendered and the lawsuit was returned to the court of origin in May 2019. The effects of this ruling also apply to COFINS since the proceeding acknowledges FINSOCIAL succession by COFINS.

It is worth remembering that the criteria for calculating the credits and the modulation of the effects of the decision of the aforementioned Appeal are still awaiting the judgment of the appeal for clarification filed by the General Prosecution Unit of the National Treasury in RE No. 574.706.

Therefore, in order to assure greater legal certainty for the purpose of recovering credits from past periods, the Company opted to momentarily adopt the criterion determined by the Brazilian Federal Revenue under the terms of COSIT Private Letter Ruling 13/18 and Normative Instruction (IN) 1,911/19, having determined credits in the amount of R$ 4,809, which will be fully offset up to December 2020.

As these amounts refer to the period from 2013 to 2017, the principal (R$ 3,503) was recognized in the statement of income in noncurrent income and the monetary restatement (R$ 1,306) in the finance income for the year ended December 31, 2019.

If the ICMS amount specified as the calculation criterion is considered, the Company should record the approximate additional amount of R$ 46,000 corresponding to the period from 2013 to 2017.

The Company awaits judgment of the appeal for clarification filed by the General Prosecution Unit of the National Treasury in RE No. 574.706, in order to evaluate the best strategy to be adopted, within the possibilities of settlement of decision and/or offset of calculated credits. The guidance in CVM Official Letter SNC/SEP 01/2021 was also considered, observing the aspects related to the issue, and it was verified that at this moment there is not action to be taken in respect of this proceeding.

Undue payment of social security contributions on payroll discounts

A review of the payments related to social security contribution on the payroll made in the last five years was performed and it was identified an undue payment of the contributions on amounts discounted from the payroll that would qualify as not subject to tax levy or as exemption based on favorable court decisions that defend that the discounts on the payroll for purposes of co-participation of employees in benefits exempt from social security contribution – employer portion should also not be subject to any social security taxation . Accordingly, based on the analyses and opinions prepared by our lawyers and advisors, we determined an amount of tax credit of R$ 32,728, of which the amount of R$ 29,427 was used, the balance of R$ 3,301 remaining at December 31, 2020, which is expected to be offset by July 2021.

10. Investments

10.1 Business combinations and goodwill

(a) Business combination – 4Bio

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

The agreement establishes the granting of call and put options for all the remaining shares, corresponding to 45% of the total currently held by the founding stockholder, to be exercised after January 2021.On September 24, 2019, the Company and the Equity Investment Fund Kona ("Kona"), holder of the shares of the founding stockholder, as agreed, signed an amendment to the original purchase and sale agreement changing the period of exercise of the call options held by the Company and of the put options held by Kona, related to the remaining 45% of 4Bio, adopting the following criterion:

- 1st Call and put options of the shares, equivalent to 30% of the capital, will be exercisable between January 1, 2021 and June 30, 2021, having as reference the average of adjusted EBITDA of 4Bio for the years ended December 31, 2018 and 2019 and 2020;

- 2nd call and put options of shares, equivalent to 15% of the capital, will be exercisable after January 1st, 2024 and June 30th, 2024, having as reference the average of adjusted EBITDAs of 4Bio for the years ending December 31, 2021, 2022 and 2023.

It was also established that Mr. André Kina will continue as CEO of 4Bio at least until the end of 2023.
The fair value of the financial liability at December 31, 2020 was remeasured to R$ 46,448 (R$ 42,113 - 2019).

The fair value of the additional stock options recorded in Parent Company and consolidated accounts, of R$ 46,448 (R$ 42,113 - 2019), is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 12.60% in December 2020 (11.81% - 2019), (ii) an average growth rate of EBITDA of 18.02% in December 2020 (39.01% - 2019), considering the average of the EBITDAs projected for 2018 to 2021 and the multiple provided for in contract.

The goodwill arising on acquisition of R$ 12,907 (R$ 12,907 – 2019) for the Parent Company and R$ 25,563 (R$ 25,563 – 2019) for the consolidated accounts represents the future economic benefits expected from the business combination.

(b) Business combination – Onofre

With the acquisition of 100% of Drogaria Onofre's share units on July 1st, 2019 and its incorporation by Raia Drogasil on August 1st, 2019, as described in Note 5, the Company recorded one month of equity in the results of subsidiaries (July/2019) for Onofre.

10.2 Incorporation of company

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

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

The Stix Fidelidade program focuses on offering valuable and affordable benefits to participants in a wide range of segments, building customer loyalty and generating value for the companies that will integrate its platform.

The program was launched in October 2020, for customers who make their purchases at Droga Raia, Drogasil, Extra and Pão de Açúcar stores, accumulating Stix points.

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

On February 29, 2020, the Company made a capital contribution in the amount of R$ 3,289.

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

On October 22, 2020, the Company incorporated the private equity investment funds as a closed-end fund, pursuant to CVM Ruling 578 of August 30, 2016, as amended ("CVM Ruling 578"), to CVM Ruling 579 of August 30, 2016 and to Code ABVCAP/ANBIMA of Regulations and Best Practices, as well as other applicable legal and regulatory provisions, with the name RD Ventures Fundo de Investimento em participações – Multiestratégia ("FIP RD Ventures").
FIP RD Ventures is managed by Paraty Capital Ltda., a company headquartered at Rua dos Pinheiros, 870, conjunto 133, Pinheiros, in the city of São Paulo, state of São Paulo, registered at the National Registry of Legal Entities (CNPJ/ME) under No. 18.313.996/0001-50, duly authorized by the Brazilian Securities Commission ("CVM") to manage securities portfolio.

On December 30, 2020, the Company made a capital contribution in the amount of R$ 4,500.

All amounts in thousands of reais unless otherwise stated

10.3 Composition and changes in investments

At December 31, 2020 and December 31, 2019, the Company's investment balance is presented below:

Company name	Main activity	Interest (%)	2020	2019
4Bio Medicamentos S.A.	Retail of special medicines	55%	73,768	60,263
RD Ventures Fundo de Investimento em Participações - Multiestratégia	Fundo de Investimento em Participações	100%	4,498	-
Stix Fidelidade e Inteligência S.A. (i)	Platform of products and services for the accumulation and redemption of points	33%	(4,578)	-
Total			**73,688**	**60,263**

(i) The provision for losses on investments is recorded in "Other provisions".

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

	Parent Company	
Changes in investments	**2020**	**2019**
Balance at January 1st	60,263	40,108
Equity in the results of subsidiary – 4Bio	13,553	20,160
Restricted share compensation plan – 4Bio	(48)	(5)
Equity in the results of subsidiary – Stix (i)	(7,867)	-
Capital contribution Stix (i)	3,289	-
Capital contribution FIP RD Ventures	4,500	-
Equity in the results of subsidiary - FIP RD Ventures	(2)	-
Closing balance	**73,688**	**60,263**

(i) The provision for losses on investments is recorded in "Other Provisions".

All amounts in thousands of reais unless otherwise stated

For the purpose of calculating the equity in subsidiaries and affiliates, the Company adjusts the assets, liabilities and the respective changes in the result. At 4Bio and Onofre they are adjusted based on the allocation of the purchase price determined on the acquisition date. The table below shows the effects on profit for the year of subsidiaries 4Bio and Onofre, and affiliate Stix for the purposes of determining the equity in results of investees for the years ended December 31, 2020 and 2019:

	Parent Company			Equity in the results of investees	Parent Company		Equity in the results of investees
	4Bio	**Stix**	**FIP RD Ventures**		**4Bio**	**Onofre**	
Changes in equity in the results of investees	**2020**	**2020**	**2020**	**Total**	**2019**	**2019**	**Total**
Profit for the year	14,066	(7,867)	(2)	6,197	20,734	(26,518)	(5,784)
Amortization of surplus arising from the business combination	(513)	-	-	(513)	(574)	(8,078)	(8,652)
Total	**13,553**	**(7,867)**	**(2)**	**5,684**	**20,160**	**(34,596)**	**(14,436)**

	Parent Company				Parent Company		
	4Bio	**Stix**	**FIP RD Ventures**		**2019**	**Onofre**	
Adjusted equity	**2020**	**2020**	**2020**	**Total**	**2019**	**2019**	**Total**
Investment at book value	59,147	(4,578)	4,498	59,067	45,081	-	45,081
Allocation of the purchase price (surplus of assets)	2,679	-	-	2,679	3,454	355,263	358,717
Equity in earnings - July / 2019						(26,518)	(26,518)
Amortization of surplus value						(8,078)	(8,078)
Low of the brand of Onofre stores						(22,665)	(22,665)
Deferred income tax liability on allocation adjustments	(911)	-	-	(911)	(1,174)	-	(1,174)
Restricted share compensation plan	(54)	-	-	(54)	(5)	-	(5)
Write-off of investment by incorporation	-	-	-	-	-	(298,002)	(298,002)
Total adjusted equity	**60,861**	**(4,578)**	**4,498**	**60,781**	**47,356**	**-**	**47,356**
Goodwill based on expected future profitability	12,907	-	-	12,907	12,907	-	12,907
Investment balance	**73,768**	**(4,578)**	**4,498**	**73,688**	**60,263**	**-**	**60,263**

All amounts in thousands of reais unless otherwise stated

11. Property, plant and equipment and intangible assets

a) Property and equipment

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

Changes	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Total
Cost							
At January 1st, 2019	27,440	41,917	816,474	441,238	63,656	1,203,624	2,594,349
Additions	11,790	29,505	166,504	179,513	6,057	3,898,687	4,292,056
Disposals and write-offs	(3,584)	-	(13,511)	(23,083)	(1,652)	(211,111)	(252,941)
(Provision) / Reversal for store closures	-	-	(2,067)	-	-	(3,087)	(5,154)
At December 31, 2019	**35,646**	**71,422**	**967,400**	**597,668**	**68,061**	**4,888,113**	**6,628,310**
Reclassification of right of use lease – Note 2						(3,557,186)	3,557,186
Opening balance at January 1, 2020, after reclassification	**35,646**	**71,422**	**967,400**	**597,668**	**68,061**	**1,330,927**	**3,071,124**
Additions	-	-	146,580	116,534	8,059	289,808	560,981
Disposals and write-offs	(3,522)	(1,585)	(14,293)	(8,672)	(2,409)	(181,673)	(212,154)
(Provision) / Reversal for store closures	-	-	(2,695)	-	-	(3,673)	(6,368)
At December 31, 2020	**32,124**	**69,837**	**1,096,992**	**705,530**	**73,711**	**1,435,389**	**3,413,583**
Accumulated depreciation							
Average annual depreciation rates (%)		**2,5 - 2,7**	**7,4 - 10**	**7,1 – 15,8**	**20 – 23,7**	**13 - 20**	
At January 1st, 2019	-	(22,068)	(280,684)	(216,166)	(23,749)	(507,997)	(1,050,664)
Additions	-	(3,148)	(90,529)	(78,987)	(8,673)	(805,593)	(986,930)
Disposals and write-offs	-	-	9,466	6,522	1,114	196,441	213,543
Provision / (Reversal) for store closures	-	-	516	-	-	1,164	1,680
At December 31, 2019	-	**(25,216)**	**(361,231)**	**(288,631)**	**(31,308)**	**(1,115,985)**	**(1,822,371)**
Reclassification of right of use lease – Note 2	-	-	-	-	-	524,582	524,582
Opening balance at January 1, 2020, after reclassification	-	**(25,216)**	**(361,231)**	**(288,631)**	**(31,308)**	**(591,403)**	**(1,297,789)**
Additions	-	(1,892)	(96,433)	(80,936)	(7,782)	(280,696)	(467,739)
Disposals and write-offs	-	222	13,043	8,247	784	180,208	202,504
Provision / (Reversal) for store closures	-	-	1,331	-	-	2,321	3,652
At December 31, 2020	**-**	**(26,886)**	**(443,290)**	**(361,320)**	**(38,306)**	**(689,570)**	**(1,559,372)**
Net balance							
At December 31, 2019	**35,646**	**46,206**	**606,169**	**309,037**	**36,753**	**3,772,128**	**4,805,939**
Reclassification of right of use lease – Note 2	**-**	**-**	**-**	**-**	**-**	**(3,032,604)**	**(3,032,604)**
Opening balance at January 1, 2020, after reclassification	**35,646**	**46,206**	**606,169**	**309,037**	**36,753**	**739,524**	**1,773,335**
At December 31, 2020	**32,124**	**42,951**	**653,702**	**344,210**	**35,405**	**745,819**	**1,854,211**

All amounts in thousands of reais unless otherwise stated

Changes in the consolidated property and equipment are presented below:

Changes	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Total
Cost							
At January 1st, 2019	27,440	41,917	817,963	442,875	63,909	1,205,547	2,599,651
Additions	11,790	29,505	166,735	180,463	6,151	3,904,622	4,299,266
Disposals and write-offs	(3,584)	-	(13,512)	(23,083)	(1,652)	(211,111)	(252,942)
(Provision) / Reversal for store closures	-	-	(2,067)	-	-	(3,087)	(5,154)
At December 31, 2019	**35,646**	**71,422**	**969,119**	**600,255**	**68,408**	**4,895,971**	**6,640,821**
Reclassification of right of use lease – Note 2	-	-	-	-	-	(3,562,473)	(3,562,473)
Opening balance at January 1, 2020, after reclassification	**35,646**	**71,422**	**969,119**	**600,255**	**68,408**	**1,333,498**	**3,078,348**
Additions	-	-	146,782	117,520	8,059	290,410	562,771
Disposals and write-offs	(3,522)	(1,585)	(14,294)	(8,672)	(2,409)	(181,673)	(212,155)
(Provision) / Reversal for store closures	-	-	(2,695)	-	-	(3,673)	(6,368)
At December 31, 2020	**32,124**	**69,837**	**1,098,912**	**709,103**	**74,058**	**1,438,562**	**3,422,596**
Accumulated depreciation							
Average annual depreciation rates (%)		2,5 – 2,7	7,4 - 10	7,1 – 15,8	20 – 23,7	13 – 20	
At January 1st, 2019	-	(22,068)	(281,155)	(216,836)	(23,966)	(508,666)	(1,052,691)
Additions	-	(3,148)	(90,677)	(79,278)	(8,608)	(807,382)	(989,093)
Disposals and write-offs	-	-	9,466	6,522	1,114	196,441	213,543
Provision / (Reversal) for store closures	-	-	516	-	-	1,164	1,680
At December 31, 2019	**-**	**(25,216)**	**(361,850)**	**(289,592)**	**(31,460)**	**(1,118,443)**	**(1,826,561)**
Reclassification of right of use lease – Note 2		-	-	-	-	525,948	525,948
Opening balance at January 1, 2020, after reclassification	**-**	**(25,216)**	**(361,850)**	**(289,592)**	**(31,460)**	**(592,495)**	**(1,300,613)**
Additions	-	(1,892)	(96,595)	(81,390)	(7,823)	(281,219)	(468,919)
Disposals and write-offs	-	222	13,044	8,246	784	180,208	202,504
Provision / (Reversal) for store closures	-	-	1,331	-	-	2,321	3,652
At December 31, 2020	**-**	**(26,886)**	**(444,070)**	**(362,736)**	**(38,499)**	**(691,185)**	**(1,563,376)**
Net balance							
At December 31, 2019	**35,646**	**46,206**	**607,269**	**310,663**	**36,948**	**3,777,528**	**4,814,260**
Reclassification of right of use lease – Note 2	**-**	**-**	**-**	**-**	**-**	**(3,036,525)**	**(3,036,525)**
Opening balance at January 1, 2020, after reclassification	**35,646**	**46,206**	**607,269**	**310,663**	**36,948**	**741,003**	**1,777,735**
At December 31, 2020	**32,124**	**42,951**	**654,842**	**346,367**	**35,559**	**747,377**	**1,859,220**

All amounts in thousands of reais unless otherwise stated

b) Intangible assets

Changes in the Company's intangible assets are presented below:

Changes	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Trademarks	Customers portfolio	Total
Cost							
At January 1st, 2019	278,941	140,078	22,275	780,084	159,751	41,700	1,422,829
Additions	49,843	96,836	-	-	16,900	-	163,579
Disposals and write-offs	(39,039)	(31,414)	-	-	(98)	-	(70,551)
Provision / (Reversal) for store closures	(1,606)	6	-	-	-	-	(1,600)
At December 31, 2019	**288,139**	**205,506**	**22,275**	**780,084**	**176,553**	**41,700**	**1,514,257**
Additions	27,249	81,266	-	-	1,357	-	109,872
Disposals and write-offs	(44,346)	(31,541)	-	-	(75)	-	(75,962)
Provision / (Reversal) for store closures	234	9	-	-	-	-	243
At December 31, 2020	**271,276**	**255,240**	**22,275**	**780,084**	**177,835**	**41,700**	**1,548,410**
Accumulated amortization							
Average annual amortization rates (%)	17 - 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6.7 - 25	
At January 1st, 2019	(154,498)	(59,905)	(2,387)	-	-	(38,097)	(254,887)
Additions	(53,921)	(60,610)	-	-	(293)	(460)	(115,284)
Disposals and write-offs	36,672	30,506	-	-	-	-	67,178
Provision / (Reversal) for store closures	654	(3)	-	-	-	-	651
At December 31, 2019	**(171,093)**	**(90,012)**	**(2,387)**	-	**(293)**	**(38,557)**	**(302,342)**
Additions	(45,108)	(46,612)	-	-	(702)	(460)	(92,882)
Disposals and write-offs	44,102	31,283	-	-			75,385
Provision / (Reversal) for store closures	215	(3	-	-			212
At December 31, 2020	**(171,884)**	**(105,344)**	**(2,387)**	**-**	**(995)**	**(39,017)**	**(319,627)**
Net balance							
At December 31, 2019	117,046	115,494	19,888	780,084	176,260	3,143	1,211,915
At December 31, 2020	99,392	149,896	19,888	780,084	176,840	2,683	1,228,783

All amounts in thousands of reais unless otherwise stated

Changes in the consolidated intangible assets are as follows:

ges	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Goodwill on business acquisition (4Bio)	Trademarks	Raia S.A. customers portfolio	4Bio customer relationship	Total
Cost									
At January 1st, 2019	278,941	141,745	22,275	780,084	25,563	164,820	41,700	8,463	1,463,591
Additions	49,843	97,903	-	-	-	16,900	-		164,646
Disposals and write-offs	(39,039)	(31,416)	-	-	-	(98)	-	(535)	(71,088)
Provision / (Reversal) for store closures	(1,606)	6	-	-	-	-	-	-	(1,600)
At December 31, 2019	**288,139**	**208,238**	**22,275**	**780,084**	**25,563**	**181,622**	**41,700**	**7,928**	**1,555,549**
Additions	27,249	82,712	-	-	-	1,357	-	-	111,318
Disposals and write-offs	(44,344)	(31,541)	-	-	-	(75)	-	-	(75,960)
Provision / (Reversal) for store closures	234	9	-	-	-	-	-	-	243
At December 31, 2020	**271,278**	**259,418**	**22,275**	**780,084**	**25,563**	**182,904**	**41,700**	**7,928**	**1,591,150**
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	
At January 1st, 2019	(154,498)	(60,551)	(2,387)	-	-	(3,295)	(38,097)	(2,375)	(261,203)
Additions	(53,921)	(61,016)	-	-	-	(1,307)	(460)	(566)	(117,270)
Disposals and write-offs	36,673	30,506	-	-	-	-	-	535	67,714
Provision / (Reversal) for store closures	654	(3)	-	-	-	-	-	-	651
At December 31, 2019	**(171,092)**	**(91,064)**	**(2,387)**	**-**	**-**	**(4,602)**	**(38,557)**	**(2,406)**	**(310,108)**
Additions	(45,108)	(47,248)	-	-	-	(1,547)	(460)	(566)	(94,929)
Disposals and write-offs	44,101	31,282	-	-	-	-	-	-	75,383
Provision / (Reversal) for store closures	216	(3)	-	-	-	-	-	-	212
At December 31, 2020	**(171,883)**	**(107,033)**	**(2,387)**	**-**	**-**	**(6,149)**	**(39,017)**	**(2,972)**	**(329,441)**
Net balance									
At December 31, 2019	117,047	117,174	19,888	780,084	25,563	177,020	3,143	5,522	1,245,441
At December 31, 2020	99,395	152,385	19,888	780,084	25,563	176,755	2,683	4,956	1,261,709

(i) Goodwill on the acquisition of companies

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

Goodwill on the acquisition of Drogaria Vison Ltda.

Goodwill in the amount of R$ 19,888 refers to the acquisition of Drogaria Vison Ltda. on February 13, 2008, which was included in the Company's operations as from June 30, 2008.

Goodwill is based on expected future profitability, pursuant to an appraisal prepared by an independent expert, and was amortized from April to December 2008. As provided for in CPC Guidance (OCPC) 02, since 2009, goodwill has no longer been amortized, but has been subject to impairment testing ever since.

Goodwill on the acquisition of Raia S.A.

The Company computed goodwill of R$ 780,084 in the business combination with Raia S.A., occurred on November 10, 2011, which is based on expected future profitability resulting from the positive difference between balances of assets assigned and those received.

Goodwill on the acquisition of 4Bio Medicamentos S.A.

The Company computed goodwill of R$ 25,563 in the business combination with 4Bio Medicamentos S.A., occurred on October 1st, 2015, of which the balance was supplemented by the final price adjustment as of March 31, 2016 of R$ 2,040, which is based on expected future profitability resulting from the positive difference between the balances of assets assigned and those received.

(ii) Impairment testing of goodwill and intangible assets with indefinite useful life

At December 31, 2020, the Company assessed the recovery of the carrying amount of the goodwill on the acquisitions of Drogaria Vison Ltda., Raia S.A. and 4Bio Medicamentos S.A., 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, applied to cash flow projections is 14.40%(17.58% - 2019) before taxes and 10.30%(11.6% - 2019) after taxes for Raia S.A., of 16.90% (17.58% - 2019) before taxes and of 12.00% (11.60% - 2019) after taxes for Drogaria Vison Ltda.. and 17.00% (17.9% - 2019) before taxes and 12.60% (11.81% - 2019) after taxes for 4Bio Medicamentos S.A. 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 referred CGUs, 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. The average growth percentages were estimated at: (i) average for the next three years of 8.70% (10.36% - 2019) with perpetuity of 3.30% (3.70% - 2019) for Raia S.A., (ii) average for the next three years of 6.57% (4.27% - 2019) with perpetuity of 3.30% (3.70% - 2019) for Drogaria Vison Ltda., and (iii) average for the next three years of 11.96% (20.64% - 2019) with perpetuity of 3.30% (3.70% - 2019) for 4Bio.

Gross margins

Gross margins are based on amounts for the most recent month, to avoid seasonal variations or changes in market conditions. These margins are increased in the periods in which the drug price adjustments authorized by the body controlled by the Brazilian Health Regulatory Agency (Anvisa) (March 31 of each year) affect them 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 of drug price adjustment are based on historical adjustments and expectations of the pharmaceutical market.

Growth rate adjustments

These are determined based on market rates, the historical performance of CGUs and expected future performance assessed by Group management.

Sensitivity analysis

If the gross margin used in the calculation were 1 p.p. lower than Management's estimates at December 31, 2020, and likewise if the discount rate applied to discounted cash flows was 1 p.p. higher than Management's estimates, even so no impairment amounts in the goodwill impairment analysis would be recorded.

The determination of impairment of goodwill depends on certain key assumptions as previously described, which are influenced by the market conditions prevailing at the timing in which such impairment is tested and, thus, it is not possible to determine whether impairment losses will occur in the future and, if they occur, if they would be material.

12. Employees benefits

(a) Profit sharing program

The Group has a profit sharing program intended mainly to measure the performance of employees during the year. On a monthly basis, a liability and an expense for profit sharing are recognized in the statement of income based on estimates of achievement of operating targets and specific objectives established and approved by Management. The recognition as liabilities is made in the account of salaries and social charges and in the statement of income the recognition is made in the account of selling expenses and general and administrative expenses (Note 22).

All amounts in thousands of reais unless otherwise stated

(b) Other benefits

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

The Group does not grant post-employment benefits, severance pay benefits or other long-term benefits.

13. Trade payables

	Parent Company		Consolidated	
Trade payables items	**2020**	**2019**	**2020**	**2019**
Goods suppliers	2,810,531	2,460,616	2,971,215	2,579,860
Service providers	105,359	63,817	107,973	65,267
Materials suppliers	20,841	10,196	20,935	10,400
Assets suppliers	14,258	11,926	14,679	12,359
Adjustment to present value	(7,610)	(14,262)	(7,864)	(14,650)
Total	**2,943,379**	**2,532,293**	**3,106,938**	**2,653,236**

Certain suppliers have assigned Company notes, without right of subrogation, and this advance on credit notes generated a financial gain to the Company in the amount of R$ 8,330 (R$ 963 - 2019). In this operation, the financial institution takes into consideration the credit risk of the buyer (in this case, the Company), there is no change in the average payment period and there is no obligation that results in expenses for the Company. The Company's management also considered the guidance in CVM Circular Letter SNC/SEP 01/2021, observing the qualitative aspects on the issue, and concluded that there are no impacts because there is no change to the conditions originally agreed as a result of these supplier finance transactions.

All amounts in thousands of reais unless otherwise stated

14. Borrowing, debentures and promissory notes

(a) Breakdown

		Parent Company		Consolidated	
Borrowing items	**Average annual long-term interest rate**	**2020**	**2019**	**2020**	**2019**
BNDES - Subloan		**28,895**	**96,646**	**28,895**	**96,646**
Businesses	TLP + 2.02% (+ 2.09% - 2019) p.a.	11,480	38,915	11,480	38,915
Businesses	SELIC + 2.42% (+ 2.37% - 2019) p.a.	14,483	48,406	14,483	48,406
Machinery, equipment and vehicles	TLP + 2.02% (+ 2.02% - 2019) p.a.	2,373	7,107	2,373	7,107
Machinery, equipment and vehicles	PSI + 9.54% (+9.54% - 2019) p.a.		956		956
Machinery, equipment and vehicles	SELIC + 2.42% (2.42% - 2019) p.a.	12	33	12	33
Other		547	1,229	547	1,229
Debentures		**869,113**	**1,029,830**	**869,113**	**1,029,830**
1st issue of debentures	104.75% of CDI	100,072	167,696	100,072	167,696
2nd issue of debentures	104.50% of CDI	223,087	314,709	223,087	314,709
3rd issue of debentures – Certificate of Real Estate Receivables	98.50% of CDI	246,104	247,356	246,104	247,356
4th issue of debentures	106.99% of CDI	299,850	300,069	299,850	300,069
Borrowing		**413,552**	**-**	**447,005**	**-**
Direct loans Law 4,131	100.00% of CDI + 3.30%	312,628	-	312,628	-
Direct loans Law 4,131	100.00% of CDI + 3.30%	100,924	-	100,924	-
Other	100.00% of CDI + 2.95%		-	33,453	-
Promissory Notes		**308,441**	**-**	**308,441**	**-**
1st issue of promissory notes	100.00% of CDI + 3.00%	308,441	-	308,441	
Total		**1,620,001**	**1,126,476**	**1,653,454**	**1,126,476**
Current liabilities		497,751	228,661	531,204	228,661
Non-current liabilities		1,122,250	897,815	1,122,250	897,815

All amounts in thousands of reais unless otherwise stated

The amounts above have the following payment flow forecast:

	Parent Company		Consolidated	
Payment forecast	**2020**	**2019**	**2020**	**2019**
2020	-	228,661	-	228,661
2021	497,751	154,458	531,204	154,458
2022	531,286	121,358	531,286	121,358
2023	43,405	71,578	43,405	71,578
2024 and thereafter	547,559	550,421	547,559	550,421
Total	**1,620,001**	**1,126,476**	**1,653,454**	**1,126,476**

(b) Characteristics of BNDES borrowing

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

The subloans for the Social Project, Development of Own Brand and Acquisition of National Software are grouped in the Other line. Part of the Company's borrowing from BNDES has been taken out in the form of subloans, totaling R$ 28,895 (R$ 96,646 - 2019), subject to the following restrictive covenants:

(i) Earnings before Interest, Taxes, Depreciation and Amortization (Ebitida) margin (Ebitida/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, 2020 and 2019, the Company was in compliance with these covenants.

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

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

(c) Characteristics of the debentures and promissory notes

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

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
1st issue – single series	R$ 300,000	60	4/24/2020	2020-2022	CDI + 3.00%	R$ 5,000

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

All amounts in thousands of reais unless otherwise stated

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
4th issue – single series	R$ 300,000	300,000	6/17/2019	2019-2027	106.99%	R$ 1

On February 1, 2019, the Company approved, through the Extraordinary Meeting of the Board of Directors, the 3rd issue of non-convertible, simple unsecured debentures in a single series, in the total amount of R$ 250,000, with remuneration of 98.5% of CDI and payment term of 7 years. Interest payments will be semi-annual, and principal will be amortized in two equal annual and consecutive installments, the last installment to be paid on March 13, 2026. The funds raised are being used for the construction, expansion, development and renovation of certain properties indicated by the Company. This operation is linked to the real estate receivables certificates issued by Vert Companhia Securitizadora, which will be issued with guarantee in the "CRI" Debentures, object of a public offering of distribution under CVM No. 400.

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
3rd issue – Single Series	R$ 250,000	250,000	3/15/2019	2019-2026	98.5%	R$ 1

The 2nd issue of debentures was carried out on April 2, 2018 and has maturity of 60 months (April/2023).

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
2nd issue - 9 series	R$ 400,000	40,000	4/02/2018	2018-2023	104.5%(*)	R$ 10

(*) Weighted average rate of series.

The amortization of the principal related to the 2nd issue of debentures will occur in 9 semiannual consecutive installments, the first being from the 12th month after the issue. The payment of the remuneration will occur on a semiannual basis, and the first payment is due in April 2019, and others always in April and October of each year, until the due date.

The characteristics of the debentures issued in 2017 were not changed, as shown in the table below:

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
1st issue – single series	R$ 300,000	30,000	4/19/2017	2017-2022	104.75%	R$ 10

The costs incurred on the issues of the Company's debentures (2017 - 1st issue, 2018 - 2nd issue and 2019 - 3rd and 4th issues) and 2020 - 1st issue of promissory notes, including fees, commissions and other costs, totaled R$ 14,293 and are classified in line item of the respective debentures and promissory notes, and are being recognized over the total period of the debt. At December 31, 2020, the amount to be recognized was R$ 8,505 (R$ 7,626 - 2019), and is presented net in debentures and promissory notes balance.

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

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

All amounts in thousands of reais unless otherwise stated

The calculation of net debt, the basis for determining the covenants calculation of Company's debentures and promissory notes, considers the balances of borrowings. As described in Note 15, the lease obligations are being presented in a separate line item in the financial statements, and therefore, are not included in the net debt calculation.

Covenants are measured quarterly and, in 2020 and 2019, the Company is in compliance with such requirements.

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

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

(d) Characteristics of borrowings

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

On March 31, 2020, the Company carried out loan operation – 4131, in the amount of R$ 300,000, with remuneration of 100% of the cumulative variation of the average daily rates of the DI, plus a surcharge of 3.30% per year and payment term of 1 year. Interest payments and amortization of principal will be carried out on the maturity date. The funds were used to improve the working capital.

The transaction costs incurred in borrowings - 4131 are of 0.25% referring to the amount of R$ 100,000, with a term of 2 years, and 0.20% referring to the amount of R$ 300,000, with a term of 1 year, including fees, commissions and other costs, which amounted to R$ 1,104 and are classified in line item of the respective borrowings, and are being recognized over the total period of the debt. At December 31, 2020, the amount to be recognized was R$ 404, and is presented net in the borrowings balance.

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

(e) Reconciliation of net debt

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

	Parent Company		Consolidated	
Composition and changes in net debt	**2020**	**2019**	**2020**	**2019**
Short-term borrowings	497,751	228,661	531,204	228,661
Long-term borrowings	1,122,250	897,815	1,122,250	897,815
Total debt	1,620,001	1,126,476	1,653,454	1,126,476
(-) Cash and cash equivalents	(855,257)	(294,863)	(880,357)	(299,226)
Net debt	**764,744**	**831,613**	**773,097**	**827,250**

All amounts in thousands of reais unless otherwise stated

			Parent Company
Changes in net debt	**Borrowing**	**Cash and cash equivalents**	**Net debt**
Net debt at January 1st, 2020	1,126,476	(294,863)	831,613
Funding	695,287	-	695,287
Accrued interest	58,991	-	58,991
Payment of interest	(40,084)	-	(40,084)
Amortization of principal	(225,245)	-	(225,245)
Transaction cost	4,576	-	4,576
Increase (decrease) in cash and cash equivalents	-	(560,394)	(560,394)
Net debt at December 31, 2020	**1,620,001**	**(855,257)**	**764,744**

			Consolidated
Changes in net debt	**Borrowing**	**Cash and cash equivalents**	**Net debt**
Net debt at January 1, 2020	1,126,476	(299,226)	827,250
Funding	728,216	-	728,216
Accrued interest	59,515	-	59,515
Payment of interest	(40,084)	-	(40,084)
Amortization of principal	(225,245)	-	(225,245)
Transaction cost	4,576	-	4,576
Increase (decrease) in cash and cash equivalents	-	(581,131)	(581,131)
Net debt at December 31, 2020	**1,653,454**	**(880,357)**	**773,097**

15. Leases

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

Since January 1, 2019, the Company has recognized lease agreements in its balance sheet as required by CPC06 (R2) / IFRS 16 as right-of-use assets and lease liabilities.

In compliance with CVM guidelines contained in CVM Circular Letter 2/2019, the Company adopted the use of the Nominal Discount Rate for lease agreements for the year ended December 31, 2019, disregarding the Real Rate applied at the beginning of effectiveness of that standard. The quarterly interim financial information disclosed in 2019 has not changed.

Information on the Group's leases are as follows :

All amounts in thousands of reais unless otherwise stated

As a lessee

Right-of-use asset

The changes in the Parent Company's right-of-use are presented below:

	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	2020 Total	2019 Total
At January 1st	2,749,100	8,980	271,770	2,662	92	3,032,604	3,174,315
New agreements	375,950	5,012	11,967	17	-	392,946	355,054
Remeasurements (i)	362,453	(294)	28,096	(1,799)	(38)	388,418	61,361
Termination of agreements	(38,387)	(2,506)	(2,587)	(191)	-	(43,671)	(5,553)
Depreciation	(554,699)	(1,812)	(54,836)	(537)	(19)	(611,903)	(530,984)
At December 31	**2,894,417**	**9,380**	**254,410**	**152**	**35**	**3,158,394**	**3,054,193**

The changes in the Consolidated right-of-use are as follows:

	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	2020 Total	2019 Total
At January 1st	2,749,100	9,101	275,570	2,662	92	3,036,525	3,178,480
New agreements	375,950	5,047	12,664	17	-	393,678	357,247
Remeasurements (i)	362,453	(325)	27,856	(1,799)	(38)	388,147	60,290
Termination of agreements	(38,387)	(2,506)	(2,587)	(191)	-	(43,671)	(5,553)
Depreciation	(554,699)	(1,858)	(56,322)	(536)	(19)	(613,434)	(533,806)
At December 31	**2,894,417**	**9,459**	**257,181**	**153**	**35**	**3,161,245**	**3,065,658**

(i) The Company remeasures the right-of-use asset in order to reflect changes in future payments; changes in terms initially determined for the implementation of CPC 06 (R2) / IFRS 16 - Leases and contracts recognized as operating leases (CPC 06 (R1) / IAS 17 - Leases), initially determined as short-term contracts.

All amounts in thousands of reais unless otherwise stated

Lease liabilities

The changes in the Parent Company's lease liabilities are as follows:

	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	2020 Total	2019 Total
At January 1st	2,882,824	8,401	286,616	2,711	103	3,180,655	3,174,315
New agreements	375,950	5,012	11,967	17	-	392,946	355,054
Remeasurements (i)	362,453	(294)	28,096	(1,799)	(38)	388,418	61,361
Interest	210,971	268	16,469	68	5	227,781	215,722
Payments / Compensations	(704,411)	(11,316)	(43,851)	(2,185)	(87)	(761,850)	(625,797)
At December 31	**3,127,787**	**2,071**	**299,297**	**(1,188)**	**(17)**	**3,427,950**	**3,180,655**

The changes in the Consolidated lease liabilities are presented below:

	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	2020 Total	2019 Total
Balance at January 1st	2,882,824	8,537	290,458	2,711	103	3,184,633	3,178,480
New agreements	375,950	4,978	12,664	17	-	393,609	357,247
Remeasurements (i)	362,453	(326)	27,856	(1,799)	(38)	388,146	60,290
Interest	210,971	273	16,702	68	5	228,019	216,100
Payments / Compensations	(704,411)	(11,364)	(45,435)	(2,185)	(87)	(763,482)	(627,484)
At December 31	**3,127,787**	**2,098**	**302,245**	**(1,188)**	**(17)**	**3,430,925**	**3,184,633**

(i) The Company remeasures the lease liabilities in order to reflect changes in future payments; changes in terms initially determined for the implementation of CPC 06 (R2) / IFRS 16 - Leases and contracts recognized as operating leases (CPC 06 (R1) / IAS 17 - Leases), initially determined as short-term contracts.

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

	Parent Company		Consolidated	
Analysis of maturities - Lease liabilities	**2020**	**2019**	**2020**	**2019**
Less than 1 year	501,924	565,204	503,318	566,645
1 to 5 years	2,431,810	2,255,718	2,433,391	2,258,255
Over 5 years	494,216	359,733	494,216	359,733
Total	**3,427,950**	**3,180,655**	**3,430,925**	**3,184,633**
Lease liabilities in the balance sheet at December 31				
Current	501,924	565,204	503,318	566,645
Non-current	2,926,026	2,615,451	2,927,607	2,617,988

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

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

All amounts in thousands of reais unless otherwise stated

Future considerations	Parent Company/ Consolidated	Potential PIS / COFINS (9.25%)
Less than 1 year	467,657	43,258
1 to 2 years	457,076	42,280
2 to3 years	417,480	38,617
3 to 4 years	370,387	34,261
4 to 5 years	304,230	28,141
Over 5 years	617,055	57,078
Total	**2,633,885**	**243,635**

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

In compliance with CVM Circular Letter 02/2019 and CPC 06 (R2) / IFRS 16, justified by the fact that the Group has not applied the methodology of nominal flows due to the prohibition imposed by CPC 06 (R2) of future inflation projection and in order to provide additional information to users, the analysis of contract maturities and installments not yet discounted at December 31, 2020 is presented below:

	Parent Company			Consolidated		
Year	Net present value	Estimated interest (future) (i)	Amounts of installments not yet discounted	Net present value	Estimated interest (future) (i)	Amounts of installments not yet discounted
2021	565,245	202,003	767,248	566,639	202,003	768,642
2022	575,630	164,760	740,390	575,630	164,760	740,390
2023	544,594	128,602	673,196	544,594	128,602	673,196
2024	495,583	94,848	590,431	495,583	94,848	590,431
2025	412,416	65,521	477,937	412,416	65,521	477,937
2026	315,450	42,333	357,783	317,031	42,333	359,364
2027 and thereafter	519,032	53,689	572,721	519,032	53,689	572,721
Total	**3,427,950**	**751,756**	**4,179,706**	**3,430,925**	**751,756**	**4,182,681**

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

All amounts in thousands of reais unless otherwise stated

Amount recognized in the statement of income

	Parent Company		Consolidated	
Amount recognized in the statement of income	**2020**	**2019**	**2020**	**2019**
Amortization of right-of-use asset	611,903	530,984	613,434	533,806
Interest on lease liabilities	227,781	215,722	228,019	216,100
Adjustment for lease write-off	(1,379)	(37)	(1,379)	(37)
Variable payments not included in the measurement of lease liabilities	29,272	86,154	30,208	87,514
Revenue on subleases of right-of-use assets	(2,904)	(2,896)	(2,904)	(3,002)
Expenses related to short-term and/or low-value leases	19,192	20,047	19,192	20,047

Amount recognized in the statement of cash flow

	Parent Company		Consolidated	
Statement of Cash Flows	**2020**	**2019**	**2020**	**2019**
Non-cash items	**737,693**	**3,585,177**	**738,153**	**3,590,464**
Initial recognition of lease agreements	-	3,174,315	-	3,178,480
New agreements	392,946	355,054	393,677	357,247
Remeasurement	388,418	61,361	388,147	60,290
Termination of agreements	(43,671)	(5,553)	(43,671)	(5,553)
In operating activities:	**227,781**	**215,722**	**228,019**	**216,100**
Interest on lease expenses	227,781	215,722	228,019	216,100
In financing activities:	**(761,850)**	**(758,749)**	**(763,482)**	**(778,108)**
Payment of lease liabilities	(761,850)	(758,749)	(763,482)	(778,108)

(i) Payment of variable leases based on sales

Some operating real estate leases contain variable lease payments based on a percentage of 2% to 12% of the sales made during the period in the leased operating real estate. These payment conditions are common for stores in the country where the Group operates. Variable lease payments for the year ended December 31, 2020 amounted to R$ 4,518 (R$ 9,212 – 2019) for Parent Company and consolidated accounts.

(ii) Leases fitting into exceptions and practical expedients

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

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

As a lessor

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

All amounts in thousands of reais unless otherwise stated

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

	Parent Company/Consolidated	
Undiscounted lease payments	**2020**	**2019**
Less than 1 year	1,846	2,079
1 to 2 years	1,675	1,637
2 to 3 years	1,280	1,442
3 to 4 years	1,025	1,105
4 to 5 years	591	219
Over 5 years	818	920
Total	**7,235**	**7,402**

16. Provision for contingencies and judicial deposits

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

At December 31, 2020 and 2019, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

	Parent Company		Consolidated	
Judicial deposits items	**2020**	**2019**	**2020**	**2019**
Labor and social security	95,942	94,101	95,942	94,101
Tax	16,996	15,380	17,185	15,380
Civil	1,713	1,818	1,713	1,818
Subtotal	114,651	111,299	114,840	111,299
(-) Corresponding judicial deposits	(11,183)	(18,177)	(11,183)	(18,177)
Total	**103,468**	**93,122**	**103,657**	**93,122**
Current liabilities	32,646	26,008	32,835	26,008
Non-current liabilities	70,822	67,114	70,822	67,114

Changes in the provision are as follows:

	Parent Company		Consolidated	
Changes in the provision	**2020**	**2019**	**2020**	**2019**
At January 1	111,299	74,488	111,299	74,488
Additions of new lawsuits and review of estimate	55,739	83,880	55,928	83,880
Write-offs for payments	(81,844)	(58,267)	(81,844)	(58,267)
Reversals due to changes in lawsuits	(7,225)	(14,262)	(7,225)	(14,262)
Revaluation of amounts	22,392	18,527	22,392	18,527

All amounts in thousands of reais unless otherwise stated

Monetary restatement	14,290	6,933	14,290	6,933
Closing balance at December 31	**114,651**	**111,299**	**114,840**	**111,299**

The provision for legal claims took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable, and a portion of these proceedings is guaranteed by pledged assets (Note 25).

Possible losses

As of December 31, 2020 and 2019, the Group has tax and civil lawsuits related to fines applied by the relevant administrative authorities, tax rate difference in interstate transfers and tax enforcements as well as of civil nature due to indemnity claims for losses and pain and suffering arising from consumer relations, involving possible loss as assessed by Management and its legal advisors in the amount of R$ 51,192 (R$ 33,138 - 2019) for Parent Company and Consolidated, of which R$ 4,111 (R$ 551 - 2019) corresponds to the civil contingencies and R$ 47,081 (R$ 32,587 - 2019) to tax contingencies.

Judicial deposits

At December 31, 2020 and 2019, the Group had the following judicial deposit amounts for which no corresponding provision had been set up:

	Parent Company		Consolidated	
Analysis of judicial deposits	**2020**	**2019**	**2020**	**2019**
Labor and social security	15,285	14,353	15,285	14,353
Tax	10,464	12,572	10,464	12,572
Civil	3,338	3,076	3,338	3,076
(-) Identified judicial deposits	(3,334)	-	(3,334)	-
Total	**25,753**	**30,001**	**25,753**	**30,001**

Labor contingencies

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

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

17. Arbitration restricted asset/liability

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

The arbitration asset/liability is presented below:

	Parent Company/Consolidated	
Arbitration asset/liability items	**2020**	**2019**
Arbitration restricted asset	341,906	332,927
Financial investment	207,721	202,357
Letter of guarantee/indemnification asset	134,185	130,571
Arbitration restricted liability	(341,843)	(332,900)
Obligations with former shareholders	(342,727)	(333,294)
Exclusion of operation effects	884	394
Total	**63**	**27**

The net position of the arbitration asset/liability of R$ 63 (R$ 27 - 2019) represents the amount in excess for the guarantee of settlement in order to comply with the existing obligation.

18. Income tax and social contribution

(a) Income tax and social contribution paid

At December 31, 2020 and 2019, effective income tax and social contribution are as follows:

	Parent Company		Consolidated	
Income tax and social contribution paid items	**2020**	**2019**	**2020**	**2019**
Profit before income tax and social contribution	621,060	793,095	616,368	784,168
Interest on capital and additional interest on capital proposed	(193,000)	(211,501)	(193,000)	(211,501)
Taxable profit	428,060	581,594	423,368	572,667
Combined tax rate (25% for income tax and 9% for social contribution)	34	34	34	34
Theoretical tax expense	(145,540)	(197,742)	(143,945)	(194,707)
Permanent additions	(29,430)	(10,771)	(29,630)	(13,379)
Equity in the results of subsidiary	1,933	(4,908)	(2,674)	-
Reduction of taxes due to incentives (P.A.T)	3,714	2,144	3,714	2,144
Investment grant [(i)]	23,681	32,502	42,674	27,720
Gain on bargain purchase	-	113,083	-	113,083
Temporarily non-deductible provisions	-	43,737	-	60,143
Technological innovation	2,561	-	2,561	-

All amounts in thousands of reais unless otherwise stated

Other (revaluation reserve + additional income tax exemption ceiling)	165	(90)	165	(9,106)
Tax incentives – donations	6,300	1,190	6,300	1,190
Result of current income tax and social contribution	(206,565)	(117,057)	(206,565)	(109,113)
Result of deferred income tax and social contribution	69,949	96,202	85,730	113,680
Income tax and social contribution expense	**(136,616)**	**(20,855)**	**(120,835)**	**4,567**
Effective tax rate	22.00%	2.63%	19.60%	(0.58%)

(i) Beginning the third quarter of 2018, the Group considers as deductible, for income tax purposes the gains arising from the ICMS tax benefits in the states of Bahia, Goiás and Pernambuco, established by Supplementary Law 160/17, agreement ICMS CONFAZ 190/17, and the amendment to Law 12,973/2014. The amount recognized in the year ended December 31, 2020 was R$ 69,650 (R$ 95,594 - 2019).

(b) Deferred income tax and social contribution assets

Deferred income tax and social contribution assets amounting to R$ 315,938 (R$ 265,670 – 2019) for the Parent Company and R$ 352,198(R$ 284,494 – 2019) for the Consolidated accounts arose from temporarily non-deductible expenses that may be carried forward indefinitely, with estimated realization as disclosed in item (c) below.

Deferred income tax and social contribution liabilities amounting to R$ 388,710 (R$ 408,480 - 2019) for the Parent Company and R$ 388,710 (R$ 408,480 - 2019) for the Consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; (ii) surplus value PPA (Purchase Price Allocation) Raia; and (iii) gain on bargain purchase.

All amounts in thousands of reais unless otherwise stated

At December 31, 2020 and 2019, deferred income tax and social contribution were as follows:

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
Temporary differences	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revaluation at fair value of land and buildings	(6,798)	(6,886)	(6,798)	(6,886)	-	-	-	-
Amortization of the goodwill on future profitability	(245,025)	(241,934)	(245,025)	(241,934)	508	(2,061)	508	(2,061)
Non-deductible intangible assets - merger of Raia	(53,959)	(54,115)	(53,959)	(54,115)	(156)	(842)	(156)	(842)
Non-deductible intangible assets - acquisition of 4Bio	-	-	(1,657)	(2,136)	-	-	(480)	(536)
Gain on bargain purchase – acquisition of Onofre	(82,928)	(105,545)	(82,928)	(105,545)	(22,617)	105,545	(22,617)	105,545
Tax losses to be offset against future taxable profits	-	-	34,615	19,607	-	-	(15,012)	(16,444)
Adjustment to present value	(384)	(494)	(317)	(380)	(110)	494	(63)	540
Adjustment to fair value	5,514	4,040	5,514	4,040	(1,474)	(1,949)	(1,474)	(1,949)
Provision for inventory losses	9,587	4,459	9,587	4,459	(5,127)	9,101	(5,127)	9,101
Provision for sundry obligations	76,995	14,200	77,012	14,217	15,214	(3,487)	15,214	(3,442)
Provision for employee profit sharing	62,481	18,324	62,871	18,785	(1,571)	(4,070)	(1,500)	(4,055)
Provision for contingencies	56,684	34,747	56,684	34,747	(1,100)	(9,421)	(1,100)	(9,421)
Expected credit losses	1,079	1,014	2,227	1,755	(65)	(132)	(472)	(716)
Lease (depreciation x consideration)	87,124	38,536	87,148	38,556	(48,588)	(38,536)	(48,588)	(38,556)
Recording of deferred taxes – LALUR part B Onofre [i]	-	141,213	-	141,213	-	(141,213)	-	(141,213)
Other adjustments	16,858	9,631	16,858	9,631	(4,863)	(9,631)	(4,863)	(9,631)
Deferred income tax and social contribution expense (benefit)					**(69,949)**	**(96,202)**	**(85,730)**	**(113,680)**
Deferred tax liabilities, net	**(72,772)**	**(142,810)**	**(38,168)**	**(123,986)**				
Reflected in the balance sheet as follows:								
Deferred tax assets	315,938	265,670	315,938	286,630				
Deferred tax liabilities	(388,710)	(408,480)	(390,366)	(410,616)				
Deferred tax liabilities, net	**(72,772)**	**(142,810)**	**(74,428)**	**(123,986)**				
Deferred tax assets – Parent Company	**-**	**-**	**36,261**	**-**				
Reconciliation of deferred tax assets (liabilities), net								
At the beginning of the year	(142,810)	(239,102)	(123,987)	(237,756)				
Expense recognized in the statement of income	69,949	96,202	85,730	113,680				
Realization of deferred tax recognized in equity	89	90	89	90				
Balance at the end of the year	**(72,772)**	**(142,810)**	**(38,168)**	**(123,986)**				

All amounts in thousands of reais unless otherwise stated

(i) In 2019, due to the incorporation of the temporary adjustment balances recorded in Part B of the Onofre Taxable Profit Control Register (LALUR), deferred IRPJ/CSLL tax assets were recorded.
This occurred as the merged company did not record deferred income tax stemming from future taxable income. In 2020, the account balances were incorporated into the RD provision balances, which are stated as disclosed in item (c), below.

(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 will be recovered according to the following schedule:

	Parent Company	Consolidated
Recovery forecast	**2020**	**2020**
2021	111,563	113,207
2022	56,630	56,630
2023	33,761	44,146
2024	17,081	27,466
2025 and thereafter	96,903	110,749
Total	**315,938**	**352,198**

(d) Uncertainty over IRPJ and CSLL treatment

The Company has 4 discussions in the administrative stage with the Brazilian Federal Revenue referring to the disallowance for tax amortization of goodwill arising from acquisitions of companies in the amount of R$ 37,347, which, according to internal and external assessment of legal advisors, will probably be accepted in decisions of higher courts (probability of acceptance higher than 50%); for this reason, the Company did not record any IRPJ/CSLL liabilities in connection with these proceedings.

19. 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.

Basic and diluted earnings for the year ended December 31, 2019 take into account the stock split, approved at the Extraordinary General Meeting held on September 15, 2020, in the proportion of five common shares to each share of the same type. Accordingly, basic earnings increased from 329,409 to 1,647,045 and diluted earnings increased from 330,290 to 1,651,450.

All amounts in thousands of reais unless otherwise stated

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

	Parent Company/ Consolidated	
Earnings per share items	**2020**	**2019**
Basic		
Profit for the year	484,444	772,240
Weighted average number of common shares	1,649,216	1,647,045
Basic earnings per share - R$	0.29374	0.46886
Diluted		
Profit for the year	484,444	772,240
Weighted average number of common shares adjusted for dilution effect	1,653,424	1,651,450
Diluted earnings per share - R$	0.29299	0.46761

20. Equity

(a) Capital

At December 31, 2020, the fully paid-up capital amounted to R$ 2,500,000 (R$ 2,500,000 - 2019), represented by 1,651,930,000 common registered book-entry shares with no par value, of which 1,072,442,905 shares were outstanding (1,070,183,270 common shares - 2019, after adjustment of the effect of the stock split).

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

At the Extraordinary General Meeting held on September 15, 2020, the Company approved a stock split, in the proportion of 5 common shares to each share of the same type existing on September 18, 2020, with no change to its capital. Accordingly, the number of shares went from 330,386,000 to 1,651,930,000 common registered book-entry shares with no par value.

At December 31, 2020, taking into account the stock split, the Company's ownership interest was as follows:

	Number of shares		Interest (%)	
Ownership interest	**2020**	**2019**	**2020**	**2019**
Controlling stockholders	577,007,615	578,099,560	34.93	35.00
Shares outstanding	1,072,442,905	1,070,183,270	64.92	64.78
Treasury shares	2,479,480	3,647,170	0.15	0.22
Total	**1,651,930,000**	**1,651,930,000**	**100.00**	**100.00**

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

All amounts in thousands of reais unless otherwise stated

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

Changes	Shares outstanding
At December 31, 2019	214,036,654
Stock split	856,146,616
(Purchase)/sale of restricted shares, net	2,259,635
At December 31, 2020	**1,072,442,905**

At December 31, 2020, the Company's common shares were quoted at R$ 25.04 (closing quote) (R$ 22.33 - 2019).

(b) Tax incentive reserve

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

(c) Treasury shares

On August 6, 2019, 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, however they were not purchased. The changes in treasury shares in the year ended December 31, 2020 are summarized below:

	Parent Company	
Changes in treasury shares	**Number of shares**	**Amount of shares**
At December 31, 2019	729,434	38,141
Shares delivered to executives related to the 3rd tranche of the 2016 grant, 2nd tranche of the 2017 grant and 1st tranche of the 2018 grant.	(219,992)	(11,141)
Shares delivered to executives related to the 1st tranche of 2018, 2nd tranche of 2017 and 3rd tranche of 2016 of 4Bio.	(853)	(45)
Shares delivered to executives related to the grants of 2017, 2018, 2019 and 2020.	(63,465)	(673)
Stock split	2,034,356	-
At December 31, 2020	**2,479,480**	**26,282**

At December 31, 2020, the market value of the treasury shares, having as reference the quotation of R$ 25.04 (R$ 22,33 – 2019), per share at that date, corresponds to R$ 62,086 (R$ 81.441 – 2019).

(d) Restricted share plan

Long-Term Incentive Program

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

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

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

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

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

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

Performance shares

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

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

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

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

All amounts in thousands of reais unless otherwise stated

Movement of the restricted shares

The changes of the restricted shares are summarized below:

	2020		2019	
Change in restricted shares	**Shares**	**Amount**	**Shares**	**Amount**
Opening balance	397,329	21,977	500,778	23,940
Granted shares for the year	1,148,375	18,217	213,689	13,367
Value of the shares at the delivery date	(284,310)	(12,988)	(317,138)	(15,330)
Closing balance	**1,261,394**	**27,206**	**397,329**	**21,977**

Position of the restricted stock plan

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

Grants	Grant Date	Number of shares granted[(i)]	Date on which they will become exercisable	Transfer restriction period of actions	Fair value of shares on grant date[(i)]
Long-Term Incentive Program					
2017 - 3ª Tranche	01/03/2017	488,585	28/02/2021	28/02/2021	R$ 11.62
2018 - 2ª Tranche	01/03/2018	154,620	28/02/2021	28/02/2021	R$ 15.84
2018 - 3ª Tranche	01/03/2018	154,620	28/02/2022	28/02/2022	R$ 15.84
2019 - 1ª Tranche	01/03/2019	334,855	28/02/2021	28/02/2021	R$ 12.77
2019 - 2ª Tranche	01/03/2019	334,855	28/02/2022	28/02/2022	R$ 12.77
2019 - 3ª Tranche	01/03/2019	334,695	28/02/2023	28/02/2023	R$ 12.77
2020 - 1ª Tranche	01/03/2020	352,982	28/02/2022	28/02/2022	R$ 24.89
2020 - 2ª Tranche	01/03/2020	352,982	28/02/2023	28/02/2023	R$ 24.89
2020 - 3ª Tranche	01/03/2020	352,977	28/02/2024	28/02/2024	R$ 24.89
Performance share					
2020 - 1ª Tranche	01/01/2020	175,211	31/12/2023	31/12/2023	R$13.19
2020 - 2ª Tranche	01/01/2020	175,211	31/12/2024	31/12/2024	R$13.19

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

All amounts in thousands of reais unless otherwise stated

(e) 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 capital, is calculated as follows:

	Parent Company	
Changes in stockholders' remuneration	**2020**	**2019**
Profit for the year	484,444	772,240
Legal reserve	(24,222)	(38,612)
Realization of the revaluation reserve in the year	172	174
Investment grant reserve (Note 20b)	(69,650)	(95,593)
Dividend calculation basis (a)	390,744	638,209
Minimum mandatory dividends, according to statutory provision (25%)	97,686	159,552
Additional dividends proposed	-	20,171
Additional interest on capital proposed	193,000	211,501
Withheld income tax on interest on capital	(25,836)	(30,477)
Remuneration net of withheld income tax (b)	167,164	201,195
% distributed on the dividend calculation basis (b ÷ a)	42,78	31,52
Amount in excess of the mandatory minimum dividend	**69,478**	**41,643**

The Company's management allocated R$ 69,650 from its profit for the year ended December 31, 2020 to tax incentive revenue reserves, described in the accounting policy Note 4q.

The Company recognized interest on capital of R$ 193,000 (R$ 211,501- 2019), observing both the limit of the Long Term Interest Rate - TLP variation in 2020 and 2019 and the expense deductibility limits for income tax and social contribution calculation, pursuant to Law 9,249/95.

At December 31, 2020, the amount of R$ 69,478 (R$ 41,643 – 2019) in excess of the minimum mandatory dividend established in the Company's bylaws was recorded in equity as additional dividends proposed.

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

	Parent Company	
Changes in dividend and interest on capital obligations	**2020**	**2019**
Opening balance	68,255	24,843
Additions	139,329	230,542
Payments	(190,518)	(186,602)
Write-offs	(574)	(528)
Closing balance	**16,492**	**68,255**

All amounts in thousands of reais unless otherwise stated

21. Net sales revenue

	Parent Company		Consolidated	
Net revenue items	**2020**	**2019**	**2020**	**2019**
Sales revenue	20,021,888	17,482,060	21,137,270	18,453,276
Service revenue	42,966	14,532	43,206	14,907
Total gross sales revenue	**20,064,854**	**17,496,592**	**21,180,476**	**18,468,183**
Taxes on sales	(846,992)	(664,698)	(940,608)	(747,690)
Returns, rebates and other	(149,161)	(134,257)	(173,028)	(154,893)
Net sales revenue	**19,068,701**	**16,697,637**	**20,066,840**	**17,565,600**

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

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

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

	Parent Company		Consolidated	
Nature of expenses	**2020**	**2019**	**2020**	**2019**
Personnel expenses	(2,358,656)	(2,126,272)	(2,396,582)	(2,167,200)
Occupancy expenses (i)	(277,696)	(270,287)	(279,382)	(272,414)
Depreciation and amortization (ii)	(1,144,069)	(1,004,597)	(1,148,827)	(1,012,403)
Discount on property rental (iii)	13,804	-	13,804	-
Service provider expenses (iv)	(289,577)	(202,228)	(292,285)	(205,892)
Expenses on card operator fees	(247,182)	(210,086)	(249,136)	(212,629)
Other (v)	(560,150)	(390,012)	(583,334)	(417,625)
Total	**(4,863,526)**	**(4,203,482)**	**(4,935,742)**	**(4,288,163)**

Classified in the statement of income as:

Function of expenses	**2020**	**2019**	**2020**	**2019**
Selling expenses	(4,202,358)	(3,693,581)	(4,256,422)	(3,754,770)
General and administrative expenses	(661,168)	(509,901)	(679,320)	(533,393)
Total	**(4,863,526)**	**(4,203,482)**	**(4,935,742)**	**(4,288,163)**

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

(ii) Depreciation and amortization in 2020 totaled R$ 1,144,069 (R$ 1,004,597 - 2019) for the Parent Company, of which R$ 1,051,146 (R$ 934,713 - 2019) correspond to the sales area and R$ 92,923 (R$ 69,884 - 2019) to the administrative area, and R$ 1,148,827 (R$ 1,012,403 - 2019) in the consolidated, of which R$ 1,052,368 (R$ 938,090 - 2019) refers to the sales area and R$ 96,459 (R$ 74,312 - 2019) to the administrative area. These amounts are presented net of PIS and COFINS tax credits on the lease right-of-use assets, which resulted in an expense reduction in the amount of R$ 28,455 (R$ 28,630 - 2019).

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

All amounts in thousands of reais unless otherwise stated

(iii) These refer mostly to expenses on transportation, materials, other administrative expenses, maintenance of assets, advertising and publicity. There were also the merger of Onofre, the opening of new stores, and advertising and publicity expenses incurred with the Company's actions regarding Covid-19 pandemic.

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

23. Other operating (income)/expenses

In 2020 other operating income/(expenses) totaled R$ (31,539) (R$ 208,271 – 2019) for the consolidated accounts. These amounts comprise non-recurring expenses/ and revenues, as presented below:

	Consolidated	
Nature of revenues / (expenses)	**2020**	**2019**
Recognition of INSS credits from 2012 to 2015 [i]	31,059	4,625
Credits from prior years, mainly PIS and COFINS	5,417	8,193
Main bonus	1,788	-
Reversal of provision for termination of agreements of Onofre	1,092	-
Hierarchical restructuring	732	(16,145)
Disposal of property and equipment	231	-
Gain on bargain purchase of Onofre	-	355,263
Additional expenses due to the closure of the Barra Mansa distribution center	-	(12,767)
Onofre integration	-	(95,001)
Losses on the Popular Pharmacy Program	(558)	-
Revaluations - judicial deposits	(2,000)	-
Additional revenues and expenses due to the closure of the Butantã distribution center	(2,026)	-
Write-off of property and equipment and intangible assets due to the stores closure	(3,750)	(16,922)
Losses on credit cards from previous years	(4,347)	-
Provision for inventory losses from previous periods	(11,422)	-
Consulting and advisory expenses	(20,437))	(15,320)
Donations [ii]	(29,282)	-
Other - miscellaneous	1,964	(3,655)
Total	**(31,539)**	**208,271**

(I) A review of the payments made in the last 5 years related to social security contribution on the payroll was performed and we identified undue payment of the contributions on amounts discounted from the payroll that would qualify as not subject to tax levy or as exemption (Note 9).

(ii) As per the Communication to the Market made on May 15, 2020, the Company donated R$ 25,000 to help combat the Covid-19 pandemic, as part of the "Todo Cuidado Conta" ("all care counts") fund. This amount was transferred to the "Fundo Emergencial para Saúde – Coronavírus Brasil", which is managed by Sitawi Finanças do Bem (CNPJ/MF 09.607.915/0001-34), a non-profit public civil organization, which will allocate it and render accounts on its use together with the Company.

All amounts in thousands of reais unless otherwise stated

24. Finance income and costs

(a) Finance income

	Parent Company		Consolidated	
Finance income items	**2020**	**2019**	**2020**	**2019**
Discounts obtained	8,493	3,354	8,563	3,426
Short term investment yields	6,136	6,695	6,136	7,070
Interest on intercompany loans	1,704	2,746	-	-
Monetary gains	1,141	5,964	1,356	6,222
Other finance income	-	1	190	335
Taxes thereon (PIS/COFINS)	(813)	(780)	(813)	(798)
Present Value Adjustment (PVA)	34,484	53,319	38,750	60,690
Total finance income	**51,145**	**71,299**	**54,182**	**76,945**

(b) Finance costs

	Parent Company		Consolidated	
Finance cost items	**2020**	**2019**	**2020**	**2019**
Interest on leases	(227,782)	(215,722)	(228,020)	(216,100)
Present Value Adjustment (PVA)	(59,806)	(111,386)	(63,319)	(117,392)
Charges on debentures and promissory notes	(38,494)	(54,191)	(38,494)	(54,191)
Charges on borrowings	(20,496)	(11,434)	(20,496)	(11,434)
Interest on payables to subsidiary's shareholder	(4,336)	(5,733)	(4,336)	(5,733)
Amortization of transaction costs	(3,937)	(1,722)	(3,937)	(1,722)
Interest, charges and bank fees	(1,487)	(890)	(1,729)	(2,665)
Discounts granted to customers	-	(25)	(444)	(42)
Monetary gains	8,292	(1,474)	6,977	(1,967)
Total finance costs	**(348,046)**	**(402,577)**	**(353,798)**	**(411,246)**
Finance income (costs), net	**(296,901)**	**(331,278)**	**(299,616)**	**(334,301)**

25. Guarantees for lawsuits

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

	Parent Company/Consolidated	
Guarantees for lawsuits	**2020**	**2019**
Furniture and facilities	14	18
Machinery and equipment	85	85
Total guarantees for lawsuits	**99**	**103**

All amounts in thousands of reais unless otherwise stated

26. Financial instruments and risk management policy

Financial instruments by category

	Parent Company		Consolidated	
Financial instruments items	**2020**	**2019**	**2020**	**2019**
Assets				
At amortized cost				
Cash and cash equivalents (Note 6)	855,257	294,863	880,357	299,226
Trade receivables (Note 7)	1,373,801	1,049,906	1,555,434	1,189,019
Other receivables	322,448	298,372	270,475	245,428
Judicial deposits (Note 16)	25,753	30,001	25,753	30,001
Arbitration restricted asset (Note 17)	341,906	332,927	341,906	332,927
Total assets	**2,919,165**	**2,006,069**	**3,073,925**	**2,096,601**
Liabilities				
Liabilities at fair value through profit or loss				
Payables to subsidiary's shareholder (Note 10)	46,448	42,113	46,448	42,113
Subtotal	**46,448**	**42,113**	**46,448**	**42,113**
Other liabilities				
Trade payables	2,943,379	2,532,293	3,106,938	2,653,236
Borrowing (Note 14)	1,620,001	1,126,476	1,653,454	1,126,476
Other payables	170,622	144,721	175,873	147,771
Leases payable	3,427,950	3,180,655	3,430,925	3,184,633
Arbitration liability (Note 17)	341,843	332,900	341,843	332,900
Subtotal	**8,503,795**	**7,317,045**	**8,709,033**	**7,445,016**
Total liabilities	**8,550,243**	**7,359,158**	**8,755,481**	**7,487,129**

Financial risk management

The Company applied the requirements of CPC 40 (R1) and also considered the guidance in CVM Official Letter SNC/SEP 01/2021, observing qualitative and quantitative aspects of risk management, concluded that there are no material impacts that need additional information for disclosures in the financial statements.

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

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

(a) Market risk

Foreign exchange risk

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

All amounts in thousands of reais unless otherwise stated

Interest rate risk

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

(b) Credit risk

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

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

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

	Parent Company		Consolidated	
Risk rating	**2020**	**2019**	**2020**	**2019**
Rating - National Scale				
brAAA	468,469	127,810	490,077	130,655
brAA+	249,124	16,454	249,163	16,578
brA	15,497	401	15,497	401
(*) n/a – Cash and automatic investments	122,167	45,766	123,446	47,156
(*) n/a – Investment funds	-	-	2,174	-
Total - national scale	**855,257**	**190,431**	**880,357**	**194,790**

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

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the year ended December 31, 2020, credit sales represented 54% (53%- 2019) for the Parent Company and 56% (55% - 2019) for the consolidated accounts, of which 94% (93%- 2019) for the Parent Company and 86% (86% - 2019) for the consolidated accounts related to credit card sales which, based on the history of losses, posed an extremely low risk. The remaining 6% (7% - 2019) in the Parent Company and 14% (14% - 2019) for the consolidated accounts are credits from PBMs and special plans that pose a low risk, due to customer selectivity.

(c) Liquidity risk

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

(d) Sensitivity analysis

The table below presents a sensitivity analysis of financial instruments that are exposed to losses.
The most probable scenario, according to the assessment made by management, is based on an increase of 0.5% in the interest rate. Two further scenarios are presented in order to show a 25% and 50% deterioration in the risk variables considered (scenarios II and III).

All amounts in thousands of reais unless otherwise stated

Parent Company

Operation	Notional amount	Effect on profit or loss and equity Scenario I (probable)	Scenario II 25%	Scenario III 50%
Short term investments - CDI	739,181	3,696	4,620	5,544
Revenue		**3,696**	**4,620**	**5,544**
Borrowings	1,620,001	(8,100)	(10,125)	(12,150)
REFIS (SELIC)	1,156	(6)	(7)	(9)
Expense		**(8,106)**	**(10,132)**	**(12,159)**
Effect on profit or loss		**(4,410)**	**(5,512)**	**(6,615)**

Consolidated

Operation	Notional amount	Effect on profit or loss and equity Scenario I (probable)	Scenario II 25%	Scenario III 50%
Short term investments - CDI	763,190	3,816	4,770	5,724
Revenue		**3,816**	**4,770**	**5,724**
Borrowings	1,653,454	(8,267)	(10,334)	(12,401)
REFIS (SELIC)	1,156	(6)	(7)	(9)
Expense		**(8,273)**	**(10,341)**	**(12,410)**
Effect on profit or loss		**(4,457)**	**(5,571)**	**(6,686)**

The risk of variations in the TLP 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), debentures and promissory notes at interest rates that are commensurate with the Group's profit levels.

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

All amounts in thousands of reais unless otherwise stated

	Parent Company		Consolidated	
Capital management items	**2020**	**2019**	**2020**	**2019**
Short- and long-term borrowings	1,620,001	1,126,476	1,653,454	1,126,476
(-) Cash and cash equivalents	(855,257)	(294,863)	(880,357)	(299,226)
Net debt	**764,744**	**831,613**	**773,097**	**827,250**
Equity attributable to the stockholders of the parent company	4,363,126	4,025,013	4,363,126	4,025,013
Non-controlling interests	-	-	62,495	51,406
Total equity	4,363,126	4,025,013	4,425,621	4,076,419
Total capital	**5,127,870**	**4,856,626**	**5,198,718**	**4,903,669**
Gearing ratio (%)	**14.91**	**17.12**	**14.87**	**16.87**

As described in Note 15, as from January 1, 2019, the Group recognized in its balance sheet the obligations associated with lease agreements where it has control. Considering the balance of lease liabilities at the balance sheet dates in the capital management calculation, the gearing ratio of the Company and the Group would be as follows:.

	Parent Company		Consolidated	
Adjusted net debt with lease liabilities	**2020**	**2019**	**2020**	**2019**
Net debt	764,744	831,613	773,097	827,250
Lease liabilities	3,427,950	3,180,655	3,430,925	3,184,633
Adjusted net debt	**4,192,694**	**4,012,268**	**4,204,022**	**4,011,883**
Total equity	4,363,126	4,025,013	4,425,621	4,076,419
Total adjusted capital	**8,555,820**	**8,037,281**	**8,629,643**	**8,088,302**
Adjusted gearing ratio (%)	**49.00**	**49.92**	**48.72**	**49.60**

(f) Fair value estimation

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

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

	Parent Company				Consolidated			
Fair value estimation	**Carrying amount**		**Fair value**		**Carrying amount**		**Fair value**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
BNDES	28,894	96,647	28,889	96,342	28,894	96,647	28,889	96,342
Debentures	1,177,554	1,029,829	1,177,554	1,029,829	1,177,554	1,029,829	1,177,554	1,029,829
Other	413,553	-	413,553	-	447,006	-	447,006	-
Total	**1,620,001**	**1,126,476**	**1,619,996**	**1,126,171**	**1,653,454**	**1,126,476**	**1,653,449**	**1,126,171**

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.

All amounts in thousands of reais unless otherwise stated

At December 31, 2020, the Group had no material assets and liabilities measured at fair value at Level 1 and Level 2 in the fair value hierarchy. The following table presents the changes in Level 3 instruments for the year ended December 31, 2020:

	Parent Company/Consolidated	
	Payables to subsidiary's shareholder	
Changes in payables to subsidiary's shareholder	**2020**	**2019**
Opening balance	42,113	36,380
Expenses recognized in the statement of income:	4,335	5,733
Closing balance	46,448	42,113
Total expenses for the year recognized in the statement of income	**4,335**	**5,733**
Changes in unrealized expenses for the year included in the statement of income	**4,335**	**5,733**

27. Derivative financial instruments

The Group does not operate with derivative instruments, except in specific situations. At December 31, 2020 and 2019, the Group did not have any derivative transactions.

All amounts in thousands of reais unless otherwise stated

28. Transactions with related parties

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

		Parent Company		Consolidated		Parent Company		Consolidated	
		Assets				Transacted amount			
Related parties	**Relationship**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Receivables									
Special plans (i)									
Regimar Comercial S.A.	Stockholder/Family	9	22	9	22	81	102	81	102
Heliomar Ltda.	Stockholder/Board Member	1	1	1	1	17	14	17	14
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Stockholder/Family						5		5
Natura Cosméticos S.A. (ii)	Stockholder/Related party	112	138	112	138	1,333	1,495	1,333	1,495
4Bio Medicamentos S.A. (v)	Subsidiary	42	39	42	39	287	320	287	320
Subtotal		164	200	164	200	1,718	1,936	1,718	1,936
Other receivables from related parties									
Commercial agreements									
Natura Cosméticos S.A. (ii)	Stockholder/Related party	57	148	57	148	300	830	300	830
Advances to suppliers		-		-	-	-	-	-	-
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	231	261	231	261	-	-	-	-
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados (iv)	Stockholder/Family	-	90	-	90	-	-	-	-
Loan and other receivables		-		-	-	-	-	-	-
4Bio Medicamentos S.A. (v)	Subsidiary	57,993	56,189	-	-	2,208	15,262	-	-
Subtotal		58,281	56,688	288	499	2,508	16,092	300	830
Total receivables from related parties		**58,445**	**56,888**	**452**	**699**	**4,226**	**18,028**	**2,018**	**2,766**

All amounts in thousands of reais unless otherwise stated

		Liabilities				Transacted amount			
		Parent Company		Consolidated		Parent Company		Consolidated	
Related parties	**Relationship**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Payables									
Rentals (ii)									
Heliomar Ltda.	Stockholder/Board Member	26	21	26	21	258	237	258	237
Antonio Carlos Pipponzi	Stockholder/Board Member	8	8	8	8	100	95	100	95
Rosalia Pipponzi Raia	Stockholder/Board Member	8	8	8	8	100	95	100	95
Cristiana Almeida Pipponzi	Stockholder/Board Member	3	3	3	3	33	32	33	32
André Almeida Pipponzi	Stockholder/Board Member	3	2	3	2	33	31	33	31
Marta Almeida Pipponzi	Stockholder/Board Member	2	2	2	2	33	31	33	31
Subtotal		50	44	50	44	557	521	557	521
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (iv)	Stockholder/Family	1	1	1	1	4,000	8,963	4,000	8,963
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (vii)	Stockholder/Family	923	1,972	923	1,972	12,364	13,631	12,364	13,631
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	195	154	195	154	2,839	2,780	2,839	2,780
FMA Assessoria e Consultoria (viii)	Stockholder/Alternate Board Member	-	-	-	-	-	40	-	40
Cristina Ribeiro Sobral Sarian (Anthea Consultoria Empresarial) (ix)	Stockholder/Alternate Board Member	49	-	49	-	550	-	550	-
Subtotal		1,168	2,127	1,168	2,127	19,753	25,414	19,753	25,414
Goods suppliers									
Natura Cosméticos S.A. (ii)	Stockholder/Related party	-	-	-	-	-	3,446	-	3,446
Subtotal		-	-	-	-	-	3,446	-	3,446
Total payables to related parties		**1,218**	**2,171**	**1,218**	**2,171**	**20,310**	**29,381**	**20,310**	**29,381**

All amounts in thousands of reais unless otherwise stated

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

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

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

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

(iv) Transaction related to legal advisory.

(v) During 2016, 2017 and 2019 loan transactions between Raia Drogasil S.A. (Lender) and 4Bio Medicamentos S.A. (Borrower) were carried out in the amounts of R$ 14,000, R$ 20,100 and R$ 12,000, respectively. All loan agreements are monetarily restated by 110% of the CDI. The contracts were amended on January 1st, 2021, and maturity was postponed to December 2021 Note 31.

Other receivables comprises commissions on Raia Drogasil S.A. referrals (R$185).

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

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

(viii) Transactions related to sales representation services with trade associations.

(ix) The balances and transactions refer to the agreement for provision of consulting services in the healthcare and sustainability sectors.

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

(b) Key management compensation

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

	Parent Company		Consolidated	
Compensation items	**2020**	**2019**	**2020**	**2019**
Share-based payment	14,141	16,759	14,475	17,034
Gratuities and social charges	9,133	7,144	9,133	7,144
Subtotal gratuities and charges	**23,274**	**23,903**	**23,608**	**24,178**
Bonuses and social charges	21,782	19,116	24,735	21,380
Fringe benefits	374	453	374	453
Total	**45,430**	**43,472**	**48,717**	**46,011**

All amounts in thousands of reais unless otherwise stated

The Company applied the requirements of CPC 05 (R1) and also considered the guidance in CVM Official Letter SNC/SEP 01/2021, observing qualitative aspects of related-party transaction, and concluded that there are no material impacts that need additional information for disclosures in the financial statements.

29. Insurance coverage

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

The Group had the following insurance:

	Parent Company		Consolidated	
Insurance items	**2020**	**2019**	**2020**	**2019**
Inventory loss risks	382,074	361,907	454,152	420,223
Permanent assets	444,453	417,859	455,058	427,766
Loss of profits	63,020	242,556	166,333	335,743
Civil liability risks	38,424	38,424	40,000	40,000

30. Non-cash transactions

At December 31, 2020, the main transactions that did not involve the Group's cash were:

(i) the restatement of the financial liability arising from payables to subsidiary's shareholder (Note 10);
(ii) part of the compensation of key management personnel associated with the restricted share plan (Note 28);
(iii) the installment purchase of property and equipment items in the amount of R$ 14,258 (R$ 11,926 - 2019);
(iv) recognition of lease liability with a balancing item in right-of-use asset, which additions of new agreements in the amount of R$ 393,646 (R$ 357,247 – Dec/2019), remeasurements of R$ 388,146 (R$ 60,290 – Dec/2019) and termination of agreements in the amount of (R$ 43,671) (R$ 5,553 – Dec/2019).

31. Events after the reporting period

(a) On January 1, 2021, the Company and 4Bio Medicamentos S.A. entered into an amendment to the loan agreements in effect in order to (i) unify the prior six contracts signed on February 23, 2016; March 18, 2016; April 8, 2016; February 13, 2017; June 12, 2017; and December 2, 2019; and (ii) extend the maturity of the agreement to December 31, 2021 (Note 28).

(b) On January 27, 2021, the Company subscribed and paid-up capital in the amount of R$ 6,508,236.81 in the investee Stix Fidelidade e Inteligência S.A., corresponding to 650,823,681common registered shares, with no par value, which were paid up in local currency.

(c) On February 18, 2021, the Company entered into an agreement for the acquisition of 100% of the equity interest ("Acquisition") in B2U Editora S.A. ("tech.fit"). The completion of the Acquisition is subject to the approval of the operation by the Brazilian Antitrust Agency ("CADE"), among other suspensive conditions. The Acquisition of tech.fit will allow the Company to accelerate the development of the Health Platform, aggregating new solutions, journeys, contents and competence to be incorporated into our applications with the purpose of promoting the health and well-being with our customers. This transaction is part of the company's planning to invest in businesses that contribute to the growth strategy and accelerate RD's health digitalization journey.

This acquisition is not subject to the procedure set forth in article 256 of Law 6,404/76 since it is not a significant investment for the Company.

Raia Drogasil S.A.

COMMENTS ON THE BUSINESS PROJECTION PERFORMANCE

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

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

On July 28, 2016, we revised the prior projection of 165 openings in 2016 and 195 openings in 2017 to 200 store openings for both years. The Company has ended 2020 with 240 store openings and reiterates the projections of 240 openings per year for 2021 and 2022.

Raia Drogasil S.A.

OFFICERS' REPRESENTATION ON 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, discussed and agree with the conclusions expressed in the Independent Auditor's Report related to the parent company and consolidated financial statements for 2020.

São Paulo, March 9, 2021.

Marcilio D'Amico Pousada
Chief Executive Officer

Eugênio De Zagottis
Officer

Antonio Carlos Coelho
Officer

Marcello De Zagottis
Officer

Fernando Kozel Varela
Officer

Renato Cepollina Raduan
Officer

Maria Susana de Souza
Officer

Bruno Wright Pipponzia
Officer

Antonio Carlos Marques de Oliveira
Controller and Accountant in charge
CRC-1SP215445/O-0

Raia Drogasil S.A.

SUPERVISORY BOARD'S OPINION

The Company's Supervisory Board, in exercising its duties and legal responsibilities, has examined the financial statements, management report and management's proposal for profit allocation for the year ended December 31, 2020 and, based on the examinations performed and on clarifications provided by management, and also considering the favorable unqualified report issued by the independent auditor Ernst & Young Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects, and unanimously decided to submit them to the General Stockholders' Meeting to be convened pursuant to Law 6,404/76.

São Paulo, March 9, 2021.

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Gilberto Lério
Supervisory Board Member

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Paulo Sergio Buzaid Tohme
Supervisory Board Member

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Mário Antonio Luiz Corrêa
Supervisory Board Member

____
Robert Juenemann
Supervisory Board Member