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# Independent auditor's report in the individual and consolidated financial statements

## To the Board of Directors and Stockholders of Fleury S.A.

São Paulo – SP

## Opinion

We have audited the individual and consolidated financial statements of Fleury S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2020 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 the Fleury S.A. as at December 31, 2020, and of its individual and consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with 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 in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") 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 individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

*KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.*

| Goodwill recoverable value due to future earnings | |
|---|---|
| See Notes 11 of individual and consolidated financial statement | |
| The key audit matter | How the matter was addressed in our audit |
| As of December 31, 2020, the Company's financial statements include goodwill deriving from acquisition of investments whose recoverable value must be analyzed on an annual basis and whose recoverability is based on estimated future earnings. On an annual basis, the Company evaluates probability of these future earnings, as well as assumptions that determine them. Due to relevance of and characteristics inherent to the process of determining future cash flow estimates and their assumptions, which are the basis for evaluation of goodwill recoverable value, judgment inherent in determining these estimates, that may impact the value of such this asset in individual and consolidated financial statements, we considered this matter as significant to our audit work. | We evaluated internal controls related to preparation and review of technical studies and analysis of recoverable value made available by the Company. With the help of our corporate finance specialists, we evaluated the Company's assumptions, especially those related to growth of revenues, profit margins and discount rates applied to discounted cash flows and compared the Company's assumptions with data obtained from external sources, when available, such as projected economic growth, inflation of provided service costs, and discount rates. We compared the sum of discounted cash flows with the Company's market value, determined based on its publicly-traded shares in order to evaluate reasonability of these cash flows. We also analyzed reasonability of mathematical calculations included in studies and evaluated adequacy of disclosures made by the Company. With the help of our corporate finance specialists, we evaluated the main assumptions included in Company´s impairment study and compared the assumptions with data obtained from external sources, such as projected economic growth, inflation of provided service costs and discount rates. We compared the sum of discounted cash flows with the Company's market value, determined based on its publicly traded shares. We compared the discounted cash flows with the goodwill by cash-generating unit. We also provided the conference of mathematical calculations included in studies and evaluated adequacy of disclosures made by the Company.<br><br>Based on the evidence obtained through the procedures summarized above, we consider the measurement of the recoverable amount of goodwill and the respective disclosures in the context of the individual and consolidated financial statements taken as a whole to be acceptable. |

| Revenue recognition | |
|---|---|
| See Notes 26 of individual and consolidated financial statement | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| The Company's revenues derive from services and their recognition is based when the risks and benefits arising from the provision of services are transferred to the client, for which it is necessary to determine the amount of the revenue that the entity expects to have the right to be recognised, considering services provided and billed, and also those provided and unbilled.<br><br>Due to relevance of this transaction, including measurement of unbilled revenues that may impact value of revenue in individual and consolidated financial statements, we considered this matter as significant for our audit work. | We evaluated the design and implementation of internal controls related to revenue recognition process, specifically those related to billing of services provided and measurement of services provided to be billed (unbilled revenues), as well as adequacy of accounting policies adopted by the Company. We provided documentary tests, on sample basis, on the existence and accuracy of billed services, as well documentary tests, on sample basis, evaluating the moment of billed and unbilled revenue recognition. In addition, we evaluated the adequacy of disclosures made in financial statements.<br><br>Based on the evidence obtained through the procedures summarized above, we consider that the Company's revenue recognition is acceptable and the respective disclosures in the context of the financial statements taken as a whole. |

## Others matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

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

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information 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 other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

## 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 the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and subsidiaries 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 subsidiaries financial reporting process.

## Auditors' Responsibilities for the Audit of the 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 from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate 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.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 24, 2021

KPMG Auditores Independentes
CRC 2SP014428/O-6
*(Original report in Portuguese signed by)*
Marcos Antonio Boscolo
Accountant CRC 1SP198789/O-0

**FLEURY S.A. AND SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION**
**(In thousands of Brazilian reais - R$)**

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| **Assets** | | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| **Current assets** | | | | | |
| Cash and cash equivalents | 5 | 18.368 | 5.514 | 28.184 | 8.966 |
| Marketable securities | 6 | 1.000.593 | 784.256 | 1.013.621 | 795.298 |
| Trade receivables | 7 | 658.128 | 542.332 | 704.468 | 570.086 |
| Inventories | 8 | 59.838 | 29.669 | 63.093 | 31.867 |
| Taxes recoverable | 9 | 20.928 | 16.737 | 22.325 | 17.514 |
| IRPJ and CSLL to offset | | 27.214 | 44.766 | 33.245 | 49.804 |
| Receivables from related parties | | - | - | - | 26 |
| Other assets | | 14.323 | 10.308 | 15.263 | 11.639 |
| **Total current assets** | | **1.799.392** | **1.433.582** | **1.880.199** | **1.485.200** |
| **Noncurrent assets** | | | | | |
| Marketable securities | 6 | 15.396 | - | 69.615 | 53.538 |
| Other assets | | 32.368 | 22.618 | 33.086 | 23.155 |
| Deferred income tax and social contribution | 21 | - | - | 12.232 | 12.590 |
| Judicial deposits | 22 | 24.269 | 38.490 | 24.988 | 39.170 |
| | | **72.033** | **61.108** | **139.921** | **128.453** |
| Investments | 10 | 633.955 | 459.945 | 34.372 | 16.828 |
| Property and equipment | 11 | 643.685 | 715.926 | 708.769 | 750.686 |
| Intangible assets | 11 | 1.536.286 | 1.532.587 | 2.030.608 | 1.920.808 |
| Right of use | 12 | 689.193 | 756.414 | 729.941 | 794.677 |
| **Total noncurrent assets** | | **3.575.152** | **3.525.980** | **3.643.611** | **3.611.452** |
| **Total assets** | | **5.374.544** | **4.959.562** | **5.523.810** | **5.096.652** |

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| **Liabilities and Equity** | | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| **Current liabilities** | | | | | |
| Financing | 13 | 68.341 | 30.603 | 68.928 | 31.220 |
| Debentures | 14 | 403.322 | 177.276 | 403.322 | 177.276 |
| Finance lease | 15 | 98.099 | 126.910 | 105.039 | 131.939 |
| Derivative financial instruments, net | | 367 | 126 | 367 | 126 |
| Trade payables | 16 | 223.093 | 179.037 | 250.459 | 190.442 |
| Labor liabilities | 17 | 131.630 | 133.096 | 138.774 | 139.226 |
| Taxes and contributions payable | 18 | 31.925 | 28.303 | 37.417 | 30.941 |
| IRPJ and CSLL payable | | - | - | 212 | 448 |
| Accounts payable – company acquisition | 19 | 17.716 | 526 | 25.790 | 8.991 |
| Interest on equity payable | 24 | 74.504 | 31.207 | 74.504 | 31.207 |
| Other liabilities | 20 | 4.071 | 4.341 | 4.959 | 5.219 |
| **Total current liabilities** | | **1.053.068** | **711.425** | **1.109.771** | **747.035** |
| **Noncurrent liabilities** | | | | | |
| Financing | 13 | 530.899 | 46.279 | 531.949 | 47.914 |
| Debentures | 14 | 899.522 | 1.300.000 | 899.522 | 1.300.000 |
| Finance lease | 15 | 643.559 | 655.867 | 680.790 | 690.940 |
| Labor liabilities | 17 | - | 218 | - | 218 |
| Deferred income tax and social contribution | 21 | 405.216 | 406.125 | 405.217 | 409.843 |
| Provision for tax, labor and civil risks | 22 | 41.640 | 37.456 | 42.082 | 37.947 |
| Taxes paid in installments | 18 | 14.001 | 20.281 | 14.910 | 21.527 |
| Accounts payable – company acquisition | 19 | 30.162 | 14.495 | 83.092 | 73.813 |
| Other liabilities | 20 | 5.627 | 8.440 | 5.627 | 8.439 |
| **Total noncurrent liabilities** | | **2.570.626** | **2.489.161** | **2.663.189** | **2.590.641** |
| **Equity** | | | | | |
| Share capital | 24a | 1.432.202 | 1.426.267 | 1.432.202 | 1.426.267 |
| Capital reserve - options granted recognized | | 35.954 | 32.067 | 35.954 | 32.067 |
| Legal reserve | | 115.725 | 102.876 | 115.725 | 102.876 |
| Retained earnings | 24b | 169.643 | 197.766 | 169.643 | 197.766 |
| Treasury shares | | (2.674) | - | (2.674) | - |
| **Total equity** | | **1.750.850** | **1.758.976** | **1.750.850** | **1.758.976** |
| **Total liabilities and equity** | | **5.374.544** | **4.959.562** | **5.523.810** | **5.096.652** |

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

**FLEURY S.A. AND SUBSIDIARIES**

**STATEMENT OF INCOME**
**YEARS ENDED DECEMBER 31**
**(In thousands of reais - R$, except earnings per share)**

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| **Revenue from services rendered** | 26 | **2.763.440** | **2.785.549** | **2.971.616** | **2.905.107** |
| Cost of services | 27 | (1.994.330) | (1.915.271) | (2.161.887) | (2.016.715) |
| **Gross profit** | | **769.110** | **870.278** | **809.729** | **888.392** |
| Operating (expenses) income | | | | | |
| General and administrative expenses | 28 | (296.336) | (311.595) | (320.958) | (320.387) |
| Other operating income (expenses), net | 29 | (4.439) | (12.468) | (1.136) | (7.839) |
| Reversal of (provision for) tax, labor and civil risks | | (8.727) | (127) | (8.640) | 346 |
| Equity in the earnings (losses) of subsidiaries | 10 | 12.791 | 8.407 | (326) | (333) |
| **Operating profit before financial result** | | **472.399** | **554.495** | **478.669** | **560.179** |
| Financial income | 30 | 32.942 | 30.256 | 37.107 | 33.814 |
| Financial expenses | 30 | (166.960) | (160.606) | (175.043) | (167.791) |
| **Financial result** | | **(134.018)** | **(130.350)** | **(137.936)** | **(133.977)** |
| **Earnings before income tax and social contribution** | | **338.381** | **424.144** | **340.733** | **426.201** |
| Income tax and social contribution | | | | | |
| Current | 21 | (84.772) | (105.852) | (89.742) | (109.120) |
| Deferred | 21 | 3.352 | (5.976) | 5.970 | (4.764) |
| **Net income for the period** | | **256.961** | **312.317** | **256.961** | **312.317** |
| **Earnings per share attributable to the Company's shareholders** | | | | | |
| Basic earnings per share (weighted average) | 31 | 0,81 | 0,99 | 0,81 | 0,99 |
| Diluted earnings per share (weighted average) | 31 | 0,80 | 0,98 | 0,80 | 0,98 |

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

**FLEURY S.A. AND SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME**
**YEARS ENDED DECEMBER 31**
**(In thousands of Brazilian reais - R$)**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| **Net income for the period** | **256.961** | **312.317** | **256.961** | **312.317** |
| **Other comprehensive income** | | | | |
| Items that will be reclassified to profit (loss) in subsequent periods | - | - | - | - |
| Items that will not be reclassified to profit (loss) in subsequent periods | - | - | - | - |
| **Total comprehensive income for the period** | **256.961** | **312.317** | **256.961** | **312.317** |

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

**FLEURY S.A. AND SUBSIDIARIES**

**STATEMENT OF VALUE ADDED**
**YEARS ENDED DECEMBER 31**
**(In thousands of Brazilian reais - R$)**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| **Revenue** | **2.954.299** | **2.976.496** | **3.185.676** | **3.108.428** |
| Gross revenue from services (net of discounts) | 2.977.253 | 3.010.783 | 3.205.193 | 3.140.759 |
| Estimated losses with disallowances | (35.377) | (43.632) | (37.392) | (44.514) |
| Other revenue | 12.423 | 9.345 | 17.875 | 12.183 |
| **Inputs acquired from third parties** | **(1.171.649)** | **(1.094.590)** | **(1.280.968)** | **(1.160.657)** |
| Cost of services | (1.080.106) | (1.005.718) | (1.180.797) | (1.068.351) |
| Materials, electricity, outsourced services and others | (84.776) | (87.436) | (92.869) | (90.944) |
| Loss/recovery of asset values | (6.767) | (1.436) | (7.302) | (1.362) |
| **Gross value added** | **1.782.650** | **1.881.906** | **1.904.708** | **1.947.771** |
| Depreciation and amortization | (336.063) | (309.160) | (358.468) | (320.463) |
| **Net value added** | **1.446.587** | **1.572.746** | **1.546.240** | **1.627.308** |
| **Value added received in transfer** | **47.168** | **40.112** | **38.296** | **35.079** |
| Equity in the earnings (losses) of subsidiaries | 12.791 | 8.407 | (326) | (333) |
| Financial revenues (except PIS and Cofins) | 34.377 | 31.705 | 38.622 | 35.412 |
| **Total value added to distribute** | **1.493.755** | **1.612.858** | **1.584.536** | **1.662.387** |
| **Distribution of value added** | **(1.493.755)** | **(1.612.858)** | **(1.584.536)** | **(1.662.387)** |
| **Personnel and charges** | **(669.087)** | **(672.259)** | **(715.926)** | **(698.060)** |
| Direct compensation | (454.965) | (458.407) | (490.078) | (477.630) |
| Benefits | (177.658) | (177.242) | (186.200) | (181.820) |
| Charges | (36.464) | (36.610) | (39.648) | (38.610) |
| **Taxes, fees and contributions** | **(365.667)** | **(424.181)** | **(395.474)** | **(441.747)** |
| Federal | (274.817) | (332.921) | (294.626) | (345.320) |
| Municipal | (90.850) | (91.260) | (100.848) | (96.427) |
| **Interest, rent and other operating expenses** | **(202.040)** | **(204.101)** | **(216.175)** | **(210.263)** |
| Rent | (6.812) | (11.233) | (9.916) | (12.043) |
| Interest | (166.960) | (160.606) | (175.043) | (167.792) |
| Other operating expenses | (28.268) | (32.262) | (31.216) | (30.428) |
| **Interest on equity** | **(74.470)** | **(98.935)** | **(74.470)** | **(98.935)** |
| **Legal Reserve** | **(12.848)** | **(15.616)** | **(12.848)** | **(15.616)** |
| **Retained earnings** | **(169.643)** | **(197.766)** | **(169.643)** | **(197.766)** |

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

**FLEURY S.A. AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN EQUITY**
**YEARS ENDED DECEMBER 31**
**(In thousands of Brazilian reais - R$)**

| | Note | Share capital | | | Capital reserve | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share issue expenses | Share capital, net | Options granted recognized | Revaluation reserve | Legal reserve | Retained earnings | Profit for the period | Equity |
| **Balances on December 31, 2018** | | **1.441.920** | **(22.784)** | **1.419.136** | **26.259** | **-** | **87.261** | **217.305** | **-** | **1.749.961** |
| Realization of the revaluation reserve | | - | - | - | - | - | - | - | - | - |
| Capital increase | | 7.131 | - | 7.131 | - | - | - | - | - | 7.131 |
| Stock option plan | | - | - | - | 5.808 | - | - | - | - | 5.808 |
| Creation of legal reserve | | - | - | - | - | - | 15.616 | - | (15.616) | - |
| Net Income for the period (R$0.99 per share) | | - | - | - | - | - | - | - | 312.317 | 312.317 |
| Interest on equity | | - | - | - | - | - | - | - | (98.935) | (98.935) |
| Dividends paid (R$0.69 per share) | | - | - | - | - | - | - | (217.305) | - | (217.305) |
| Retained earnings | | - | - | - | - | - | - | 197.766 | (197.766) | - |
| **Balances on December 31, 2019** | | **1.449.051** | **(22.784)** | **1.426.267** | **32.067** | **-** | **102.877** | **197.766** | **-** | **1.758.977** |
| Capital increase | 24a | 5.935 | - | 5.935 | - | - | - | - | - | 5.935 |
| Stock option plan | 25b | - | - | - | 3.887 | - | - | - | - | 3.887 |
| Dividends paid (R$0.69 per share) - 2019 | 24b | - | - | - | - | - | - | (197.766) | - | (197.766) |
| Net Income for the period (R$0.99 per share) | | - | - | - | - | - | - | - | 256.961 | 256.961 |
| Creation of legal reserve | | - | - | - | - | - | 12.848 | - | (12.848) | - |
| Interest on equity | 24b | - | - | - | - | - | - | - | (74.470) | (74.470) |
| Retained earnings | | - | - | - | - | - | - | 169.643 | (169.643) | (0) |
| Treasury shares | | - | - | - | - | - | - | (2.674) | - | (2.674) |
| **Balances on December 31, 2020** | | **1.454.986** | **(22.784)** | **1.432.202** | **35.954** | **-** | **115.725** | **166.969** | **-** | **1.750.850** |

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

**FLEURY S.A. AND SUBSIDIARIES**

**STATEMENT OF CASH FLOWS**
**YEARS ENDED DECEMBER 31**
**(In thousands of Brazilian reais - R$)**

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| **Net income** | | 256.961 | 312.317 | 256.961 | 312.317 |
| **Items not affecting cash:** | | | | | |
| Income tax and social contribution | 21 | 81.420 | 111.828 | 83.772 | 113.884 |
| Financial income and expenses | 30 | 145.678 | 144.874 | 153.281 | 151.848 |
| Depreciation and amortization | 11/12 | 336.063 | 309.159 | 358.468 | 320.464 |
| Equity in the earnings (losses) of subsidiaries | 10 | (12.791) | (8.407) | 326 | 333 |
| Stock option plan | 25 | 5.557 | 5.808 | 5.557 | 5.808 |
| Creation of provision for tax, labor and civil risks | 22 | 8.727 | 127 | 8.640 | 778 |
| Estimated losses for doubtful accounts and disallowances | 26/29 | 35.378 | 43.632 | 37.392 | 44.514 |
| Profit sharing | 17 | (380) | 31.868 | (273) | 32.069 |
| Other | | 16.620 | 3.257 | 12.470 | 1.313 |
| **Cash flow from operating activities before changes in assets and liabilities** | | **873.233** | **954.463** | **916.594** | **983.328** |
| (Increase) decrease in trade receivables | 7 | (151.174) | (97.974) | (161.223) | (96.835) |
| (Increase) decrease in inventories | 8 | (30.169) | (3.796) | (31.226) | (4.319) |
| (Increase) decrease in taxes recoverable | 9 | 13.361 | 8.951 | 11.824 | 8.649 |
| (Increase) decrease in judicial deposits | | 2.748 | 1.826 | 2.713 | 1.771 |
| (Increase) decrease in other assets | | (13.764) | (9.595) | (13.136) | (10.096) |
| Increase (decrease) in trade payables | 16 | 44.057 | (8.243) | 54.850 | (10.852) |
| Increase (decrease) in labor liabilities | 17 | (1.031) | (29.431) | (1.416) | (30.677) |
| Increase (decrease) in tax liabilities | 18 | 4.211 | (4.133) | 5.765 | (4.403) |
| Increase (decrease) in taxes paid in installments | 18 | (7.141) | (3.896) | (8.648) | (3.890) |
| Increase (decrease) in other liabilities | | 12.572 | 8.003 | 12.839 | 6.701 |
| **Total changes in assets and liabilities** | | **(126.330)** | **(138.289)** | **(127.658)** | **(143.951)** |
| Income tax and social contribution paid | | (108.443) | (103.354) | (141.795) | (107.060) |
| **Net cash from operating activities** | | **638.459** | **712.820** | **647.141** | **732.317** |
| Acquisition of property and equipment and intangible assets | 11 | (153.407) | (189.025) | (187.816) | (207.856) |
| Sale of property and equipment | | 60 | 2 | 144 | 243 |
| Marketable securities - funding and earnings | 6 | (231.732) | (66.373) | (234.400) | (95.185) |
| Payment from companies acquired less cash and cash equivalents | | (71.499) | (81.400) | (73.697) | (237.240) |
| Transaction with related parties (advances for future capital increase - AFAC) | | - | 350 | - | 350 |
| Acquisition of other equity interest | 10 | (9.458) | (3.127) | (9.458) | (3.146) |
| Capital contribution in subsidiary | | (50.699) | (189.720) | (2.072) | - |
| Earnings from financial investments (classified as cash) | | - | 70 | 119 | 207 |
| **Net cash used in investment activities** | | **(516.735)** | **(529.223)** | **(507.180)** | **(542.627)** |
| Funding of debentures | 14 | 550.000 | 500.000 | 550.000 | 500.000 |
| Settlement (principal) of financing and debentures | 13/14 | (206.661) | (195.095) | (207.274) | (195.731) |
| Interest paid in financing and debentures | 13/14 | (63.403) | (73.940) | (63.470) | (74.030) |
| Financial fees and others | | (6.647) | (2.428) | (6.648) | (2.428) |
| Derivative financial instruments | | 2.825 | 111 | 2.825 | 111 |
| Lease payment | 15 | (162.132) | (157.438) | (173.350) | (162.270) |
| Capital increase | 24 | 5.935 | 7.131 | 5.935 | 7.131 |
| Dividends and/or interest on equity paid | 24 | (228.929) | (307.466) | (228.929) | (307.466) |
| Dividends received | | - | - | 26 | 26 |
| Confirming operation | | 142 | (1.298) | 142 | (1.298) |
| **Net cash used in financing activities** | | **(108.870)** | **(230.423)** | **(120.743)** | **(235.955)** |
| **Increase (decrease) in cash and cash equivalents** | | **12.854** | **(46.826)** | **19.218** | **(46.265)** |
| **Cash and cash equivalents** | | | | | |
| At the beginning of the period | 5 | 5.514 | 52.340 | 8.966 | 55.231 |
| At the end of the period | 5 | 18.368 | 5.514 | 28.184 | 8.966 |
| **Changes in cash and cash equivalents** | | **12.854** | **(46.826)** | **19.218** | **(46.265)** |

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

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# 1. General information

## 1.1 The Company

Fleury S.A. ("Fleury", "Parent Company" or "Company" and, jointly with its subsidiaries, "Grupo Fleury" or "Group") is a publicly held company listed in the Novo Mercado special segment of B3 S.A. – Brasil, Bolsa e Balcão, under ticker "FLRY3", headquartered in the city of São Paulo, whose purpose is to render medical services in the diagnostic, treatment, clinical analysis, health management and medical care areas and a digital health platform: Saúde iD.

The Group carries out its activities by means of 242 patient service centers and 30 operations in hospitals, as follows:

| State | Brand | 2020 | 2019 |
|---|---|---|---|
| Rio de Janeiro | Labs a+, Felippe Mattoso, Lafe | 77 | 84 |
| São Paulo | Fleury, a+SP. | 71 | 71 |
| Maranhão | Inlab | 25 | 21 |
| Rio Grande do Sul | Weinman / Serdil | 21 | 22 |
| Pernambuco | a+PE and Diagmax | 17 | 11 |
| Paraná | a+PR | 14 | 14 |
| Rio Grande do Norte | IRN/ CPC | 10 | 11 |
| Bahia | Diagnosson a+, a+BA | 6 | 8 |
| Federal District | Fleury, a+DF | 1 | 3 |
| **Total** | | **242** | **245** |

1.2 Acquisition of Grupo Diagmax

On January 10, 2020, the Company informed its shareholders and the market in general about the conclusion of the acquisition of 100% of the shares issued by Diagmax Participações Societárias S.A. and its subsidiaries ("Grupo Diagmax").

The operation was concluded after compliance with the conditions precedent, including the approval without restrictions, by the Brazilian Antitrust Authority ("CADE"). See further details in Note 3.

1.3 Investments in Prontmed and Sweetch

On July 30, 2020, the Company made a minority investment of 18.56% in Prontmed, a technology company that has been operating in the market for more than 20 years, focused on providing structured clinical data to health managers by means of electronic medical records for the primary and secondary health. The closing instrument and the conclusion of the conditions precedent were carried out on October 30, 2020.

Also on July 30, 2020, the Company made a minority investment of 1% in the Israeli company Sweetch, a healthtech specialized in the prevention and management of chronic diseases.

1.4 Launch of Saúde iD

On September 1, 2020, the Company launched Saúde iD (a subsidiary of Santécorp), a technology company based on data science and artificial intelligence, with the purpose of transforming the relationship between individuals and the health services offered in Brazil and provide the sector with sustainability.

Launched based on SantéCorp's data base, Saúde iD is a platform that integrates health products and services, so as to assure more quality and efficiency to the entire journey of patients - who are at the heart of the strategy.

1.5 Kortex - Corporate Venture Capital

On November 4, 2020, the Company, together with Sabin Medicina Diagnóstica S.A. ("Grupo Sabin"), created a private equity investment fund to invest in startups whose purpose is digital health, diagnostic medicine and customized medicine.
The term of this new Corporate Venture Capital ("CVC") is 10 years and a total of up to R$200 million will be invested in the first four years. The Company will hold an interest of 70%, while Grupo Sabin will hold 30%.
The conclusion of this transaction is subject to approval by the Brazilian Antitrust Authority ("CADE").

1.6 Company acquisition: Centro de Infusões Pacaembu Ltda. and Clínica de Olhos Dr. Moacir da Cunha Ltda.

On December 10, 2020, the Company entered into a Purchase and Sale Agreement and Other Covenants for acquisition of 100% of the shares of CIP (Centro de Infusões Pacaembu Ltda.); the conclusion of this transaction is subject to certain conditions precedent, among which the approval of the acquisition by the Brazilian Antitrust Authority ("CADE"). On the closing date, the Company will pay R$120,000 for the acquisition of CIP.

On the same date, by means of its subsidiary, Fleury CPMA, the Company also entered into a Purchase and Sale Agreement and Other Covenants for the acquisition of 80% of the shares of Clínica de Olhos Dr. Moacir da Cunha Ltda., which is made up of: Instituto de Oftalmologia 9 de Julho – Serviços Médicos Ltda., Centro Avançado de Oftalmologia Ltda. and Clínica de Olhos Dr. Moacir Cunha Ltda. The conclusion of this transaction is subject to certain conditions precedent. On the closing date, the Company will pay R$29,500 for the acquisition of Clínica de Olhos Dr. Moacir Cunha.

1.7 Launch of Sommos DNA.

On December 16, 2020, the Company announced the launch of Sommos DNA, a new genetic testing platform focused on genetic mapping tests for the general public, in a Direct to Consumer (DTC) business model. This type of test aims at identifying DNA mutation and its relation with the probability of developing diseases in the long term or diseases that may be inherited by children, providing individuals with greater opportunity and autonomy to plan and manage their own health. All Sommos DNA processes are carried out digitally, in an e-commerce platform. In addition to their technical excellence, they offer telemedicine consultation with renowned geneticists to explain the results obtained from the genetic analyses carried out.

1.8 COVID-19

The fast and sudden spread of the Coronavirus epidemic (COVID-19) shot down several productive and commercial segments, as well as confining people and weakening the world economy.

Given the recommendation of social distancing to reduce the spread of COVID-19, we launched the telemedicine platform "Cuidar Digital", enabling online appointments between doctors and patients across the country.
Tests for COVID have been made available to hospitals and individuals at the physical units, on mobile service and drive-throughs.

In addition, since March, we have added telemedicine and primary care services, which are offered at medical clinics at Fleury and a+ units in São Paulo, to the Health Platform, through SantéCorp. The first clinics began assisting patients whom telemedicine doctors considered needed an in-person medical evaluation.

At the end of the fourth quarter, in spite of being a year of so many uncertainties, the Company identified business opportunities and offer of new services with the launches of Saúde iD and Sommos DNA, and intensified mobile care by expanding routes and portfolio, including ultrasound scans, increasing the Company's revenue.

It should be noted that, except for the provision for inventory losses, identified in 4Q20 and shown in Note 8 - Inventories, the Company did not identify any event that could indicate impairment and/or non-realization of its assets.
Management continues to monitor its operations to reduce costs, renegotiate with suppliers and expand services that can contribute to our clients.

## 2. Presentation of the financial statements

Grupo Fleury's parent company and consolidated financial statements were approved by the Fiscal Council and Board of Directors at meetings held on February 19 and 24, 2021, respectively.

### 2.1. Basis of presentation

In the preparation of the parent company and consolidated financial statements, Management is required to make certain crucial accounting estimates and judgments in the application of accounting practices.

Information on uncertainties related to assumptions and estimates on December 31, 2020 that have a significant risk of resulting in a material adjustment to the accounting balances of assets and liabilities in the next fiscal year are included in the following Notes:

- Note 7 – Estimated losses with doubtful accounts and disallowances: measurement of estimated credit loss;
- Note 8 – Provision for inventory losses: measurement of loss for items not realizable;
- Note 11 – Asset impairment: main assumptions regarding the recoverable values;
- Note 22 – Provision for tax, labor and civil risks: recognition and measurement of provisions for contingencies: main assumptions on the probability and magnitude of outflows.

The parent company and consolidated financial statements were prepared and are being presented based on the accounting practices adopted in Brazil, which include the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS) – IAS 1, issued by the International Accounting Standards Board (IASB).
All material information used by Management is evidenced in these Financial Statements in accordance with OCPC07.

The parent company and consolidated financial statements are presented in thousands of Brazilian reais (R$), which is Grupo Fleury's functional currency.

**a) Consolidation and joint venture**

The Company consolidates all entities under its control, i.e., when it is exposed or has rights to variable returns and has the power to manage important activities of the investee. Intercompany transactions, balances and unrealized gains and losses are eliminated. The subsidiary's accounting policies are consistent with those adopted by the Company.

The consolidated financial statements include the balances of Fleury S.A., subsidiaries and special purpose entities represented by the exclusive investment funds. Additionally, the balance includes the interest held in the joint venture, accounted for by the equity method, as shown below:

| | Fleury S.A.'s interest (%) | |
|---|---|---|
| **Direct subsidiaries:** | **12/31/2020** | **12/31/2019** |
| Fleury Centro de Procedimentos Médicos Avançados S.A. ("Fleury CPMA") | 100% | 100% |
| Inlab – Investigação Laboratorial Ltda. ("Inlab") | 100% | 100% |
| Diagmax Participações Societárias S.A ("Grupo Diagmax") | 100% | - |
| **Indirect subsidiaries:** | | |
| Serdil Serviço Especializado em Radiodiagnóstico Ltda. ("Serdil") | (a) | 100% |
| Instituto de Radiologia de Natal Ltda. ("IRN") | 100% | 100% |
| Cardionuclear Natal Ltda. (Grupo IRN) | (b) | 100% |
| Radiodonto Natal Ltda. (Grupo IRN) | (b) | 100% |
| SantéCorp Ltda. ("SantéCorp") | 100% | 100% |
| CPC – Centro de Patologia Clínica Ltda. | 100% | 100% |
| Saúde iD Ltda. | 100% | - |
| Newscan Serviços Médicos S.A. ("Grupo Lafe") | 100% | 100% |
| **Exclusive investment funds:** | | |
| Bradesco Fundo de Investimento em cotas FI Renda Fixa Crédito Privado Exclusivo Beta | 100% | 100% |
| Santander FI Exclusivo Alpha Renda Fixa Crédito Longo Prazo | 100% | 100% |
| **Joint venture:** | | |
| Papaiz Associados Diagnóstico por Imagem S/A Ltda. ("Papaiz") | 51% | 51% |

(a) Serdil was absorbed by Fleury CPMA on July 1, 2020.
(b) Cardionuclear and Radiodonto were dissolved on August 13, 2020 and August 25, 2020, respectively.

Main activities:
**Fleury CPMA:** diagnostic imaging services in certain hospitals and in the orthopedic center Day Clinic.
**Grupo Diagmax:** diagnostic imaging and clinical analysis services.
**Serdil:** diagnostic imaging and clinical analysis services.
**Grupo IRN:** diagnostic imaging services.
**Grupo SantéCorp:** health management services.
**Grupo Lafe, CPC and Inlab:** clinical analysis laboratories.
**Saúde iD:** technology service based on data science and artificial intelligence, including the Health platform.
**Papaiz:** dental radiology operation.

**b) Standards and interpretations in effect and not effective**

The following standards were issued by IASB, but are not yet effective for 2020. Although encouraged by IASB, early adoption is not allowed by the Brazilian Accounting Pronouncements Committee (CPC).

**i) Onerous Contracts – (amendments to CPC 25/IAS 37).**
The amendments specify which costs are included when an entity determines the cost of performance of a contract in order to evaluate whether the contract is onerous. The amendments apply for annual periods beginning on or after January 1, 2022, for contracts effective on the date in which the amendments were made for the first time.

**ii) Revision of the reference interest rate (amendments to CPC48/IFRS9, CPC38/IAS39, CPC40/IFRS7, CPC11/IFRS 4 and CPC 06/IFRS 16).**
The amendments address matters that may affect the parent company and consolidated financial statements after revision of the reference interest rate, including the effects of changes in contractual cash flows or hedging relations arising from the replacement of the reference interest rate by an alternative reference rate. The amendments provide practical expedient for certain requirements related to:

- Changes in the determination base of contractual cash flows of financial assets, financial liabilities and lease liabilities, and hedge accounting.

The application will not impact the amounts reported for 2020 or prior periods.

**iii) Other Standards**

No significant impacts are expected in Grupo Fleury's financial statements for the following standards:

- Property and Equipment: Revenue prior to the intended use (amendments to CPC 27/IAS 16);
- Classification of Liabilities as Current or Noncurrent (amendments to CPC 26/IAS 1);
- IFRS 17 Insurance Contracts.

**c) Financial instruments policy**

**i) Financial Assets**

**i.i) Classification**

The Company classifies its financial assets in the following categories: i) at amortized cost and ii) at fair value through profit or loss. These classifications are based on the business model adopted for asset management and on the characteristics of contractual cash flows.

**Amortized cost:** Financial assets held to generate contractual cash flows are recognized at amortized cost. These flows are received on specific dates and exclusively comprise payment of principal and interest. The following assets classified in this category are: Accounts receivable and Other receivables (classified under Other Assets).
**Fair value through profit or loss:** Assets recognized at fair value through profit or loss comprise: i) those that do not fit the business models that allow the classification at amortized cost or fair value through other comprehensive income; ii) equity instruments at fair value through profit or loss; and iii) financial assets managed to obtain cash flow from the sale of assets. The following assets classified in this category are: Cash and cash equivalents, Government bonds and Secured short-term investments classified as Securities and Derivative financial instruments.

**i.ii) Initial measurement**

Upon initial recognition, the Company's financial assets and liabilities are measured at fair value, taking into consideration the transaction costs attributable to the acquisition or issue of a financial asset or a financial liability. Trade receivables are initially measured at transaction cost.

**i.iii) Subsequent measurement**

Based on asset classification, subsequent measurement is as follows:
**Amortized cost:** Assets are accounted for using the effective interest rate method less expected credit losses. In addition, the principal amount paid is included in the calculation of amortized cost.
**Fair value through profit or loss:** Assets are accounted for based on the recognition of gains or losses recorded in profit/loss for the period.

**i.iv) Impairment**

The Company records a provision for expected credit losses for assets classified at amortized cost. The impairment test is carried out prospectively, based on historical data and models created for such purpose. In addition, the financial assets' credit risk changes are tested for impairment every month in order to reflect the risk of default to which the Company is subject and the amount to be used as a base for the recognition of losses, i.e., if the credit risk does not significantly increase, a credit loss should be recognized on the outstanding balance for the next 12 months and, if the Company identifies a significant increase in credit risk, it records loss based on the total outstanding amount for the entire life of the financial instrument.
The following financial assets held by the Company are subject to the creation of a provision for impairment: Cash and cash equivalents (Note 5) and Trade receivables (Note 7).

**ii) Financial Liabilities**

**ii.i) Classification**

The Company's financial liabilities are classified at:

- Amortized cost, represented by Trade payables, Financing, Debentures and Finance lease;
- Fair value through profit or loss, represented by Derivative financial instruments.

**ii.ii) Initial recognition**

Financial liabilities are initially recognized at fair value plus transaction costs (in the case of borrowings, financing, and accounts payable). The Company's financial liabilities comprise accounts payable, financing, financial guarantee agreements and derivative financial instruments.

**ii.iii) Subsequent measurement**
Based on liabilities classification, subsequent measurement is as follows:

**Amortized cost:** Liabilities classified at amortized cost are accounted for using the effective interest rate method, in which gains and losses are recorded in profit or loss when liabilities are written-off and upon recognition of amortization.

**Fair value through profit or loss:** Liabilities classified at fair value through profit or loss are accounted for through the recognition of their gains or losses in profit/loss for the period.

**The other Company policies are being presented together with the respective Notes.**

## 3. Business combination

**a) Diagmax**

On January 10, 2020, Fleury SA acquired 100% of the share capital of Diagmax Participações Societárias S.A and its subsidiaries: Diagmax Ltda and Cedire – Centro de Endoscopia Digestiva do Recife ("Grupo Diagmax"). The company was acquired for R$80,388, R$27,820 of which paid in cash and R$52,568 retained for purposes of adjusting the acquisition price/indemnification, in addition to earnout of R$29,609, paid on September 3, 2020.

**i) Identifiable net assets acquired and goodwill- Diagmax**

The estimate of the allocation of the consideration/amount paid was based on an assessment of the fair values of the net assets acquired from Diagmax on January 1, 2020 (the control was acquired on January 10, 2020).

The fair value of the identifiable assets acquired and the liabilities assumed in the business combination were estimated based on the present value adjustment and replacement cost. The fair value was estimated using the discounted cash flow methodology, based on a discount rate of 19.3% p.a.

The assets and liabilities acquired and recognized on the acquisition date are as follows:

| **Assets** | **1/01/2020** | **Liabilities** | **1/01/2020** |
|---|---|---|---|
| Cash and cash equivalents | 2,048 | Trade payables | 5,167 |
| Trade receivables | 10,549 | Borrowings and debentures | 25,019 |
| Other assets | 585 | Tax liabilities | 2,856 |
| Property and equipment/intangible assets | 25,161 | Labor liabilities | 1,292 |
| Right of use (IFRS16) | 2,798 | Other liabilities | 995 |
| | | Leases (IFRS16) | 3,089 |
| | | **Liabilities** | **38,418** |
| | | Equity | 2,723 |
| **Total assets** | **41,141** | **Total liabilities and equity** | **41,141** |

**ii) Allocation of the consideration transferred:**

| | |
|---|---|
| **Gross acquisition price** | **80,388** |
| *Earnout* | 29,609 |
| (+/-) Adjustment to acquisition price | (17,243) |
| **Adjusted acquisition price** | **92,754** |
| Equity | (2,723) |
| Trademarks and patents, net | 2,385 |
| Goodwill (negative goodwill) of property and equipment, net | 813 |
| Non-competition, net | 153 |
| Provision for labor risks with possible loss | (33) |
| **Equity – fair value** | **6,041** |
| **Business combination goodwill (*)** | **86,713** |

(*) After the calculation of earnout and price adjustment in 3Q20, goodwill fell by R$1,109 when compared to 1Q20 and 2Q20.

## 4. Risk management - Consolidated

The main risk factors the Company and its subsidiaries are exposed to are financial and operating risks, including market, foreign exchange, interest rate, credit and liquidity risks. These risks are inherent to the Company's activities and are managed through internal controls and policies.

The policies set forth are supervised and monitored through monthly managerial reports.

**Fair value hierarchy**
The assumptions used by the Company to determine the hierarchy and disclose the fair values of financial instruments are:

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

### a) Accounting classification and fair values

| | Level 2 |
|---|---|
| **Financial Assets** | |
| Cash equivalents, marketable securities | 1,111,420 |
| Derivative financial instruments, net | (367) |
| **Financial Liabilities** | |
| Financing and debentures, except confirming operation | (1,900,874) |
| Finance lease | (785,829) |
| Confirming operation | (2,847) |
| **On December 31, 2020** | **(1,578,497)** |
| **On December 31, 2019** | **(1,521,612)** |

Given the nature of the balances, we assume that the fair value of the Company's financial instruments is close to the carrying amount. The comparison between the recorded amounts and the fair values did not show material differences.

### b) Capital management

Grupo Fleury monitors its capital based on the consolidated financial leverage ratio, as shown below:

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Financing and debentures, except confirming operation | 1,900,874 | 1,553,704 |
| Accounts payable from acquisitions | 108,882 | 82,804 |
| Confirming operation | 2,847 | 2,705 |
| Cash and cash equivalents | (28,184) | (8,966) |
| Marketable securities | (1,083,236) | (848,836) |
| **Net debt** | **901,183** | **781,411** |
| Equity | 1,750,850 | 1,758,976 |
| **Financial leverage ratio (Net debt/Equity)** | **0.51** | **0.44** |

### c) Financial and market risks

Exchange rate risk

The Company and its subsidiaries have trade receivables and trade payables denominated in foreign currency (mainly in U.S. dollars). The risk related to these assets and liabilities arises from the possibility of incurring losses due to exchange rate variations and is monitored by the Finance Office.

These instruments are already recorded at fair value through profit or loss (probable scenario: US$1.00 – R$5.1967) and, therefore, there are no effects for this scenario. In the "Possible" and "Remote" scenarios of depreciation of the dollar against the real, the exchange rate was increased by 25% and 50%, respectively, before taxes on December 31, 2020:

| | | 12/31/2020 | | | |
|---|---|---|---|---|---|
| | | US$ '000 | Probable 100% | Remote (50%) | Possible (25%) |
| Trade receivables (Note 7) | US$ depreciation | 172 | 895 | 448 | 224 |
| Trade payables (Note 16) | US$ appreciation | (330) | (1,716) | (858) | (429) |
| Derivatives | US$ depreciation | (71) | (367) | (184) | (92) |
| **Net exposure** | | **(229)** | **(1,188)** | **(594)** | **(297)** |

Interest rate risk

The Company has financing in domestic currency subject to interest rates pegged to indices, including the CDI interbank rate, as well as balances of updated taxes paid in installments indexed to the benchmark interest rate (SELIC). The risk inherent in these liabilities arises from the possibility of fluctuations in these rates with an impact on cash flows. The Company and its subsidiaries do not have derivative contracts because they believe that the risk is mitigated by the existence of assets indexed to the CDI (short-term investments).

Credit risk

Grupo Fleury is exposed to credit risk in its operating activities, which is reflected in the statement of financial position under Trade receivables. See Note 7.

The Company and its subsidiaries are also subject to credit risks related to their operations with financial institutions, represented by bank deposits, short-term investments and derivative instruments. In Management's opinion, the risk is low since these operations are carried out with top-tier banks and there are treasury policies with specific limits for the allocation of funds.

Liquidity risk

Grupo Fleury's cash flow estimate is carried out by the Finance Department, which monitors the continuous estimates of liquidity requirements to ensure sufficient funds to meet its operating needs. It also maintains enough free space available in its credit lines at any time, so that Grupo Fleury is in compliance with the limits and covenants of financing and debentures (when applicable) in all its credit lines. This estimate takes into consideration the Group's financing plans, compliance with covenants and internal balance sheet ratio targets and, if applicable, legal or external regulatory requirements, such as currency restrictions.

The surplus cash maintained by the operating entities, in addition to the balance required to manage working capital, is used in investments with proper maturities or with liquidity sufficient to provide the necessary margin determined by the abovementioned estimates.

The table below analyzes Grupo Fleury's liabilities and financial instruments by maturity date, corresponding to the period remaining in the statement of financial position until the contractual maturity date. The amounts disclosed represent the undiscounted consolidated cash flows contracted and, therefore, cannot be reconciled with the carrying amounts.

| On December 31, 2020 | Carrying amount | Contracted amount | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Debentures | 1,302,844 | 1,406,878 | 430,786 | 174,649 | 592,246 | 209,197 |
| Finance lease | 785,829 | 1,139,577 | 176,427 | 307,988 | 400,363 | 254,799 |
| Trade payables | 250,459 | 250,459 | 250,459 | - | - | - |
| Financing (except for confirming operation) | 598,030 | 637,998 | 65,619 | 571,904 | 475 | - |
| Trade payables - company acquisition | 108,882 | 108,882 | 25,790 | 27,043 | 46,220 | 9,829 |
| Other liabilities | 10,586 | 10,586 | 10,586 | - | - | - |
| Confirming operation | 2,847 | 2,847 | 2,847 | - | - | - |
| Derivatives | 367 | 367 | 367 | - | - | - |
| | **3,059,844** | **3,557,594** | **962,881** | **1,081,584** | **1,039,304** | **473,825** |

### d) Management of operating risks

The governance of the Corporate Risk Management (operating, compliance, strategic, projects, cyber and financial) adopted by Grupo Fleury complies with the Lines of Defense concept (created by the European Confederation of Institutes of Internal Audit - ECIIA, together with the Federation of European Risk Management Associations - FERMA), in which each part of the organization has clear and well-defined roles and responsibilities.
Regarding the negotiations for the proper management of its risks, the Group delegated the following responsibilities:

a) Managers of the business areas to map processes, identify and/or update related operational risks and implement the necessary mitigation measures (internal controls, policies and procedures, projects, insurance contracting, among others);
b) Consultive areas (Risks, Compliance, Privacy, among others) to support the business areas and ensure their constant development and progress.

This occurs by means of specific projects, such as Business Continuity Plan and updating of the risk portfolio. It is also responsibility of the two lines of defense mentioned above (jointly) to identify, analyze, plan, implement, monitor and revise all processes and possible risks of the Group (manage and control any potential threats);

c) Independent Internal Audit, which operates on a two-year cycle, to analyze how the above-mentioned groups achieve their risk and control management objectives in order to identify possible deviations to the process defined;

d) Management participation by supporting the prioritization of efforts and resources to implement and maintain mechanisms that continue with the mitigation of risks and, consequently, with the support to culture and the risk management process in the Company;

This generates results that are periodically reported and monitored by the Executive Board, Audit Committee, Governance, Risk and Compliance Committee (and other Advisory Committees when requested), and the Board of Directors.

**e) Environmental risk**

The Company implements the following procedures in order to mitigate socio-environmental risks, which are part of the organization's ESG (Environmental, social and corporate governance) program:

**Waste:** risks related to potential inappropriate disposal of waste generated by operations. In order to mitigate that, Fleury created a waste management system based on legal requirements and voluntary commitments assumed by the Company. The program includes the implementation of work policies and instructions focused on the issue, the setting of annual targets to reduce waste generation, training programs and campaigns to raise employees' awareness and continuous monitoring of disposal processes through indicators and based on internal audits.

**Natural resources**: possible risks associated with reduced availability of natural resources because of climate matters and anthropic factors. In this regard, the Company sets annual targets to reduce water and electricity consumption and implements employee continuing education programs and eco-efficiency measures designed to reduce the consumption of these resources, including the search for technology solutions to reduce water consumption and diversification of the Group's energy matrix. The Company's climate change program, which includes the preparation of the emissions inventory, the definition of reduction targets and studies of risk and adaptation to climate changes, complements the measures.

**Suppliers:** in order to reduce supply chain risks, Grupo Fleury has defined socio-environmental and compliance criteria to qualify and evaluate suppliers, including the adoption of evaluation surveys and the search for legal documentation. Moreover, suppliers are required to sign the Citizenship and Sustainability agreement and the Anti-corruption attachment when they are contracted. The sustainability and compliance performance of critical suppliers is monitored through the Program of Excellence in Supply Chain Relationship (PERC).

**f) Statement of sensitivity analysis**

Sensitivity analysis for changes in interest rate

In order to calculate the probable scenario, the Company used the reference rates obtained from the BM&FBOVESPA on December 31, 2020. The "Possible" and "Remote" scenarios consider increases of 25% and 50%, respectively. The results, in nominal amounts, are as follows, and debenture interest expenses are calculated until the end of each indexed contract.

| **On December 31, 2020** | **Accounting balance** | **Probable** | **Possible** | **Remote** |
|---|---|---|---|---|
| | **CDI (p.a.)** | **1.90%** | **1.90%** | **1.90%** |
| | | | **-25%** | **-50%** |
| Short-term investments - marketable securities | 1,083,236 | 20,581 | 5,145 | 10,291 |
| Cash and cash equivalents (Bank Notes) | 3,667 | 70 | 17 | 35 |
| Bank Credit Note and Promissory Notes | (550,032) | (10,451) | (2,613) | (5,225) |
| Debentures | (1,302,844) | (24,754) | (6,189) | (12,377) |
| **Net exposure in CDI** | **(765,973)** | **(14,554)** | **(3,640)** | **(7,276)** |

## 5. Cash and cash equivalents

| | **Parent Company** | | **Consolidated** | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Cash and banks | 18,368 | 5,514 | 24,517 | 8,377 |
| Financial bills (i) | - | - | 3,667 | 589 |
| **Total** | **18,368** | **5,514** | **28,184** | **8,966** |

## 6. Marketable securities

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Fund quotas – indexed to the DI rate | 614,561 | 782,196 | 681,808 | 844,571 |
| Secured short-term investments | 2,022 | 2,060 | 2,022 | 4,265 |
| Bank Deposit Certificate (CDB) | 399,406 | - | 399,406 | - |
| **Total (ii)** | **1,015,989** | **784,256** | **1,083,236** | **848,836** |
| **Current** | **1,000,593** | **784,256** | **1,013,621** | **795,298** |
| **Noncurrent** | **15,396** | **-** | **69,615** | **53,538** |

### a) Short-term investments balance activity schedule (*)

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Opening balance | 784,256 | 765,810 | 849,425 | 804,486 |
| Investment | 1,834,938 | 2,033,551 | 1,935,533 | 2,138,596 |
| Addition due to acquisition of subsidiary | - | - | - | 211 |
| Earnings | 23,022 | 26,592 | 24,402 | 30,129 |
| Redemption | (1,626,227) | (2,041,697) | (1,722,457) | (2,123,997) |
| **Total (i + ii)** | **1,015,989** | **784,256** | **1,086,903** | **849,425** |

(*) corresponds to changes of fixed term deposits, repurchase agreements, government bonds and other short-term investments classified as cash and cash equivalents and marketable securities.

## 7. Trade receivables

### a) Policy

Trade receivables correspond to amounts receivable for services rendered during the normal course of Grupo Fleury's activities less estimated loss with doubtful accounts and disallowances.

Estimates with expected credit losses (default) are recorded based on the historical average of loss. These percentages range between 0.1% and 1% (according with the business segment) for short-term receivables and 100% for receivables overdue after 240 days. The Company analyzed the default percentages and, given the pandemic scenario, changed the percentage from 0.1% - 1% to 0.2% - 2%.
The criterion to provision disallowances corresponds to 1% of the Group's gross revenue less revenue from the business segments that are not subject to disallowances.

The Company and its subsidiaries have a certain degree of concentration in their customer portfolio (legal entities). On December 31, 2020, the six main customers accounted for 69.23% of the total portfolio (65.38% on December 31, 2019).

### b) Balance breakdown

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Billed amounts | 533,567 | 480,783 | 555,087 | 497,569 |
| Amounts to be billed | 139,408 | 90,062 | 165,564 | 102,228 |
| **Subtotal** | **672,975** | **570,845** | **720,651** | **599,797** |
| Estimated losses with doubtful accounts and disallowances | (14,846) | (28,513) | (16,183) | (29,711) |
| **Total** | **658,128** | **542,332** | **704,468** | **570,086** |

### c) Aging list

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| **Current** | 628,325 | 480,754 | 672,703 | 504,402 |
| **Past due** | | | | |
| Up to 120 days | 25,417 | 44,398 | 27,639 | 48,132 |
| 121 to 360 days | 10,219 | 29,338 | 10,817 | 30,523 |
| Over 361 days | 9,014 | 16,355 | 9,492 | 16,740 |
| **Total** | **672,975** | **570,845** | **720,651** | **599,797** |

**d) Changes of estimated losses with doubtful accounts and disallowances**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| **Balance at the beginning of the year** | (28,513) | (23,234) | (29,711) | (23,791) |
| Additions of doubtful accounts and disallowances (Notes 26 and 29) | (35,378) | (43,632) | (37,392) | (44,515) |
| Addition due to acquisition of subsidiary | - | - | - | (2,385) |
| Write-off of uncollectible instruments | 49,045 | 38,353 | 50,920 | 40,980 |
| **Balance at the end of the year** | (14,846) | (28,513) | (16,183) | (29,711) |

## 8. Inventories

**a) Policy**

Inventories are stated at the lower of cost and net realizable value. Inventory costs are determined based on the average cost method.
The Company created provisions for losses for certain materials acquired to meet demand during the COVID-19 pandemic and, because of their close expiration date, they may not be realizable.

**b) Balance breakdown**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Diagnostic kits (*) | 40,348 | 16,951 | 41,151 | 17,876 |
| Collection and nursing material | 12,340 | 6,276 | 13,825 | 7,095 |
| Auxiliary laboratory materials | 7,052 | 4,296 | 7,340 | 4,334 |
| Administrative, promotional and other types of material | 4,780 | 2,146 | 5,459 | 2,562 |
| Provision for losses with diagnostic kits | (4,682) | - | (4,682) | - |
| **Total** | **59,838** | **29,669** | **63,093** | **31,867** |

(*) The significant increase in this line was mainly due to the acquisition of kits to test and diagnose COVID-19.

## 9. Recoverable taxes

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Social Integration Program Tax on Revenue (PIS) and Social Security Financing Tax on Revenue (COFINS) | 8,148 | 7,032 | 8,988 | 7,486 |
| Social security tax (INSS) | 7,917 | 6,052 | 8,125 | 6,066 |
| Tax on services (ISS) | 4,863 | 3,653 | 5,212 | 3,962 |
| **Total** | **20,928** | **16,737** | **22,325** | **17,514** |

## 10. Investments

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Direct/indirect subsidiary | 613,281 | 454,774 | 290 | 336 |
| Joint venture | - | - | 13,274 | 11,321 |
| **Subtotal** | **613,281** | **454,774** | **13,564** | **11,657** |
| Prontmed | 12,000 | - | 12,000 | - |
| Others | 8,674 | 5,171 | 8,808 | 5,171 |
| **Total** | **633,955** | **459,945** | **34,372** | **16,828** |

**Significant information on investments**

| Subsidiaries and joint ventures | Reference date | Interest in the paid-up capital (%) | Number of shares of capital stock | Equity | Profit (loss) for the period |
|---|---|---|---|---|---|
| Fleury CPMA | 12/31/2020 | 100% | 416,381 | 386,114 | 680 |
| | 12/31/2019 | 100% | 394,011 | 363,074 | 8,407 |
| Serdil | 12/31/2020 | - | - | - | (488) |
| | 12/31/2019 | 100% | 14,995 | 11,718 | 1,288 |
| Papaiz | 12/31/2020 | 51% | 4,153 | 7,160 | (326) |
| | 12/31/2019 | 51% | 2,081 | 5,439 | (333) |
| IRN | 12/31/2020 | 100% | 11,423 | 24,924 | 3,043 |
| | 12/31/2019 | 100% | 11,423 | 22,970 | 3,579 |
| Cardionuclear | 12/31/2020 | - | - | - | (519) |
| | 12/31/2019 | 100% | 250 | 2,948 | 366 |
| Radiodonto | 12/31/2020 | - | - | - | (33) |
| | 12/31/2019 | 100% | 10 | 36 | 44 |
| Grupo SantéCorp | 12/31/2020 | 100% | 11,554 | 9,418 | (3,415) |
| | 12/31/2019 | 100% | 484 | 1,222 | 32 |
| Grupo Lafe | 12/31/2020 | 100% | 54,016 | 19,884 | 3,177 |
| | 12/31/2019 | - | 49,708 | 13,707 | 1,014 |
| CPC | 12/31/2020 | 100% | 1,125 | 2,623 | 340 |
| | 12/31/2019 | - | 665 | 1,823 | (2) |
| Inlab | 12/31/2020 | 100% | 4,915 | 14,623 | 12,613 |
| | 12/31/2019 | - | 4,565 | 1,660 | - |
| Grupo Diagmax | 12/31/2020 | 100% | 38,250 | 30,220 | (502) |
| | 12/31/2019 | - | - | - | - |

**Changes in investment balances**

| | Investees | Balance on 12/31/2019 | Acquisition (a) | Capital payment | Equity in the earnings (losses) of subsidiaries | Other changes (d) | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|---|
| Fleury S.A. | Fleury CPMA | 364,424 | - | 22,370 | 680 | 2 | 387,476 |
| Fleury S.A. | Diagmax | - | 92,754 | 27,979 | (502) | 1,545 | 121,776 |
| Fleury S.A. | Inlab | 90,350 | 67 | 350 | 12,613 | 649 | 104,029 |
| Fleury S.A. | Prontmed (c) | - | 12,000 | - | - | - | 12,000 |
| Fleury S.A. | Other (b) | 5,171 | 3,508 | - | - | (5) | 8,674 |
| **Total Parent Company** | | **459,945** | **108,329** | **50,699** | **12,791** | **2,191** | **633,955** |
| Fleury CPMA | Papaiz | 11,321 | - | 2,072 | (326) | - | 13,067 |
| Fleury S.A. | Prontmed (c) | - | 12,000 | - | - | - | 12,000 |
| Fleury S.A. | Other (b) | 5,171 | 3,508 | - | - | (5) | 8,674 |
| Fleury CPMA | Acquired | 336 | - | - | - | 161 | 497 |
| Diagmax/CPC | Other | - | - | - | - | 134 | 134 |
| **Total Consolidated** | | **16,828** | **15,508** | **2,072** | **(326)** | **290** | **34,372** |

(a) The acquisition value, at the parent company, includes equity and all identified assets.
(b) Refer to investments in Lab Rede, Our Crowd (Sabin), Bem Care and Sweetch. Acquisitions in the period refer to Our Crowd (R$1.9MM) and Sweetch (R$1.5MM).
(c) The investment resulted in an interest of 18.56%. In 2020, outflows corresponded to 50%, or R$6.0MM.
(d) Refer mainly to goodwill and negative goodwill. The entries are recorded under investment and business combination, reclassified to the property and equipment classes, i.e. they are accounted together with the assets and liabilities that generated them.

## 11. Property and equipment and Intangible assets

### a) Policy

Recorded at acquisition cost less accumulated depreciation or amortization.
Depreciation and amortization are recognized based on the estimated useful life of each asset/components using the straight-line method.
Grupo Fleury revises at least annually the book value of its tangible and intangible assets to determine if there is any indication that these assets were impaired.

### b) Balance breakdown

| **Parent Company** | | **12/31/2020** | | | **12/31/2019** |
|---|---|---|---|---|---|
| | Average annual depreciation rate % | Cost | Accumulated depreciation | Net balance | Net balance |
| Machinery and equipment | 10 | 711,059 | (371,181) | 339,878 | 366,915 |
| Leasehold improvements | 20 | 345,363 | (217,231) | 128,132 | 168,745 |
| Facilities | 10 | 283,063 | (221,771) | 61,292 | 82,125 |
| Construction in progress (a) | - | 43,854 | - | 43,854 | 23,236 |
| IT equipment | 20 | 96,788 | (70,319) | 26,469 | 27,517 |
| Properties | 2 | 28,026 | (6,449) | 21,577 | 22,044 |
| Land | - | 13,637 | - | 13,637 | 13,637 |
| Furniture and fixtures | 10 | 47,595 | (38,749) | 8,846 | 11,707 |
| **Total** | | **1,569,385** | **(925,700)** | **643,685** | **715,926** |

| **Consolidated** | | **12/31/2020** | | | **12/31/2019** |
|---|---|---|---|---|---|
| | Average annual depreciation rate % | Cost | Accumulated depreciation | Net balance | Net balance |
| Machinery and equipment | 10 | 796,577 | (425,590) | 370,987 | 384,447 |
| Leasehold improvements | 20 | 360,910 | (223,703) | 137,207 | 175,735 |
| Facilities | 10 | 287,981 | (223,987) | 63,994 | 85,071 |
| Construction in progress (a) | - | 59,966 | - | 59,966 | 25,223 |
| IT equipment | 20 | 103,947 | (74,021) | 29,926 | 30,386 |
| Properties | 2 | 28,026 | (6,449) | 21,577 | 22,044 |
| Land | - | 13,637 | - | 13,637 | 13,637 |
| Furniture and fixtures | 10 | 52,863 | (41,463) | 11,400 | 13,964 |
| Vehicles | 20 | 431 | (356) | 75 | 180 |
| **Total** | | **1,704,337** | **(995,569)** | **708,769** | **750,687** |

### c) Changes in property and equipment

| **Parent Company (2019-2020)** | Balance on 12/31/2019 | Additions | Write-offs, net | Depreciation | Reclass. / Transf. (e) | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|
| Machinery and equipment | 366,915 | 25,503 | (1,705) | (58,641) | 7,806 | 339,878 |
| Leasehold improvements | 168,745 | 2,720 | (775) | (52,757) | 10,199 | 128,132 |
| Facilities | 82,125 | 1,536 | (452) | (23,652) | 1,735 | 61,292 |
| Construction in progress (a) | 23,236 | 43,173 | - | - | (22,555) | 43,854 |
| IT equipment | 27,517 | 5,411 | (108) | (8,461) | 2,110 | 26,469 |
| Properties | 22,044 | - | - | (467) | - | 21,577 |
| Land | 13,637 | - | - | - | - | 13,637 |
| Furniture and fixtures | 11,707 | 192 | (630) | (2,691) | 268 | 8,846 |
| **Total** | **715,926** | **78,535** | **(3,670)** | **(146,669)** | **(437)** | **643,685** |

| **Consolidated (2019-2020)** | Balance on 12/31/2019 | Acquisition of Diagmax | Goodwill/negative goodwill Diagmax | Additions | Write-offs, net | Deprec. | Reclass. / Transf. (e) | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|---|---|
| Machinery and equipment | 384,447 | 13,913 | (1,415) | 28,265 | (2,695) | (65,314) | 13,786 | 370,987 |
| Leasehold improvements | 175,735 | 3,862 | (302) | 3,682 | (1,140) | (56,016) | 11,386 | 137,207 |
| Facilities | 85,071 | 4 | (41) | 1,742 | (453) | (24,080) | 1,751 | 63,994 |
| Construction in progress (a) | 25,223 | 20 | - | 62,589 | - | - | (27,866) | 59,966 |
| IT equipment | 30,386 | 118 | (1) | 6,334 | (115) | (9,324) | 2,528 | 29,926 |
| Properties | 22,044 | - | - | - | - | (467) | - | 21,577 |
| Land | 13,637 | - | - | - | - | - | - | 13,637 |
| Furniture and fixtures | 13,964 | (81) | 7 | 296 | (195) | (3,114) | 523 | 11,400 |
| Vehicles | 180 | - | (17) | - | - | (99) | 11 | 75 |
| **Total** | **750,687** | **17,836** | **(1,769)** | **102,908** | **4,598** | **(158,414)** | **2,118** | **708,769** |

| **Parent Company (2018-2019)** | Balance on 12/31/2018 | Additions | Write-offs, net | Depreciation | Reclass. / Transf. | Balance on 12/31/2019 |
|---|---|---|---|---|---|---|
| Machinery and equipment | 334,502 | 49,132 | (242) | (52,843) | 36,366 | 366,915 |
| Leasehold improvements | 174,654 | 9,709 | (97) | (50,979) | 35,458 | 168,745 |
| Facilities | 97,833 | 5,162 | (86) | (24,379) | 3,595 | 82,125 |
| IT equipment | 26,678 | 7,769 | (258) | (8,710) | 2,038 | 27,517 |
| Construction in progress (a) | 67,561 | 48,770 | - | - | (93,095) | 23,236 |
| Properties | 27,318 | - | - | (467) | (4,807) | 22,044 |
| Land | 16,123 | - | - | - | (2,486) | 13,637 |
| Furniture and fixtures | 12,863 | 728 | (66) | (2,742) | 924 | 11,707 |
| **Total** | **757,532** | **121,270** | **(749)** | **(140,120)** | **(22,007)** | **715,926** |

| **Consolidated (2018-2019)** | Balance on 12/31/2018 | Acquisition of subsidiary | Goodwill/ negative goodwill | Additions | Write-offs, net | Deprec. | Reclass. / Transf. | Balance on 12/31/2019 |
|---|---|---|---|---|---|---|---|---|
| Machinery and equipment | 353,207 | 888 | 157 | 49,973 | (313) | (58,346) | 38,881 | 384,447 |
| Leasehold improvements | 176,898 | 3,865 | (1,134) | 10,547 | (97) | (52,079) | 37,735 | 175,735 |
| Facilities | 99,875 | 195 | 100 | 5,464 | (86) | (24,722) | 4,245 | 85,071 |
| IT equipment | 27,609 | 464 | 11 | 9,071 | (263) | (9,191) | 2,685 | 30,386 |
| Construction in progress (a) | 68,084 | - | - | 60,358 | - | - | (103,219) | 25,223 |
| Properties | 27,318 | - | - | - | - | (467) | (4,807) | 22,044 |
| Furniture and fixtures | 13,567 | 1,286 | 318 | 754 | (67) | (2,283) | 389 | 13,964 |
| Land | 16,123 | - | - | - | - | - | (2,486) | 13,637 |
| Vehicles | - | 148 | 40 | - | - | (8) | - | 180 |
| **Total** | **782,681** | **6,846** | **(508)** | **136,167** | **(826)** | **(147,096)** | **(26,547)** | **750,687** |

a) Mainly focused on expansion and improvement of units and technical areas.

**d) Intangible asset balance breakdown**

| **Parent Company** | | **12/31/2020** | | | **12/31/2019** |
|---|---|---|---|---|---|
| | Average annual amortization rate - % | Cost | Accumulated amortization | Net balance | Net balance |
| Goodwill | - | 1,342,222 | (44,413) | 1,297,809 | 1,297,809 |
| Licenses and software | 20 | 419,825 | (273,931) | 145,894 | 161,790 |
| Intangible assets in progress (a) | - | 72,453 | - | 72,453 | 36,886 |
| Customer contracts | 10 | 154,387 | (142,808) | 11,579 | 27,017 |
| Products internally developed | - | 4,716 | - | 4,716 | 4,522 |
| Trademarks and patents | 7 | 13,226 | (9,391) | 3,835 | 4,563 |
| **Total** | | **2,006,829** | **(470,543)** | **1,536,286** | **1,532,587** |

| Consolidated | | 12/31/2020 | | | 12/31/2019 |
|---|---|---|---|---|---|
| | Average annual amortization rate - % | Cost | Accumulated amortization | Net balance | Net balance |
| Goodwill | - | 1,808,115 | (44,413) | 1,763,702 | 1,669,765 |
| Licenses and software | 20 | 430,094 | (277,266) | 152,828 | 167,384 |
| Intangible assets in progress (a) | - | 80,785 | - | 80,785 | 37,992 |
| Trademarks and patents | 7 | 26,711 | (11,615) | 15,096 | 12,007 |
| Customer contracts | 10 | 158,873 | (145,792) | 13,081 | 29,138 |
| Products internally developed | - | 4,716 | - | 4,716 | 4,522 |
| Non-competition agreement | - | 1,325 | (925) | 400 | - |
| **Total** | | **2,510,619** | **(480,011)** | **2,030,608** | **1,920,808** |

**e) Changes in intangible assets**

| Parent Company (2019-2020) | Balance on 12/31/2019 | Additions | Net write-offs | Amortization | Reclass./ Transf. (e) | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|
| Goodwill | 1,297,809 | - | - | - | - | 1,297,809 |
| Licenses and software | 161,790 | 20,237 | (28) | (55,459) | 19,355 | 145,895 |
| Intangible assets in progress (a) | 36,886 | 54,635 | - | - | (19,068) | 72,453 |
| Customer contracts | 27,017 | - | - | (15,529) | 90 | 11,578 |
| Products internally developed | 4,522 | - | - | - | 194 | 4,716 |
| Trademarks and patents | 4,563 | - | - | (728) | - | 3,835 |
| **Total** | **1,532,587** | **74,872** | **(28)** | **(71,716)** | **571** | **1,536,286** |

| Consolidated (2019-2020) | Balance on 12/31/2019 | Acquisition (b) | Goodwill (c) | Write-offs | Additions (d) | Amortization | Reclass./ Transf. (e) | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|---|---|
| Goodwill | 1,669,765 | 86,713 | - | - | 6,828 | - | 396 | 1,763,702 |
| Licenses and software | 167,384 | 151 | - | (28) | 20,659 | (56,861) | 21,523 | 152,828 |
| Intangible assets in progress (a) | 37,992 | - | - | - | 64,251 | - | (21,458) | 80,785 |
| Customer contracts | 29,138 | - | (242) | - | - | (15,923) | 108 | 13,081 |
| Trademarks and patents | 12,007 | 345 | (40) | - | - | (952) | 3,736 | 15,096 |
| Non-competition agreement | - | - | - | - | - | - | 400 | 400 |
| Products internally developed | 4,522 | - | - | - | - | - | 194 | 4,716 |
| **Total** | **1,920,808** | **87,209** | **(282)** | **(28)** | **91,738** | **(73,736)** | **4,899** | **2,030,608** |

(a) Refers mainly to software under development, related to doctors' schedule, digital mobile services, corporate APIs and new applications.
(b) The acquisition of goodwill refers to the business combination of Diagmax, as per Note 3.ii.
(c) Balances from acquisition (opening balance) and goodwill arising from the acquisition of Diagmax.
(d) Opening balance arising from the acquisition of Diagmax, resulting from the acquisition of its subsidiary CEDIRE.
(e) Represented by changes between Property and equipment and Intangible assets.

| **Parent Company (2018-2019)** | Balance on 12/31/2018 | Additions | Net write-offs | Amortization | Reclass. / Transf. | Balance on 12/31/2019 |
|---|---|---|---|---|---|---|
| Goodwill | 1,297,809 | - | - | - | - | 1,297,809 |
| Licenses and software | 140,535 | 24,329 | (20) | (43,874) | 40,820 | 161,790 |
| Intangible assets in progress | 20,666 | 43,426 | - | - | (27,206) | 36,886 |
| Customer contracts | 42,456 | - | - | (15,439) | - | 27,017 |
| Trademarks and patents | 5,429 | - | - | (866) | - | 4,563 |
| Products internally developed | 3,978 | - | - | - | 544 | 4,522 |
| **Total** | **1,510,873** | **67,755** | **(20)** | **(60,179)** | **14,158** | **1,532,587** |

| **Consolidated (2018-2019)** | Balance on 12/31/2018 | Acquisition | Goodwill | Additions | Net write-offs | Amorti-zation | Reclass. / Transf. | Balance on 12/31/2019 |
|---|---|---|---|---|---|---|---|---|
| Goodwill | 1,409,631 | 255,170 | - | - | - | - | 4,964 | 1.669,765 |
| Licenses and software | 140,953 | 71 | - | 25,949 | (20) | (44,126) | 44,557 | 167,384 |
| Intangible assets in progress | 21,120 | - | - | 45,740 | - | - | (28,868) | 37,992 |
| Customer contracts | 42,457 | - | 2,536 | - | - | (15,951) | 96 | 29,138 |
| Trademarks and patents | 11,086 | 180 | 1,876 | - | - | (1,040) | (95) | 12,007 |
| Products internally developed | 3,978 | - | - | - | - | - | 544 | 4,522 |
| **Total** | **1,629,225** | **255,421** | **4,412** | **71,689** | **(20)** | **(61,117)** | **21,198** | **1,920,808** |

### f) Impairment testing

Goodwill arising from business combinations is an intangible asset with an indefinite useful life and, therefore, it is not amortized but is annually tested for impairment.

Goodwill calculated in a business combination is allocated to the cash-generating units (CGU), defined in accordance with the Company's accounting practices. Below is goodwill allocation by CGU:

| | **2020** | **2019** |
|---|---|---|
| Diagnostic medicine | 1,548,792 | 1,454,855 |
| Integrated medicine | 214,910 | 214,910 |
| **Total** | **1,763,702** | **1,669,765** |

On December 31, 2020, the Company assessed the impairment of goodwill based on its value in use using the discounted cash flow model for the cash-generating units (CGUs). The process to estimate the value in use involves the use of assumptions, judgments and estimates on future cash flows and represents the Company's best estimate. Said projections were approved by the Company's Management. The impairment testing of CGUs did not identify the need to record an impairment loss.

The following assumptions have been used:

- The cash flow projection for the first year is based on the budget approved by Management. Management determined the budgeted gross margin based on its expectations for the development of the market and believes that any type of change reasonably possible in key assumptions, on which the recoverable value is based, would not cause the total carrying amount to exceed the CGU's total recoverable value;
- Revenues: projected from 2021 to 2025 considering the historical growth of the volume of services rendered and the projections of inflation based on macroeconomic projections of banks, without considering the opening of new units;
- Expenses: projected on the same period of revenues, according to the business dynamics and the search for synergies;
- CAPEX: considers the historical average investment in asset maintenance;
- The cash flow projection comprised the five-year period plus the residual value calculated by perpetuating the cash balance in the fifth year, discounted to present value at the Weighted Average Cost of Capital – WACC of 11.0% in 2020 (13.5% in 2019).
- Perpetuity growth rate: 2% p.a. on December 31, 2020 (2% p.a. on December 31, 2019);

## 12. Right of use

### a) Policy

The Company has lease operations of several assets, such as properties, medical supplies and vehicles. Property lease agreements are usually carried out for fixed periods of five years. Medical equipment and vehicles have average terms of 2 and 10 years, respectively; however, they may be extended.
Lease periods are individually negotiated and have a wide range of terms and conditions. Lease agreements do not have covenants, but the leased assets cannot be used to collateralize borrowings.
The allocation of the depreciation of right-of-use assets is carried out in a systematic and linear manner. The useful life will be periodically assessed to capture changes in the intention to continue the lease, whether due to the Company's strategic issues or the lessor's intention.

Grupo Fleury is a lessee in some contracts with indefinite term. Considering that both the lessor and the lessee have the right to cancel the contract at any time, the Group understands that these contracts should be addressed as lease, recording expense in profit (loss) for the year during the lease term.
The Company does not have leases that meet the exception criteria/practical expedients established in CPC 06 (R2).

### b) Breakdown of the right of use balance

| **Parent Company** | | **12/31/2020** | | | **12/31/2019** |
|---|---|---|---|---|---|
| | Average annual depreciation rate % | Cost | Accumulated depreciation | Net balance | Net balance |
| Properties | 13 | 798,907 | (189,263) | 609,644 | 660,616 |
| Machinery and equipment | 20 | 98,631 | (25,625) | 73,006 | 84,854 |
| IT equipment | 25 | 9,668 | (4,378) | 5,290 | 7,614 |
| Vehicles | 50 | 6,148 | (4,895) | 1,253 | 3,330 |
| **Total** | | **913,354** | **(224,161)** | **689,193** | **756,414** |

| **Consolidated** | | **12/31/2020** | | | **12/31/2019** |
|---|---|---|---|---|---|
| | Average annual depreciation rate % | Cost | Accumulated depreciation | Net balance | Net balance |
| Properties | 13 | 854,529 | (204,253) | 650,276 | 698,742 |
| Machinery and equipment | 20 | 98,631 | (25,625) | 73,006 | 84,854 |
| IT equipment | 25 | 9,844 | (4,438) | 5,406 | 7,751 |
| Vehicles | 50 | 6,148 | (4,895) | 1,253 | 3,330 |
| **Total** | | **969,152** | **(239,211)** | **729,941** | **794,677** |

### c) Changes in the right of use

| **Parent Company** | 12/31/2019 | New agreements | Monetary restatement | Depreciation | Write-offs/others | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|
| Properties | 660,616 | 14,938 | 42,800 | (101,544) | (7,165) | 609,645 |
| Machinery and equipment | 84,854 | - | - | (11,848) | - | 73,006 |
| IT equipment | 7,614 | - | - | (2,210) | (115) | 5,289 |
| Vehicles | 3,330 | - | - | (2,077) | - | 1,253 |
| **Total** | **756,414** | **14,938** | **42,800** | **(117,679)** | **(7,280)** | **689,193** |

| **Consolidated** | 12/31/2019 | New agreements | Monetary restatement | Depreciation | Write-offs/others | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|
| Properties | 698,742 | 23,671 | 42,838 | (110,160) | (4,815) | 650,276 |
| Machinery and equipment | 84,854 | - | - | (11,848) | - | 73,006 |
| IT equipment | 7,751 | - | - | (2,230) | (115) | 5,406 |
| Vehicles | 3,330 | - | - | (2,077) | - | 1,253 |
| **Total** | **794,677** | **23,671** | **42,838** | **(126,315)** | **(4,930)** | **729.94** |

## 13. Financing

| | Funding - Consolidated | | | | |
|---|---|---|---|---|---|
| **Currency – R$** | Charges Fixed rate | Signature date | Contracted amount | Accumulated amount paid | Final maturity |
| FINEP PROMETHEUS I and II | 4.00% p.a. | 8/06/2012 | 10,752 | 10,752 | 08/2020 |
| FINEP 2 | 3.55% p.a. | 1/31/2013 | 4,876 | 4,876 | 11/2023 |
| BNDES FINAME | 4.00% p.a. | 8/28/2014 | 155,444 | 155,444 | 09/2022 |
| Bank Credit Note (CCBs) | CDI + 4.25% p.a. | 3/24/2020 | 150,000 | 150,000 | 03/2022 |
| Promissory Notes (PNs) | CDI + 2.94% p.a. | 4/06/2020 | 400,000 | 400,000 | 04/2022 |

| **Changes - Parent Company** | Balance on 12/31/2019 | Funding | Incurred interest | Interest paid | Principal amortization | Other operations | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|---|
| FINEP PROMETHEUS I and II | 73,556 | - | 2,398 | (2,444) | (26,701) | - | 46,809 |
| Confirming operation | 2,705 | - | - | - | - | 142 | 2,847 |
| FINEP 2 | 1,325 | - | 17 | (20) | (1,322) | - | - |
| Bank Credit Note (BCNs) | - | 150,000 | 7,423 | (7,206) | - | - | 150,217 |
| Promissory Notes (PNs) | - | 400,000 | 15,312 | (331) | (12,227) | - | 402,754 |
| **Subtotal** | **77,586** | **550,000** | **25,150** | **(10,001)** | **(40,250)** | **142** | **602,627** |
| Capitalization cost | (704) | | - | - | 256 | - | (448) |
| Commission (BCNs and PNs) | - | (4,942) | - | - | 2,003 | - | (2,939) |
| **Total** | **76,882** | **545,058** | **25,150** | **(10,001)** | **(37,991)** | **142** | **599,240** |
| | | | | | | | |
| **Current** | **30,603** | | | | | | **68,341** |
| **Noncurrent** | **46,279** | | | | | | **530,899** |

| **Changes - Consolidated** | Balance on 12/31/2019 | Funding | Incurred interest | Interest paid | Principal amortization | Other operations | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|---|
| FINEP PROMETHEUS I and II | 73,556 | - | 2,398 | (2,444) | (26,701) | - | 46,809 |
| Confirming operation | 2,705 | - | - | - | - | 142 | 2,847 |
| BNDES FINAME (a) | 2,251 | - | 67 | (68) | (614) | - | 1,636 |
| FINEP 2 | 1,325 | - | 17 | (20) | (1,322) | - | - |
| Bank Credit Note (BCNs) | - | 150,000 | 7,423 | (7,206) | - | - | 150,217 |
| Promissory Notes (PNs) | - | 400,000 | 15,312 | (331) | (12,227) | - | 402,754 |
| **Subtotal** | **79,837** | **550,000** | **25,217** | **(10,069)** | **(40,864)** | **142** | **604,263** |
| Capitalization cost | (703) | - | - | - | 256 | - | (447) |
| Commission (BCNs and PNs) | - | (4,942) | - | - | 2,003 | - | (2,939) |
| **Total** | **79,134** | **545,058** | **25,217** | **(10,069)** | **(38,605)** | **142** | **600,877** |
| | | | | | | | |
| **Current** | **31,220** | | | | | | **68,928** |
| **Noncurrent** | **47,914** | | | | | | **531,949** |

On December 31, 2020, the noncurrent installments of the financings matured as follows:

| | **Parent Company** | **Consolidated** |
|---|---|---|
| 2022 | 530,899 | 531,482 |
| 2023 | - | 467 |
| **Total** | **530,899** | **531,949** |

FINEP has a clause that requires the Company to ensure the payment of any liability arising from the agreement by issuing a bank guarantee letter in the amount of the entire financing. This clause is indispensable to the signature of the agreement.
Certain financings have covenants, including but not limited to the execution or formalization of collateral or personal guarantees, restrictions to the change, transfer or assignment of controlling interest, merger or spin-off without the creditor's prior consent, and the maintenance of financial and liquidity ratios measured every six months.

On December 31, 2020, the Company and its subsidiaries complied with all the above-mentioned financial ratios, as well as with all the covenants.

## 14. Debentures

### a) Debentures breakdown

| | Issue amount (R$) | Number of debentures | Final maturity | Semi-annual interest | Total issued |
|---|---|---|---|---|---|
| 2nd Issue – Single series | 10,000 | 50,000 | Feb/20 | CDI + 0.85% p.a. | 500,000 |
| 3rd Issue – Single series | 10,000 | 30,000 | Nov/22 | CDI + 0.49% p.a. | 300,000 |
| 4th issue – 1st series | 10,000 | 25,000 | Apr/21 | CDI + 0.35% p.a. | 250,000 |
| 4th issue – 2nd series | 10,000 | 25,000 | Apr/23 | CDI + 0.60% p.a. | 250,000 |
| 5th issue – 1st series | 1,000 | 200,000 | Dec/24 | CDI + 0.90% p.a. | 200,000 |
| 5th issue – 2nd series | 1,000 | 300,000 | Dec/27 | CDI + 1.20% p.a. | 300,000 |

The Company used the amounts raised with the debenture issues to strengthen its working capital, maintain its cash strategy, extend its debt profile and fund its investments and acquisitions in the coming years. The debentures issued are non-convertible and unsecured.

**2nd Debenture Issue:** This issue was carried out through a public offering for the distribution of simple debentures with restricted placement efforts, in a single series, concluded on February 19, 2013.

The debentures were amortized in three equal and annual installments on February 15, 2018, 2019 and 2020. Remuneration will be paid semiannually and no renegotiation is expected to happen.

**3rd Debenture Issue:** This issue was carried out through a public offering for the distribution of simple debentures with restricted placement efforts, in a single series. It consisted the issue of thirty thousand (30,000) debentures, all registered, book-entry, with nominal unit value of R$10,000, totaling R$300,000. The debentures will mature in five (5) years as of the issue date and will be amortized in two annual installments, 50% of which on November 24, 2021, and 50% on November 24, 2022.

**4th Debenture Issue:** The Company carried out its fourth debenture issue through a public offering for the distribution of simple debentures with restricted placement efforts, in two series amortized in a single payment on the maturity date.

**5th Debenture Issue:** The Company carried out by its fifth debenture issue through a public offering for the distribution of simple debentures with restricted placement efforts, in two series. The first series will be amortized in a single installment, in December 2024. The second series will be amortized in three annual installments, 33.33% of which in December 2025, 33.33% in December 2026 and 33.33% in December 2027. Remuneration will be paid semiannually and no renegotiation is expected to happen.

### b) Changes in debentures

| Domestic currency – R$ | 12/31/2019 | Release | Incurred interest | Interest paid | Principal amortization | Other operations | 12/31/2020 |
|---|---|---|---|---|---|---|---|
| 2nd Issue – Single series | 170,499 | - | 1,109 | (4,942) | (166,666) | - | - |
| 3rd Issue – Single series | 301,505 | - | 9,745 | (10,515) | - | - | 300,735 |
| 4th issue – 1st series | 252,208 | - | 7,773 | (8,982) | - | - | 250,999 |
| 4th issue – 2nd series | 252,316 | - | 8,403 | (9,610) | - | - | 251,109 |
| 5th issue – 1st series | 200,289 | - | 7,315 | (7,383) | - | - | 200,221 |
| 5th issue – 2nd series | 300,459 | - | 11,876 | (11,969) | - | - | 300,366 |
| Commission on debentures | - | - | - | - | - | (586) | (586) |
| Total | **1,477,276** | **-** | **46,221** | **(53,401)** | **(166,666)** | **(586)** | **1,302,844** |
| | | | | | | | |
| **Current** | **177,276** | | | | | | **403,322** |
| **Noncurrent** | **1,300,000** | | | | | | **899,522** |

The installments recorded under Noncurrent liabilities on December 31, 2020 mature as follows:

| Maturity | 3rd Issue – Single series | 4th Issue – 2nd series | 5th issue – 1st series | 5th Issue - 2nd series | Consolidated |
|---|---|---|---|---|---|
| 2022 | 150,000 | - | - | - | 150,000 |
| 2023 | - | 250,000 | - | - | 250,000 |
| 2024 | - | - | 200,000 | - | 200,000 |
| 2025 | - | - | - | 100,000 | 100,000 |
| 2026 | - | - | - | 100,000 | 100,000 |
| 2027 | - | - | - | 100,000 | 100,000 |
| **Total** | **150,000** | **250,000** | **200,000** | **300,000** | **900,000** |

Covenants

The debentures have covenants, and all obligations related to them will mature early if the Company fails to comply with the following financial ratios:

(a) Net financial debt/earnings before interest, depreciation and amortization (EBITDA) ratio lower than or equal to 3.0 times and/or;
(b) EBITDA/Net financial expense ratio equal to or higher than 1.5 times.

On December 31, 2020, Grupo Fleury complied with all the financial ratios and all the covenants.

## 15. Lease

On December 31, 2020, the lease liabilities are as follows:

**a) Minimum lease payments:**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Up to 1 year | 166,696 | 152,711 | 176,427 | 160,880 |
| More than 1 year | 912,416 | 995,149 | 963,150 | 1,046,065 |
| | **1,079,112** | **1,147,860** | **1,139,577** | **1,206,945** |
| (-) Future financial charges | (337,454) | (365,083) | (353,748) | (384,066) |
| Present value of the minimum payments | **741,658** | **782,777** | **785,829** | **822,879** |
| | | | | |
| **Current** | **98,099** | **126,910** | **105,039** | **131,939** |
| **Noncurrent** | **643,559** | **655,867** | **680,790** | **690,940** |

On December 31, 2020, noncurrent installments matured are as follows:

| | Parent Company | Consolidated |
|---|---|---|
| 2022 | 86,699 | 91,715 |
| 2023 | 89,360 | 94,530 |
| 2024 onwards | 467,500 | 494,545 |
| **Total** | **643,559** | **680,790** |

The nominal incremental rate was obtained using the calculation of the average of the rates of the Company's Debenture contracts and their elasticity. The table below shows the applied rates versus the contractual terms, as required by CPC 12, i. 33.

| Contractual terms | Rates |
|---|---|
| 2 years | 7.39% |
| 4 years | 8.77% |
| 5 years | 9.18% |
| 10 years | 10.07% |
| **Average** | **8.80%** |

The changes of the lease are shown below:

| **Parent Company** | Balance on 12/31/2019 | Additions | Interest appropriation | Monetary restatement | Principal amortization | Write-offs | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|---|
| Properties | 683,974 | 14,938 | 64,289 | 45,130 | (143,985) | (9,932) | 654,414 |
| Machinery and equipment | 87,414 | - | 5,874 | - | (13,718) | - | 79,570 |
| IT equipment | 7,931 | - | 660 | - | (2,650) | (131) | 5,810 |
| Vehicles | 3,458 | - | 184 | - | (1,778) | - | 1,864 |
| **Total** | **782,777** | **14,938** | **71,007** | **45,130** | **(162,131)** | **(10,063)** | **741,658** |

| **Consolidated** | Balance on 12/31/2019 | Additions | Interest appropriation | Monetary restatement | Principal amortization | Write-offs | Balance on 12/31/2020 |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Properties | 723,942 | 27,133 | 68,249 | 45,130 | (155,180) | (10,799) | 698,475 |
| Machinery and equipment | 87,408 | - | 5,874 | - | (13,718) | - | 79,564 |
| IT equipment | 8,073 | - | 660 | - | (2,650) | (131) | 5,952 |
| Vehicles | 3,456 | - | 184 | - | (1,802) | - | 1,838 |
| **Total** | **822,879** | **27,133** | **74,967** | **45,130** | **(173,350)** | **(10,930)** | **785,829** |

The Company has a cumulative tax regime and, therefore, there are no potential PIS and COFINS to recover in consideration installments of the lease.

On July 7, 2020, CPC disclosed the approval of the revision of Technical Pronouncement CPC 06 (R2) – Leases, due to benefits granted to lessees because of COVID-19. This revision was approved by CVM through CVM Resolution 859/20. Grupo Fleury has adopted the practical expedient (Lease Agreement Benefits directly resulting from the COVID-19 pandemic). Approximately R$6 million were saved in 2020, in addition to payment postponements.

## 16. Trade payables

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Domestic | 221,377 | 178,558 | 248,743 | 189,963 |
| Foreign | 1,716 | 479 | 1,716 | 479 |
| **Total** | **223,093** | **179,037** | **250,459** | **190,442** |

## 17. Labor liabilities

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Provision for vacation and charges | 54,569 | 53,971 | 58,264 | 57,118 |
| Commission, Bonus and Profit sharing | 37,143 | 40,947 | 37,557 | 41,137 |
| Salaries and charges payable | 21,104 | 18,043 | 24,056 | 20,112 |
| Provision for health care | 15,603 | 15,443 | 15,617 | 15,443 |
| Loans to employees | 1,010 | 1,114 | 980 | 1,151 |
| Others | 2,201 | 3,796 | 2,300 | 4,483 |
| **Total** | 131,630 | 133,314 | 138,774 | 139,444 |
| **Current** | **131,630** | **133,096** | **138,774** | **139,226** |
| **Noncurrent** | **-** | **218** | **-** | **218** |

## 18. Tax liabilities

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| REFIS installment – Law 11,941 | 17,989 | 24,582 | 19,678 | 26,094 |
| PIS/COFINS on revenue | 10,534 | 7,216 | 12,511 | 7,738 |
| ISS on revenue | 11,583 | 6,104 | 13,632 | 7,136 |
| Withholding Income Tax (IRRF) | 1,062 | 5,486 | 1,268 | 5,809 |
| PIS, COFINS and withholding social contribution (CSRF) | 2,408 | 2,513 | 2,779 | 2,913 |
| INSS withheld | 1,087 | 1,658 | 1,164 | 1,712 |
| Others | 1,263 | 1,025 | 1,295 | 1,066 |
| **Total** | **45,926** | **48,584** | **52,327** | **52,468** |
| **Current** | **31,925** | **28,303** | **37,417** | **30,941** |
| **Noncurrent** | **14,001** | **20,281** | **14,910** | **21,527** |

On December 31, 2020, the noncurrent installments matured as follows:

| | **Consolidated** |
|---|---|

| | |
|---|---|
| 2022 | 4,659 |
| 2023 | 3,692 |
| 2024 | 2,127 |
| 2025 | 145 |
| 2026 onwards | 4,287 |
| **Total** | **14,910** |

## 19. Accounts Payable – Company acquisition

Refer to debt incurred due to acquisition of companies, to be paid in accordance with the contractual terms, which are monthly restated, mainly by the IGP-M (FGV) and the Extended Consumer Price Index (IPCA) (IBGE).

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Lafe | - | - | 31,668 | 32,707 |
| Diagmax | 26,692 | - | 26,692 | - |
| IRN | - | - | 23,390 | 22,829 |
| Inlab | 7,634 | 7,674 | 7,634 | 7,674 |
| Prontmed | 6,000 | - | 6,000 | - |
| CPC | - | - | 5,284 | 6,568 |
| Lego and Biesp | 4,921 | 4,788 | 4,921 | 4,788 |
| Diagnoson | 1,956 | 1,903 | 1,956 | 1,903 |
| Serdil | - | - | 662 | 5,587 |
| Meneses da Costa | 278 | 274 | 278 | 274 |
| Centro de Mastologia | 200 | 193 | 200 | 193 |
| Weinman | 197 | 189 | 197 | 189 |
| SantéCorp | - | - | - | 92 |
| | **47,878** | **15,021** | **108,882** | **82,804** |
| **Current** | **17,716** | **526** | **25,790** | **8,991** |
| **Noncurrent** | **30,162** | **14,495** | **83,092** | **73,813** |

On December 31, 2020, the noncurrent installments matured as follows:

| | Consolidated |
|---|---|
| 2022 | 27,043 |
| 2023 | 26,563 |
| 2024 | 19,657 |
| Others (*) | 9,829 |
| **Total** | **83,092** |

*(*) On December 31, 2020, the maturities of certain installments are subject to final and unappealable decisions. It is, therefore, not possible to estimate payment for the coming years.*

## 20. Other liabilities

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Bradesco anticipated revenue (Note 23) | 8,440 | 11,252 | 8,440 | 11,252 |
| Other accounts payable | 1,138 | 1,100 | 2,026 | 1,977 |
| Provision for waste fee | 120 | 429 | 120 | 429 |
| **Total** | **9,698** | **12,781** | **10,586** | **13,658** |
| **Current** | **4,071** | **4,341** | **4,959** | **5,219** |
| **Noncurrent** | **5,627** | **8,440** | **5,627** | **8,439** |

## 21.Income tax and social contribution – Deferred

**a) Policy**

Taxes on deferred income are recognized on temporary differences on each reporting period between the balances of assets and liabilities recognized in the parent company and consolidated financial statements and corresponding tax bases used to calculate taxable income, including the balances of tax loss carryforwards, where applicable. Deferred tax liabilities are usually recognized for taxable temporary exclusions and deferred tax assets are recognized over all deductible temporary additions. Deferred tax assets or liabilities are not recognized on temporary differences arising from goodwill or initial recognition, except for business combination, where applicable, of other assets and liabilities in a transaction not affecting taxable income or accounting profit.

Deferred tax and contribution assets are recognized to the extent that it is probable that future taxable income will be available to be used to offset temporary differences, based on projections of future results prepared and based on internal assumptions and future economic scenarios that may, therefore, change.

Deferred tax assets and liabilities are measured at the tax rates applicable in the year when it is expected that the liability will be settled or the asset will be realized, based on the tax rates provided for in the tax law in effect at the end of each year, or when a new law has been substantially approved. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which each Grupo Fleury company expects to recover or settle the carrying amounts of these assets and liabilities at the end of each year.

Deferred tax assets and liabilities are presented net when they are related to taxes managed by the same tax authority.

The technical interpretation ICPC 22 (Uncertainty over income tax treatments) specifies disclosure requirements for uncertainties related to taxes on current and deferred profit (assets and liabilities) and must be applied pursuant to the law in effect. Management analyzed the procedures adopted for calculation of Current and Deferred Income Tax and Social Contribution and concluded that there are no uncertainties over the tax treatment pursuant to the tax law in effect.

**b) Breakdown of current and deferred income tax and social contribution**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Provision for tax, labor and civil risks | 64,222 | 47,414 | 64,650 | 47,650 |
| Effect of IFRS 16 | 52,916 | 26,363 | 55,949 | 28,059 |
| Provision for Stock options and Specialized medical services | 23,912 | 37,978 | 26,511 | 37,979 |
| Provision/losses for disallowance/default | 14,846 | 28,513 | 15,895 | 29,464 |
| Provision for profit sharing | - | 9,282 | - | 9,316 |
| Asset revaluation | 84 | 84 | 84 | 84 |
| Tax loss | - | - | 35,708 | 32,482 |
| Net assets acquired from business combination (a) | (2,001) | (5,578) | (7,276) | (14,882) |
| Goodwill amortization effects for tax purposes (b) | (1,345,790) | (1,338,542) | (1,347,358) | (1,338,542) |
| **Tax base** | **(1,191,811)** | **(1,194,486)** | **(1,155,837)** | **(1,168,390)** |
| Income tax and social contribution (~34%) | **(405,216)** | **(406,125)** | **(392,985)** | **(397,253)** |
| Income tax and social contribution - Assets (*) | - | - | 12,232 | 12,590 |
| Income tax and social contribution - Liabilities | (405,216) | (406,125) | (405,217) | (409,843) |

(a) *Goodwill amortization is non-deductible until 2008 and deductible for tax purposes in future periods.*
(b) *Goodwill from mergers, mainly Labs Cardiolab.*

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fleury S.A.** | **CPMA** | **IRN** | **SantéCorp** | **Lafe** | **CPC** | **Diagmax** | **Total** |
| Assets (*) | 60,944 | 9,776 | 475 | 2,080 | 1,850 | 94 | 736 | 75,955 |
| Liabilities | (466,160) | (2,780) | - | - | - | - | - | (468,940) |

*(*) The balance of deferred assets corresponds to: Serdil (2019), IRN, SantéCorp, Lafe and CPMA.*

The estimated realization term of the deferred tax asset recorded in the Consolidated is as follows:

| | **Consolidated** |
|---|---|
| 2021 | 28,306 |
| 2022 | 13,896 |
| 2023 | 13,125 |
| 2024 | 9,931 |
| 2025 onwards | 10,697 |

| | |
|---|---|
| **Total** | **75,955** |

**c) Reconciliation of current and deferred income tax and social contribution in profit (loss):**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Income before income tax and social contribution | 338,381 | 424,144 | 340,733 | 426,201 |
| (x) Combined rate | 34% | 34% | 34% | 34% |
| (=) Income tax and social contribution expenses | **(115,050)** | **(144,209)** | **(115,849)** | **(144,908)** |
| Interest on equity | 25,320 | 33,638 | 25,690 | 33,638 |
| Other permanent (additions) exclusions, net | 3,961 | (4,255) | 3,462 | (2,588) |
| Equity in the earnings (losses) of subsidiaries | 4,349 | 2,998 | (111) | (113) |
| Company adjustments - presumptive profit | - | - | 3,036 | 87 |
| **Income tax and social contribution expenses:** | **(81,420)** | **(111,828)** | **(83,772)** | **(113,884)** |
| Current | (84,772) | (105,852) | (89,742) | (109,120) |
| Deferred | 3,352 | (5,976) | 5,970 | (4,764) |
| **Effective rate - %** | **24.1%** | **26.4%** | **24.6%** | **26.7%** |

## 22. Provision for tax, labor and civil risks

**a) Policy**

Provisions for contingencies are accrued as the Company expects to disburse cash flows. Provisions are recorded for lawsuits when losses are assessed as probable and the amounts are reliably measurable. When these lawsuits are assessed as a possible loss, a description of the lawsuits and the amounts involved is disclosed in the notes to the financial statements. Provisions are recorded for labor lawsuits based on the historical percentage of disbursements. Provisions for contingencies assessed as a remote loss are neither recorded nor disclosed.

The Company's legal counsel assessed judicial deposit assets as remote or possible loss and for which, therefore, a provision for contingencies has not been recorded.

Judicial deposit liabilities refer to lawsuits deemed as probable loss, thus reducing the balance of said provision. Among these claims is an amount of R$11,400 related to ICMS tax levied on equipment imports.

Management periodically reviews known contingencies, assesses probable losses and adjusts the respective provision, taking into consideration its legal counsel's assessment and other data available at the end of the reporting periods, such as the nature of the lawsuits and past experience, based on an internal policy. On December 31, 2020, the balance and the change of the Provision for tax, labor and civil risks were as follows:

**b) Balance breakdown**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Tax | 31,254 | 14,912 | 31,344 | 14,994 |
| Labor | 26,549 | 26,880 | 26,825 | 27,221 |
| Civil | 6,419 | 5,622 | 6,495 | 5,690 |
| **Subtotal** | **64,222** | **47,414** | **64,664** | **47,905** |
| Judicial deposits (probable loss) | (22,582) | (9,958) | (22,582) | (9,958) |
| **Total** | **41,640** | **37,456** | **42,082** | **37,947** |

**c) Changes in the consolidated**

| | **Balance on 12/31/2019** | **Acquisition of Diagmax** | **Addition/Reversal (*)** | **Others (a)/(*)** | **Reclass./Payments** | **Monetary restatement** | **Balance on 12/31/2020** |
|---|---|---|---|---|---|---|---|
| Tax | 14,994 | 33 | 9,497 | - | (2,347) | 9,167 | 31,344 |
| Labor | 27,221 | - | (651) | - | (2,707) | 2,962 | 26,825 |
| Civil | 5,690 | - | 124 | (330) | 343 | 668 | 6,495 |
| **Subtotal** | **47,905** | **33** | **8,970** | **(330)** | **(4,711)** | **12,797** | **64,664** |
| Judicial deposits | (9,958) | - | - | - | (12,624) | - | (22,582) |
| **Total** | **37,947** | **33** | **8,970** | **(330)** | **(17,335)** | **12,797** | **42,082** |

(a) Former shareholders are liable for part of the lawsuits, which will be refunded to the Company at a rate of 67% and, therefore, are reclassified under "Other assets".

(*) Changes in the statement of cash flow take into consideration the values of these columns.

**d) Lawsuits classified as probable loss, for which provisions were recorded:**

**Tax lawsuits**

The main tax matter refers to the challenge related to the exemption of COFINS granted to companies that provide services related to professions regulated by law. Supplementary Law 70/91, which created COFINS, addressed the exemption granted to this type of entity. Law 9,430/96, however, expressly revoked this exemption and required the contribution based on the service providers' gross revenue. The Company's legal counsel understands that, since Law 9,430/96 is an ordinary law, it could not have revoked the exemption granted by Supplementary Law 70/91. Nevertheless, given that the Federal Supreme Court has already issued an opinion contrary to said thesis, the Company had a provision to cover risks of R$2,165 on December 31, 2020 (R$2,142 on December 31, 2019).

Another significant matter refers to questions about the unconstitutionality of Law 11,001/2001, which created ICMS tax on imports in the State of São Paulo, since its enactment was subsequent to Constitutional Amendment 33/2001 and prior to Supplementary Law 114/2002, thus disrespecting the legislative procedure necessary for charging the ICMS tax levied on Imports carried out in the State of São Paulo. However, considering that the Federal Supreme Court produced a statement, with general repercussion, saying that Law 11,001/2001 would be constitutional, as of December 2020, the Company will record a provision to cover risks, totaling R$15,881 on December 31, 2020.

**e) Lawsuits classified as possible loss**

The Company has tax, civil and labor claims that are not provisioned since they are classified as a possible loss by Management and its legal counsel.

On December 31, 2020, the consolidated amount was approximately R$501,985 (R$506,410 on December 31, 2019).

Tax lawsuits classified as a possible loss amounted to R$270,427 (R$293,151 on December 31, 2019), mainly comprising, in the federal sphere: (i) R$126,281 (R$136,361 on December 31, 2019), mainly related to discussions on exemption from income tax (IRPJ), social

contribution (CSLL), social integration program tax on revenue (PIS), social security financing tax on revenue (COFINS) and import PIS/COFINS; (ii) social security contributions totaling R$58,620 (R$54,512 on December 31, 2019); and (iii) sundry federal lawsuits totaling R$6,017 (R$6,656 on December 31, 2019).

Regarding state taxes, lawsuits classified as a possible loss amounted to R$6,974 (R$21,399 on December 31, 2019) and mainly refer to state value-added tax (ICMS) on equipment imports.

In relation to municipal taxes, lawsuits classified as a possible loss reached R$72,535 (R$74,222 on December 31, 2019) and mainly refer to claims involving tax on services of any kind (ISSQN).

In the civil sphere, the Company's lawsuits classified as a possible loss totaled R$24,493 (R$24,732 on December 31, 2019), of which R$12,155 (R$12,371 on December 31, 2019) mainly related to civil liability lawsuits claiming compensation for damages and pain and suffering due to, among others, alleged diagnostic errors or malpractice, and other lawsuits addressing different requests, totaling R$12,338 (R$12,361 on December 31, 2019).

Labor lawsuits classified as a possible loss amounted to R$207,064 (R$187,626 on December 31, 2019), of which (i) R$194,183 (R$177,270 on December 31, 2019) refers to labor claims from former employees, class lawsuits, actions for annulment and tax foreclosure; (ii) R$12,291 (R$9,774 on December 31, 2019) refers to secondary liability lawsuits filed by employees of companies that render specialized services to the Company on an outsourced basis; and (iii) R$590 (R$582 on December 31, 2019) refers to ongoing administrative lawsuits.

Also in the labor sphere, the Company was summoned in a public civil action suit pending at the Labor Court of Rio de Janeiro that essentially challenges the legality of hiring specialized medical companies. The Company is fighting this public civil action by proving the legitimacy of its practice of hiring medical companies based on the applicable laws. There are even favorable case laws of the Federal Supreme Court (ADPF 324 and RE 958,252, with recognized general repercussion). Confirming this thesis, the first instance court denied the claim; this decision was partially overruled by the 1st Regional Appellate Labor Court. The Company filed an appeal with the Superior Labor Court, which recently, by unanimous vote, partially reversed, in favor of the Company, the previous decision issued by the 1st Regional Appellate Labor Court. In spite of the unenforceability of the decision, in view of the conviction, two different procedural measures were simultaneously adopted: filing of new motions for clarification of the decision issued by the Superior Labor Court, claiming an omission regarding lawful outsourcing based on a thesis defined by the Federal Supreme Court; filing, at the Federal Supreme Court, of a constitutional claim on the grounds that the decision of the Superior Labor Court is not in conformity with the thesis defined by the Supreme Court. The constitutional claim was upheld, accepting the company's thesis that the Superior Labor Court should render a decision according to the understanding already settled by the Federal Supreme Court. Based on this decision, the Office of the Attorney General filed an internal interlocutory appeal, which was denied by the Federal Supreme Court. The possibility of loss remains "remote", since the constitutional claim was upheld by the Judge-Rapporteur, annulling the decision of the Superior Labor Court. After receiving the official communication from the Federal Supreme Court, the Superior Labor Court considered the motions for clarification filed moot, the records of the case were prepared as an appeal and sent to the office of the Judge-Rapporteur to be reviewed. Waiting for a decision by the Superior Labor Court.

The Company was summoned in a public civil action pending at the Labor Court of São Paulo, which seeks damages for not filling the legal quota aimed at disabled employees. In its defense, the Company proved that it devoted its best efforts to comply with the legal order, and facts beyond its will prevented it from filling the quota. There are even favorable case laws of the Superior Labor Court. Confirming this thesis, the first instance court denied the public civil action. The Labor Prosecution Office filed an Ordinary Appeal to the 2nd Regional Appellate Labor Court, which is pending trial.

## 23. Related parties

### a) Impacts on the statement of income and statement of financial position (Consolidated)

| | 12/31/2020 | | 12/31/2019 | |
|---|---|---|---|---|
| **Result** | **Revenue** | **Expense** | **Revenue** | **Expense** |
| Companies associated with Bradseg (a) | - | (181,419) | - | (179,314) |
| Banco Bradesco S.A. (b) | 2,812 | - | 2,812 | - |
| Banco Bradesco S.A. (c) | 12,068 | (14,327) | - | - |
| Transinc Fundo Inv. Imobiliário (d) | - | (13,448) | - | (11,172) |
| Harmonikos 32 Participações e Empreendimentos Ltda. (d) | - | (5,420) | - | (4,048) |
| Amicabilis Participações e Empreendimentos Ltda. (d) | - | (5,045) | - | (4,392) |
| OdontoPrev S/A (e) | 461 | (3,064) | 432 | - |
| CM Médicos Associados Ltda (f) | - | (1,902) | - | (1,686) |
| Fund Inst. De Moléstias Do Aparelho (g) | - | - | - | (5) |
| **Subtotal** | **15,341** | **(224,625)** | **3,244** | **(200,617)** |
| **Total, net** | | **(209,284)** | | **(197,373)** |

| | 12/31/2020 | | 12/31/2019 | |
|---|---|---|---|---|
| **Equity balance** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Companies associated with Bradseg (a) | - | (15,242) | - | (17,739) |
| Bradesco (b) | - | (8,440) | | (11,252) |
| Banco Bradesco (c) | 612,909 | (402,754) | 485,507 | - |
| Transinc Fundo Inv. Imobiliário (d) | 37,271 | (38,641) | 46,538 | (46,884) |
| Amicabilis Participações e Empreendimentos Ltda. (d) | 16,042 | (16,713) | 19,852 | (20,012) |
| Harmonikos 32 Participações e Empreendimentos Ltda. (d) | 14,783 | (15,451) | 18,304 | (18,452) |
| OdontoPrev S/A (e) | 56 | - | 31 | - |
| **Subtotal** | **683,253** | **(488,801)** | **570,232** | **(103,087)** |
| **Total, net** | **194,452** | | **467,145** | |

(a) Bradseg, a shareholder with a significant interest in the Company, holds an interest in and/or control of health insurance operators and companies that have a business relationship with the Company.
The amounts listed as expenses refer to service agreements/employee benefits by means of cards, mainly health insurance and food/meal and transportation vouchers, and private pension plans.

On December 30, 2020, the Company entered into an agreement with Bradesco Saúde S.A., which includes medical services for diagnostic of COVID-19 to the beneficiaries of Bradesco Saúde S.A. The agreement is valid until April 16, 2021, and may be extended upon previous agreement between the parties, and totals R$63,000, paid on a monthly basis according to the number and type of tests made.

A group of companies associated with Bradseg is among the Company's main clients. The impact in the consolidated income statement of gross revenue arising from such clients accounted for 19% in 2020 (20% in 2019).

(b) On December 6, 2018, Grupo Fleury entered into an agreement with Bradesco S/A (related party) for payroll processing. This transaction aims at the payment of Fleury's employees' wages and the creation of an agreement for the granting of payroll-deductible loans. Such agreement generated advanced revenue of R$15,500, which is amortized on a monthly basis and whose current balance is recorded under "Other liabilities" - Note 20.

(c) Grupo Fleury holds short-term investments and balances in bank accounts in Banco Bradesco. On December 31, 2020, investment operations consisted of an exclusive fund classified as fixed income and repurchase agreements (recorded in Assets) with funds obtained from financing arising from the issue of promissory notes (recoded in Liabilities).

(d) These real estate funds have shareholders who are direct and indirect shareholders of the Company (Grupo Fleury). The balances recorded in Assets refer to Right of use and, in Liabilities, to Finance lease. The amounts recorded in the result refer to the adoption of the new accounting standard CPC 06 (R2) – IFRS16, in which lease expenses were converted into depreciation and interest.

(e) SantéCorp provides health management services to OdontoPrev S/A (revenue) and Odontoprev provides benefit services to Fleury S.A (expenses). Bradseg holds an indirect interest in Odontoprev S.A., a dental care provider and parent company of Clidec Participações, partner of Fleury Centro de Procedimentos Médicos Avançados, subsidiary of the Company, in Papaiz Associados, provider of telemedicine services and primary care in medical clinics at Fleury units.

(f) CM Médicos provides medical services to Fleury.

(g) Fleury's sponsorship in the disclosure of the partnership with Hospital Edmundo Vasconcelos.

**b) Management compensation**

For the period ended December 31, 2020, Management compensation included salaries, management fees, benefits, payroll charges, stock options and bonus, totaling R$25,196 (R$25,674 on December 31, 2019), which is recorded under "General and administrative expenses" in the statement of income.

The compensation of Executive Officers and Management members did not exceed the maximum limit approved at the Meeting held on July 31, 2020.

It is a common practice of Grupo Fleury to offer profit sharing to its employees based on their annual performance and established targets. This compensation is recognized as a liability and a profit-sharing expense, based on a methodology that assumes compliance with said targets. However, because of the COVID pandemic, in 2020 the Company paid bonus to employees, which was also based on compliance with targets defined by Fleury considering the pandemic scenario, as approved by the Board of Directors. The bonus includes employees and management.

The provision totaled R$35,887 in the period ended December 31, 2020. On December 31, 2019, the Company recorded a provision for profit sharing of R$32,069.

Pursuant to CPC 33 – Employee Benefits, the Company offers post-employment benefits to its Management, comprising private pension and life insurance.

## 24. Equity

**a) Share capital**

On December 31, 2020, the fully paid-in share capital was R$1,454,986, represented by 317,366,103 registered, book-entry common shares with no par value. The net amount of share issue expenses was R$1,432,202.

On January 29, 2020, the Board of Directors approved a capital increase to meet the exercise of options under the Company's Stock Option Plan, in the amount of R$884, through the issue of 43,750 shares and, on August 3, 2020, it totaled R$5,051, through the issue of 577,893 shares.

The Company is authorized to increase its share capital, regardless of any amendments to the Bylaws, upon resolution of the Board of Directors, up to the limit of 320,000,000 common shares.

**b) Dividends and interest on equity**

Shareholders are guaranteed the distribution of 25% of the net income calculated at the end of each fiscal year, adjusted under the terms of corporate law as mandatory minimum dividends.

On February 19, 2020, the Board of Directors approved and, on July 31, 2020, the Annual Shareholders' Meeting confirmed the distribution of dividends to shareholders, totaling R$197,766, corresponding to the gross amount per share of R$0.6243, referring to the earnings for the 2019 fiscal year, according to the balance sheet drawn up on December 31, 2019. On March 26, 2020, the Board of Directors approved and, on July 31, 2020, the Annual Shareholders' Meeting confirmed the extension of the deadline to pay the

distribution of dividends to shareholders, to December 15, 2020, without incurring monetary restatement or remuneration, in view of the uncertainty and volatility of the current scenario, due to the global COVID-19 pandemic.

The dividends declared were deducted from the mandatory dividend for the fiscal year of 2019.

On December 30, 2020, the Board of Directors, ad referendum of the Annual Shareholders' Meeting, approved the payment of interest on equity in the amount of R$74,470, corresponding to the gross value per share of R$0.2347, corresponding to earnings accrued in the first half of 2020, which will be paid on March 5, 2021.

| **Calculation of interest on equity:** | |
|---|---|
| Approval date | 12/30/2020 |
| Payment date | 3/05/2021 |
| Interest on equity, gross | 74,470 |
| (-) Withholding income tax (IRRF) | (11,170) |
| **Interest on equity, net** | **63,300** |

**c) Treasury Shares**

The Board of Directors' Meeting held on November 26, 2020, approved the Buyback Program of the Company's shares, without reducing capital stock, whereby up to 3,035,263 common shares may be acquired.

The objective of the Share Buyback Program is the repurchase of shares in order to secure the Company's Deferred Shares Plan, approved at the Extraordinary Shareholders' Meeting held on December 5, 2019. Such shares may also be held in treasury, sold or cancelled.

On December 31, 2020, the balance of treasury shares was R$2,674, corresponding to one hundred thousand (100,000) common shares at weighted average cost of R$26.74.

## 25. Employee benefits

**a) Private pension plan**

The Company sponsors a private pension entity currently known as and managed by Bradesco Vida e Previdência S.A., whose main purpose is to complement the government pension, being optional to all Fleury S.A. employees. In the period ended December 31, 2020, the Company contributed R$2,052 (R$1,772 on December 31, 2019) to this plan, recorded under "Cost of services" and "General and administrative expenses".

**b) Share-based compensation**

Grupo Fleury offers share-based compensation plans and cash to its executives, under which the Company receives its employees' services as consideration for the stock options granted.

The fair value of options at grant date is recorded on a straight-line basis as an expense for the year in which the vesting conditions are met, based on Grupo Fleury's estimates of which stock options granted will vest, with a corresponding increase in equity (stock options and deferred shares) or liabilities (cash). At the end of the reporting period, Grupo Fleury revises its estimates of the number of options that are expected to vest based on contractual conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss, so that the accumulated expense reflects the revised estimates with a corresponding adjustment to equity in the "Capital Reserve - options granted recognized" account that recognized the employee benefit.

The Company's Board of Directors is responsible for determining, at each grant, the participants of the plan, as well as the number of shares to be acquired when each option is exercised, the term, the exercise price, payment conditions and other conditions.

Due to the stock split resolved on by the Extraordinary Shareholders' Meeting of June 26, 2017, every one (1) share issued by the Company is now represented by two (2) shares of the same type.

(i) 2016 to 2018 Grants

The Extraordinary Shareholders' Meeting of July 25, 2016 approved the Company's new Stock Option Plan intended for its executives, management, and employees (beneficiaries).

The options granted under this Plan may not exceed, during the term of the Stock Option Plan, the maximum accumulated limit of two point five percent (2.5%) of the total shares of the Company's subscribed and paid-in share capital on this date. In this context, 1,822,767 options were granted.

Also, under this plan, the following stock options were approved:

| **Approval date** | **Approval** | **Number of options** |
|---|---|---|
| July 27, 2016 | Board of Directors | 3,645,534 options |
| May 3, 2017 | Extraordinary Shareholders' Meeting | 550,000 options |
| October 25, 2017 | Board of Directors | 150,000 options |
| December 15, 2017 | Extraordinary Shareholders' Meeting | 235,000 options |
| March 1, 2018 | Board of Directors | 140,000 options |
| May 10, 2018 | Board of Directors | 375,000 options |
| June 20, 2018 | Board of Directors | 47,000 options |

Each stock option may be converted into one common share of Fleury S.A. upon exercise of each portion of the option, which may occur at any moment from the date the right is acquired to two years after the exercise date, when the options expire. After exercising each portion of the option and subscribing the respective share, exercise prices are not adjusted, and the beneficiaries will only be able to sell or transfer them after six months of the date of subscription.

The option can be fully exercised by the beneficiaries within, at least, six years as of the signing of the respective adherence agreement. Each portion of the option can be exercised as follows: (i) 12.5% in the 24th month as of the signing of the adherence agreement; (ii) 25% in the 36th month; (iii) 25% in the 48th month; (iv) 25% in the 60th month; and (v) 12.5% after the end of the 72nd month as of the signing of the adherence agreement
The exercise price of the options will be based on the average closing price of the share in the ninety (90) trading sessions prior to the Board of Directors' meeting that will resolve on said grant.

The changes in the number of stock options and corresponding weighted average exercise prices are as follows.

| **Grant date** | | **2016** | **2017** | | **2018** | | |
|---|---|---|---|---|---|---|---|
| | | **7/27** | **5/03** | **12/15** | **3/01** | **5/10** | **6/20** |
| **Balance on 12/31/2019** | **Number of options** | **1,467,234** | **350,000** | **235,000** | **140,000** | **375,000** | **47,000** |
| | Average exercise price | 8.74 | 20.22 | 28.86 | 28.18 | 27.66 | 26.24 |
| Expired | Number of options | - | - | - | - | - | - |
| Exercised | Number of options | 577,893 | 43,750 | - | - | - | - |
| Prescribed | Number of options | 22,517 | - | - | - | - | - |
| Cancelled | Number of options | - | - | - | - | - | - |
| **Balance on 12/31/2020** | Number of options | **866,824** | **306,250** | **235,000** | **140,000** | **375,000** | **47,000** |

From the 1,970,074 existing options on December 31, 2020 (2,614,234 options on December 31, 2019), 245,875 options can be exercised (73,125 options were exercisable on December 31, 2019).
On December 31, 2020, the Company recorded pro-rata expenses of R$3,888 under General and administrative expenses (R$5,808 in the period ended December 31, 2019).

On December 31, 2020, the market price of each share was R$27.02 (R$30.53 on December 31, 2019).

**Options granted between 2016 and 2018:** were priced based on the Black & Scholes model and significant data included in the fair value pricing model of the stock options granted in this period were as follows:

| | Vesting in 48 months - Grant on | | | | | | |
|---|---|---|---|---|---|---|---|
| | 6/20/2018 | 5/10/2018 | 3/01/2018 | 12/15/2017 | 10/25/2017 | 5/03/2017 | 7/27/2016 |
| Volatility | 30.16% | 29.49% | 29.38% | 28.97% | 42.79% | 29.12% | 28.36% |
| Dividend yield | 2.94% | 3.22% | 3.76% | 3.17% | 2.93% | 3.09% | 1.75% |
| Expected life for the exercise | 2 years | 2 years | 2 years | 2 years | 2 years | 2 years | 2 years |
| Risk-free annual interest rate | 7.59% | 7.59% | 7.71% | 8.20% | 8.04% | 9.54% | 12.70% |

**(i) New long-term incentive plan – Deferred Shares**

The Extraordinary Shareholders' Meeting held on December 5, 2019, approved a new deferred shares plan and, the Board of Directors' meeting held on November 26, 2020, approved the First Deferred Shares Program of Fleury S.A. under the plan ("program"), defining the rules for the granting of Deferred Shares by the Company.

The Plan determines the general conditions for granting Company shares to its employees or other companies controlled by it, duly chosen by the Board of Directors.

The plan provides for the transfer of shares to Management members following the number of shares defined by the conditions in the deferred share grant agreement.
The shares granted under the plan may not exceed the limit of 1.2% of the total shares of the Company's subscribed and paid-in share capital on the approval date of the plan.

Shares are granted upon the execution of the "Deferred Share Agreement" by the Company and each participant.
The plan provides for annual grants, whereby the number of shares allocated to each beneficiary based on the rules defined in the plan will be determined in each grant. After the vesting period, the Company will transfer the ownership of shares to the beneficiaries. The vesting period is four years, divided into four annual portions (20%/20%/20%/40%), i.e. the ownership of a portion of the shares granted will be transferred each year.

The rules related to the exercise price, duration and lock-up period do not apply, given that it is a share grant plan.

The Board of Directors or Management may, at their sole discretion, within their respective powers, invite beneficiaries of this Plan to receive Extraordinary Shares, under the terms and conditions of this Plan, observing the cumulative vesting and lock-up periods.

On December 31, 2020, the Company recorded pro-rata expenses of R$1,669 under General and administrative expenses, referring to the Deferred Share Plan.

| | Vesting in 48 months |
|---|---|
| | Grant on 11/26/2020 |
| Volatility | 28.7% |
| Dividend yield | 4.80% |
| Expected life for the exercise of the options | 4 years |
| Risk-free annual interest rate | 4.78% |

## 26. Revenue from services rendered

**a) Policy**

Revenue is recognized when control and all other rights and benefits arising from the provision of services flow to the client, i.e. when test results are issued, approximately at the same time as the test is performed.

The allocation of compensation for services provided mainly refers to clinical analysis that have a single defined performance obligation (tests and their analysis) and whose transaction price is agreed upon between the Company and its respective clients. In this case, there is no variable consideration, return or refund obligations, as well as no significant financing component or remaining performance obligations.

The agreements entered into between the Company and its respective clients have a commercial substance since they are approved by the parties and include the rights of each party, and the payment conditions are identified.

The performance obligation in these agreements refers to the execution of clinical analysis tests, which begins with the collection of the material and ends with the issue of diagnostic test results that are available to users on the Company's website or in the patient service centers. Diagnostic medicine and integrated medicine do not differ regarding the performance obligations to be complied with.

Revenue from services rendered is already net of any estimated rebates, discounts and disallowances.

**b) Main service lines**

**Diagnostic Medicine:** Laboratory and image exams for clients assisted in Grupo Fleury's own units.

**Integrated Medicine:** Diagnostic and therapeutic services that offer accurate and unique solutions to patients and doctors in environments equipped with modern technology and supported by specialized medical teams, enabling patients to undergo exams and use other services, one after the other, in a single period of the day, saving time, with convenience and safety. It also comprises check-up, reference laboratory (LARE) and health management services.

**Dental:** Dental imaging exams conducted by the joint venture Papaiz.

**d) Expected remuneration**
Services rendered to clients are remunerated as follows (amounts contractually agreed upon):

i) clinical analysis services (analysis and diagnostics); and
ii) defined clinical analysis packages, based on pre-defined procedure packages (check-up).

**e) Estimated losses with disallowances (Consolidated)**

On December 31, 2020, the Company recorded estimated losses with disallowance of 1% based on historical analysis and commercial trends over gross revenue from diagnostic medicine whose counterparties are health insurance companies (1.33% on December 30, 2019), billed or not. This estimate is reviewed by the Company at the end of each reporting period.

**f) Balance breakdown**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Gross revenue | 2,978,860 | 3,011,528 | 3,207,191 | 3,142,125 |
| Taxes | (182,021) | (184,208) | (199,879) | (193,809) |
| Disallowances | (31,793) | (41,026) | (33,698) | (41,843) |
| Rebates | (1,606) | (745) | (1,998) | (1,366) |
| **Net revenue** | **2,763,440** | **2,785,549** | **2,971,616** | **2,905,107** |

The breakdown of net revenue among the main lines of services provided for by the Company (Diagnostic Medicine, Integrated Medicine and Dental) are presented on Note 32 – Segment reporting.

## 27. Cost of services

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Personnel and medical services | (896,625) | (956,351) | (987,500) | (1,013,191) |
| Rent, occupancy and utility services | (407,434) | (401,780) | (446,329) | (425,364) |
| Direct material and exam intermediation | (410,196) | (301,509) | (426,561) | (311,034) |
| Depreciation and amortization | (275,182) | (249,630) | (296,360) | (260,834) |
| General expenses | (4,893) | (6,001) | (5,137) | (6,292) |
| **Total** | **(1,994,330)** | **(1,915,271)** | **(2,161,887)** | **(2,016,715)** |

## 28. General and administrative expenses

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Personnel and benefits | (153,029) | (172,478) | (168,761) | (178,076) |
| Depreciation and amortization | (60,881) | (59,530) | (62,108) | (59,630) |
| Institutional and legal matters | (23,836) | (22,716) | (24,668) | (23,436) |
| Other general and administrative expenses | (20,158) | (22,031) | (21,315) | (22,956) |
| Marketing | (15,809) | (16,133) | (17,937) | (16,389) |
| Third-party services | (9,842) | (7,695) | (10,370) | (7,961) |
| Properties and utilities | (7,863) | (5,791) | (8,992) | (6,014) |
| IT and telecommunications | (4,918) | (5,221) | (6,807) | (5,925) |
| **Total** | **(296,336)** | **(311,595)** | **(320,958)** | **(320,387)** |

## 29. Other operating income (expenses), net

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Other income (expenses) | 2,362 | (9,095) | 6,460 | (4,566) |
| Result from write-off/sale of assets | (3,216) | (767) | (3,902) | (601) |
| Provision/losses with insolvent customers | (3,585) | (2,606) | (3,694) | (2,672) |
| **Total** | **(4,439)** | **(12,468)** | **(1,136)** | **(7,839)** |

## 30. Financial result

**a) Policy**

Interest income and expenses are recorded on a time basis, using the effective interest rate over the outstanding principal.

For cash flow statement purposes, the Company adopted as accounting practice the presentation of interest accrued on financial investments and dividends received in investment activities, and interest paid on borrowings and debentures in financing activities, as it understands that this is the situation that best represents its financial flows, such presentation being based on paragraphs 33 to 34A of CPC 3 – Cash Flow Statements.

**b) Financial result breakdown**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| **Financial income:** | | | | |
| Income from short-term investments - marketable securities | 23,022 | 26,522 | 24,283 | 29,922 |
| Monetary restatement of taxes and judicial deposits | 7,219 | 4,335 | 7,519 | 4,480 |
| Exchange variation and others | 1,187 | 590 | 3,752 | 614 |
| Derivative financial instruments | 2,949 | 188 | 2,949 | 189 |
| Income from short-term investments | - | 70 | 119 | 207 |
| PIS/COFINS on financial income | (1,435) | (1,449) | (1,515) | (1,598) |
| **Total** | **32,942** | **30,256** | **37,107** | **33,814** |
| **Financial expenses:** | | | | |
| Interest from leases | (71,007) | (64,658) | (74,967) | (64,658) |
| Interest on debentures | (46,221) | (75,326) | (46,486) | (78,623) |
| Interest on financing and other interest | (25,140) | (9,268) | (25,617) | (9,287) |
| Monetary restatement from contingencies | (12,752) | (1,571) | (12,797) | (4,702) |
| Financial fee | (6,647) | (3,997) | (6,647) | (4,143) |
| Exchange variation and others | (3,296) | (3,232) | (5,661) | (3,824) |
| Monetary restatement of taxes and accounts payable | (1,535) | (2,428) | (2,506) | (2,428) |
| Derivative financial instruments | (362) | (126) | (362) | (126) |
| **Total** | **(166,960)** | **(160,606)** | **(175,043)** | **(167,791)** |
| **Net financial result** | **(134,018)** | **(130,350)** | **(137,936)** | **(133,977)** |

## 31. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the period.

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Profit attributable to the Company's shareholders | 256,961 | 312,317 |
| Weighted average number of common shares issued | 317,366,103 | 316,744,460 |
| (-) Treasury shares | (100,000) | - |
| Weighted average number of outstanding common shares | 317,266,103 | 316,744,460 |
| **Basic earnings per share - R$** | **0.81** | **0.99** |

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all diluted potential common shares. The Company had outstanding dilutive potential common shares in the period, related to the Company's Stock Option Plan, as follows:

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Profit attributable to the Company's shareholders | 256,961 | 312,317 |
| Weighted average number of outstanding common shares | 317,266,103 | 316,744,460 |
| (+) Adjustments due to stock options | 2,546,176 | 3,435,613 |
| (=) Weighted average number of common shares for diluted earnings per share | **319,812,279** | **320,180,073** |
| | | |
| **Diluted earnings per share - R$** | **0.80** | **0.98** |

## 32. Segment reporting

Grupo Fleury's Management carries out analyses based on three significant business segments: Diagnostic Medicine, Integrated Medicine and Dental. The segments presented in the financial statements are strategic business units that offer different products and services.

| | Period ended 12/31/2020 | | | |
|---|---|---|---|---|
| | Diagnostic Medicine | Integrated Medicine | Dental | Consolidated |
| Net revenue | 2,432,682 | 538,934 | - | 2,971,616 |
| EBITDA | 754,480 | 82,983 | - | 837,463 |
| Equity in the earnings (losses) of subsidiaries | - | - | (326) | (326) |
| Depreciation and amortization | - | - | - | (358,468) |
| Financial result | - | - | - | (137,936) |
| **Income before income taxes** | **-** | **-** | **-** | **340,733** |

| | Period ended 12/31/2019 | | | |
|---|---|---|---|---|
| | Diagnostic Medicine | Integrated Medicine | Dental | Consolidated |
| Net revenue | 2,437,486 | 467,621 | - | 2,905,107 |
| EBITDA | 806,552 | 74,423 | - | 880,975 |
| Equity in the earnings (losses) of subsidiaries | - | - | (333) | (333) |
| Depreciation and amortization | - | - | - | (320,464) |
| Financial result | - | - | - | (133,977) |
| **Income before income taxes** | **-** | **-** | **-** | **426,201** |

Pursuant to accounting standard CPC 19 (R2) - Joint Arrangements, the indirect subsidiary Papaiz is accounted for by the equity accounting method because it is jointly controlled. Dental operations are broken down as follows:

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Net revenue | 10,556 | 12,979 |
| **EBITDA** | **937** | **1,942** |
| Depreciation and amortization | (703) | (686) |
| Financial result | (226) | (540) |
| **Income before taxes** | **8** | **716** |
| Income tax and social contribution | (334) | (413) |
| **Net Income** | **(326)** | **303** |

## 33. Insurance

The Company has the policy to contract insurance for possible risks related to its assets, loss of profit and/or liability in amounts sufficient to cover possible losses, considering the nature of its activities and in accordance with the assessment of Management and its specialized consultants. The net insurance premium of the Consolidated for the policies in effect on December 31, 2020 totaled R$1,222.

The agreements are in effect until February 26, 2021.

The maximum amounts insured by the main insurance on December 31, 2020 were as follows:

| | Consolidated |
|---|---|
| Operating risks | R$684,665 |
| Civil liability | R$116,000 |
| International transport - imports | US$ ('000) 750 |

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Carlos Alberto Iwata Marinelli
CEO

Fernando Augusto Rodrigues Leão Filho
Chief Finance and Investor Relations Officer

Gisele Schneider
Technical accountant
CRC 1SP304488

# Management Report

# 2020

GrupoFleury

GrupoFleury

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# Message from the Management

**From diagnostic medicine to the largest healthcare ecosystem in Brazil**

In its 95 years of history, Grupo Fleury has never created as many new growth opportunities as it did in 2020. The COVID-19 pandemic has made "HEALTHCARE" a top priority for individuals and companies in Brazil and worldwide. As one of the leading companies in this sector in the country, Grupo Fleury relied on a unique combination to overcome the challenges, lead a resumption in V and end the year with the best quarter in its history - R$ 1 billion of gross revenue. It was thanks to the engagement of its more than 10,000 employees and 3,000 doctors, customer confidence, the development of scientific knowledge, the acceleration of digital projects and the courage to open up new markets that the Group was able to achieve this performance and maintain quality of service on all of its fronts.

The year 2020 will be marked in our trajectory as the year of which Grupo Fleury definitely changed from being a diagnostic medicine company to become a complete healthcare ecosystem. We made multiple moves to achieve this goal. We launched the largest healthcare platform in the country (Saúde iD), became one of the largest telemedicine players in Brazil, created one of the largest corporate venture capital funds in Brazil (Kortex, a R$ 200 million fund that comes to connect more and more to the healthtechs), we started a continuing education service for doctors, health professionals, students and residents (Pupilla), closed two relevant acquisitions (Clínica de Olhos Moacir Cunha and Centro de Infusões Pacaembu, expanding our outpatient activities and in adjacent areas to the core business), we launched a genetic testing platform (Sommos DNA, which allows individuals, through genetic mapping, to engage in the prevention of potential hereditary diseases, in a model of direct business to consumers) and we developed a consultancy service so that companies could restart their activities in safety (Integrated Care for Companies, which totaled 560 contracts signed until December), among other initiatives. All of them are connected with our mission of providing increasingly complete and integrated solutions for the management of people's health and well-being.

**Healthcare is digital now**

The Covid-19 pandemic changed the behavior of consumers, that started to seek more and more for digital and remote services and products. Telemedicine, a topic debated for years in Brazil, but that collided with regulatory issues, was regulated during the pandemic. In April 2020, Grupo Fleury launched its telemedicine service. Since then, the growth of this service has been exponential: until December, there were 199 thousand consultations scheduled, attended by a team of almost 500 professionals, including physicians and nursing professionals. This same change in habits led to a colossal leap in our client's home service, which increased by 77% compared to the previous year. It is worth mentioning that, in all types of assistance (both physical and digital), the Group strictly follows the guidelines of the LGPD (General Law for the Protection of Individual Data).

Telemedicine was the basis for our most ambitious step in 2020, the creation of Saúde iD, a pioneering healthcare platform on the market, which was born in September, with 7 million lives. Saúde iD has the ambition of placing the patient at the center of the strategy and integrating its data, in order to have a more efficient use of resources.

The platform will guarantee the sustainability of a sector increasingly affected by medical inflation and, at the same time, allow individuals to manage their health in a totally digital way, through an app. In practice, the marketplace offers products and services - from Grupo Fleury and third parties - to the user so that the application is their main health hub.

Initially launched in the B2B version, Saúde iD also became B2C in February 2021, offering subscriptions to medical services directly to end consumers. Saúde iD is positioned as an alternative to access to quality healthcare for people who do not have a healthcare plan - today almost 75% of the Brazilian population.

**ESG Strategy**

The launch of Saúde iD is another step of Grupo Fleury in its mission to democratize access to healthcare in Brazil, generate positive social impact and contribute to the sustainability of the entire healthcare sector - in line with ESG principles. Just as we lead the digital transformation of the healthcare industry, we are leading the ESG transformation.

For Grupo Fleury, which began to walk a sustainable journey more than 20 years ago, the advance of stakeholder capitalism is great news. We believe that this way of doing business is the only one capable of strengthening the relationships of trust - relationships that we have with clients, employees, physicians, shareholders and the community.

In December 2020 we made three announcements that will start to impact the company from 2021. One of them is the creation of an exclusive committee to monitor the company's ESG agenda. The second is that from this year we will become one of the few Brazilian companies to link sustainability goals to variable executive compensation.

Finally, we announced a project to use solar energy to supply part of the Group's 117 Patient Service Center in São Paulo and Rio de Janeiro, starting from the second half of this year. We will use 100% clean energy, avoiding the emission of almost 7 thousand tons of $CO_2$ annually (which is equivalent to the planting of almost 47 thousand trees), at the same time that we will reduce consumption costs. These movements are in addition to an effort that we have been making for many years to reduce our environmental impact. Between 2016 and 2019 the use of water per test fell by 12.5%, the paper per test decreased by 24% and the generation of waste plummeted 39%. In addition, at the beginning of the last decade we started measuring our emissions of greenhouse gases. The advances have been consistent: in 2019 our emissions were reduced by 40% when compared to the previous year.

We did all this while actively exercising our social role, on several fronts, during the Covid-19 pandemic. We developed world-quality tests in record time, we participated in epidemiological research, we collaborated in the Oxford vaccine development process, we made our medical knowledge available to society to answer questions about the disease and guide the population.

Internally, since the beginning of the pandemic, the Company has adopted several measures to protect its employees. We quickly put the employees of the back office into a remote work scheme. In parallel, we have strengthened all of our security protocols to ensure that our operations remain protected. Committed to preserving the jobs we generate, we were one of the first signatories of the #nãodemita movement.

All of these efforts in the ESG field have been recognized internationally. In December 2020, Grupo Fleury became part of the Dow Jones Sustainability Index, in the Emerging Markets portfolio. The list includes 100 companies, of which only nine are Brazilian. Detail: Fleury is the only company of the healthcare sector in the Americas included in this index. In February of this year we were included in the DJSI Sustainability Yearbook 2021, which selected 600 companies from around the world among 7000 analyzed. Fleury is the only non-American company to be included in the category of healthcare and service providers.

Our people and our essence are the main responsible ones for having managed to overcome such a challenging year, develop multiple fronts of action and maintain growth. It is with this team, with this culture and with the bases that we built in 2020 that we will take another leap in 2021 and transform healthcare, through the intensive use of technology, with the creation of excellent medical offerings in scale and access never seen before.

**Marcio Pinheiro Mendes**
Chairman of the Board of Directors

**Carlos Marinelli**
CEO of Grupo Fleury

## Macroeconomic and Industry Scenario

### Resilience and efficiency despite the challenging macroeconomic scenario, with the number of beneficiaries of private health plans showing a slight increase and worsening unemployment indicators

According to data from the National Supplementary Health Agency (ANS), by December 2020, the number of beneficiaries of private healthcare plans increased to 47.5 million lives in December 2020, compared to 47.0 million in December 2019. Of the total beneficiaries, 67.6% had a collective business plan; 19.0%, individual or family plans; 13.3%, collective membership plan; and 0.1% did not inform the type of plan they held.

According to the Brazilian Institute of Geography and Statistics (IBGE), at the end of 2020, there were 14 million unemployed people, which means an unemployment rate of 14.1% compared to 11.9% in 2019. The relevant growth in this indicator mainly reflected the economic impacts caused by the COVID-19 pandemic.

In Brazil, most healthcare plans are corporate. Although the number of beneficiaries of the plans is directly related to the country's unemployment level, even though most people have lost their positions at work, and the unemployment rate has increased significantly with the impacts of the COVID-19 pandemic, in the year of 2020, health became the most relevant matter, and the number of beneficiaries of the plans slightly grew.

Grupo Fleury continued to present positive results in the year 2020, despite the impacts caused by the pandemic of COVID-19, due to the restrictions of social distancing and urban mobility. Gross revenue expanded by 2.1%, with a -0.3% decrease in patient service centers and 15.0% growth in B2B operations. This performance is related to the fact that we are positioned in different markets, in the intermediate and premium segments, with a portfolio of brands recognized for their medical, technical and service excellence. In addition, there was also a contribution from the new initiatives launched throughout 2020, and also from the revenue obtained through the processing of COVID-19 tests throughout the year 2020.

## About Grupo Fleury

### Fleury will consolidate itself as a solution for integrated care of the individual, leading the generation of value for the entire healthcare chain through its Healthcare Platform

With this purpose, Grupo Fleury is one of the most traditional medical and healthcare organizations in the country, focused on the coordination centered on the individual. With 95 years of history, it is referenced by the medical community, patients and public opinion for its medical excellence and service, innovation and sustainable development.

The Company has three main business lines:

- **Patient Service Center:** There are 242 units in the states of São Paulo, Rio de Janeiro, Rio Grande do Sul, Pernambuco, Bahia, Paraná, Rio Grande do Norte, Maranhão and the Federal District, providing private diagnostic medicine services for premium health and high intermediate plans.
- **Diagnostic Operations in Hospitals:** Diagnostics for 25 hospitals, mainly focused on clinical analysis, providing diagnostic information with high added value to the physicians of these institutions.
- **Reference Lab:** Carrying out high complexity tests to laboratories, hospitals, and clinics throughout Brazil, enabling these customers to expand to extend their offerings with unique diagnostic quality.

### Grupo Fleury in 2020 numbers:

The following data were impacted by the COVID-19 Pandemic in 2020.

**R$ 3.2 billion of Gross Revenue** and **R$ 257.0 million of Net Income**;

**79.3 million** tests performed; 2.2 million[1] are referred to COVID-19 tests.

**346.2 thousand** medical consulting and **70.8 thousand** integrated reports;

**11.2 thousand** employees and **2.7 thousand** physicians providing services;

**13 brands of diagnostic medicine** present in the largest metropolitan regions of Brazil and positioned in the premium, intermediate-high and intermediate sectors**, in addition to the other brands composing the Grupo Fleury's Healthcare Platform**, focused on primary care, healthcare coordination, integrated care for companies, telemedicine, drug infusion, ophthalmology, fertility, orthopedics day clinic, among others.

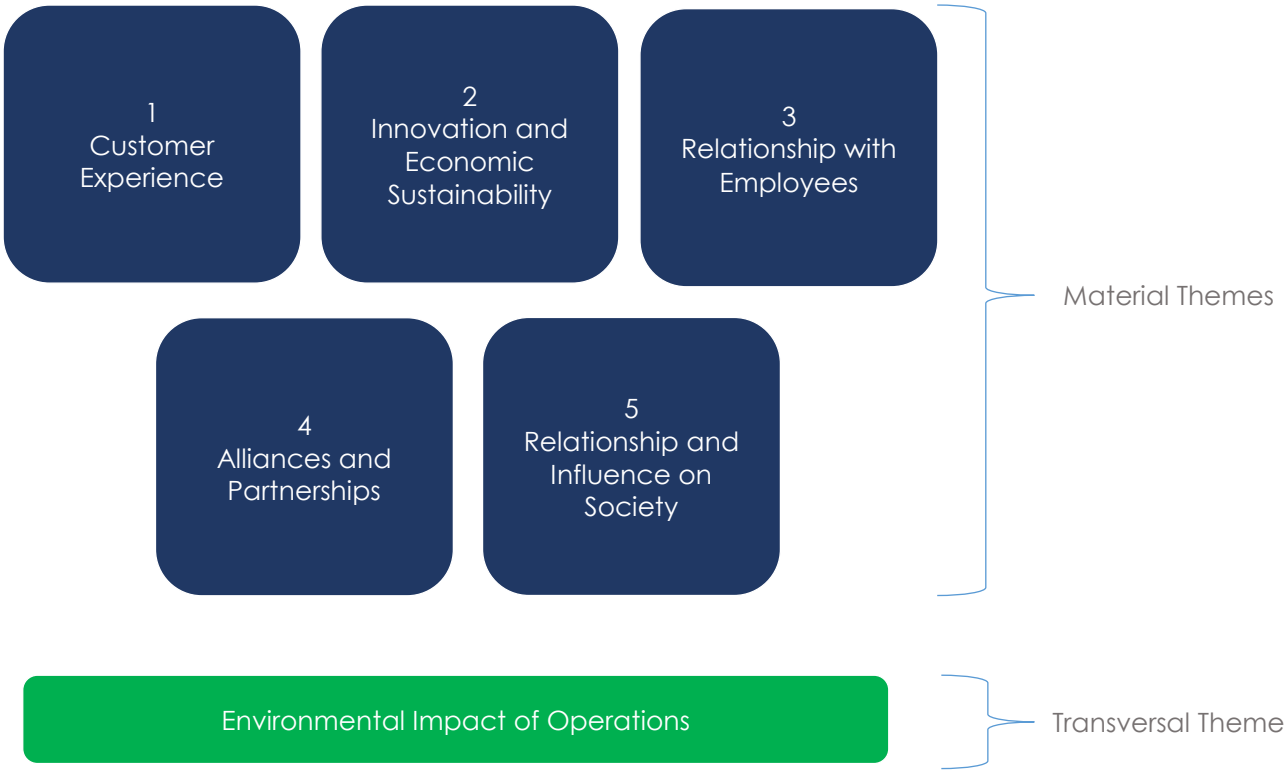
1. Update date: 02/24/2021

## Corporate Sustainability

### Grupo Fleury acts as an encouraging and guiding agent in the individual's relationship with their health, driving innovation, integration and efficient use of health resources and services in Brazil

For the Company, sustainability has a direct link with the company's mission, and it is understood as the integrated and balanced management of concepts of the triple bottom line: Economic activity, environment, and social well-being, added to the quality of processes and good corporate governance practices.

The strategic sustainability agenda, reviewed every 3 years, it aims to leverage the value of sustainability through proprietary themes in the healthcare market, selected together with the main stakeholders in order to generate organizational learning, business opportunities, innovation and competitive advantage – these concepts are already present in Grupo Fleury's business strategy. The agenda addresses current challenges in the Brazilian healthcare market, transforming them into motivators for creating shared value among the actors in the system.




Grupo Fleury maps, monitors and is clear about its responsibilities to society, seeking to strengthen its relationship and minimize possible impacts arising from its operations through various social and environmental programs. On the first topic, the Outubro Rosa initiative stands out, which marks the fight against breast cancer. The Group's regional offices opened the doors of a set of PSCs for the voluntary care of patients in the public health network, federal and state public hospitals and philanthropic institutions in the various locations where the Group operates. In this action, 39 PSCs participated, being consulted around 900 patients and performed more than 2,500 tests.

Also noteworthy is the development of social initiatives remotely, in order to adapt the Company's social performance to the limitations of occupation and social distance. In partnership with the Hospital Sírio-Libanês, the Telecorona Solidário was carried out, an initiative that counted on about 30 volunteer physicians, providing video call guidance on preventive measures and directing suspicious cases to the population served by the Abrace Seu Bairro project in the Bela Vista region, in the City of São Paulo. In addition, in partnership with the Bob Burnquist Institute, 5,000 surgical masks were donated to hospitals in the Baixada Fluminense. In partnership with the Hospital Beneficência Portuguesa, the protocol for returning to classes was developed for the Instituto Acaia, which works with educational activities close to CEAGESP, in the City of São Paulo. The Group also acted in partnership with other companies in order to act in a pandemic situation, such as the carrying out of 25,400 RT-PCR tests to the State Government of São Paulo at cost, financed by a partnership between Fleury, Coca -Cola Brasil, Coca-Cola Femsa and Bradesco Saúde. With the support of Cielo, 4,200 serology tests were performed for employees of the Instituto do Coração (Incor), and about 300 tests for Casas André Luiz, in São Paulo. Financed by the Todos pela Saúde fund, 11,500 RT-PCRs were carried out at cost price for long-term institutions served by the Rotary Brazil CoronaZero Project. And the brand a + Medicina Diagnóstica also donated 35 RT-PCRs for testing the inhabitants of the Casa 1 Home Republic, in São Paulo, which works with support for LGBTQIA + people.

In order to maintain internal engagement, the Company also developed remote acting projects, such as Adote um idoso, in partnership with the ONG Velho Amigo, and Colabinar, an initiative of which the Group's employees can act voluntarily for the development and learning from other employees through online classes and video classes.

In 2020, Grupo Fleury also made contributions via tax incentive laws, giving priority to five projects encouraged through the Federal Culture Incentive Law, the Childhood and Adolescence Fund and the Sports Law. The total amount contributed to the five projects was R$ 2 million.

Still this year, the company reinforced the initiatives of its Diversity Program, through the second edition of Diversity Week, training in the Leadership Development Program and the launch of campaigns focused on Diversity issues. Inclusion initiatives were also prioritized, such as efforts to hire people with disabilities, notably intellectual disabilities and autism spectrum disorders, in addition to the review of the internship program criteria, in order to increase their attractiveness to minority audiences.

## Environment

Grupo Fleury monitors and controls the segregation, disposal, storage and transportation of hazardous and non-hazardous waste arising from its operations. The destination given to them is defined according to their type and is based on criteria based on the procedures of the Environmental Management System and current legislation.

Since 2008, the Company has prepared and published, in the Public Emissions Register of the GHG Protocol, the annual inventory that accounts for its direct and indirect greenhouse gas (GHG) emissions. Each year, the data collection and expansion of the reported scope advances, which includes emissions with air travel, energy consumption, fuel consumption in the transportation of materials, consumption of paper in the administrative areas and outsourced transportation.

As for the Company's greenhouse gas emissions, the 2020 Emissions Inventory will be published in the first half of 2021. In 2019, there was an 11% reduction in emissions related to scope 2 compared to 2018, there was a decrease of 26% in the Group's total emissions. This reduction can be seen in scopes 2 and 3. In Scope 2, the reduction occurred due to a significant amount of Grupo Fleury's consumption coming from renewable energy purchased in the Free Market, with 20 PSCs being supplied this way. Regarding scope 3, since it is not directly controlled by the company, it presents greater variability, which makes it difficult to make a historical comparison. In the last year, for example, the reduction was 63%, due to the consideration of the presence of systems for capturing and using methane in landfills where the Grupo Fleury's waste was deposited, a fact not considered in previous years, and which brought about a significant reduction in emissions generated by this source.

We also present, below, the comparison of energy, water consumption and waste generation indicators. In the comparison between the years 2019 and 2020, there was an absolute increase of 1.3% in energy consumption, the effect of the increase in the hourly load in the technical processing areas and the inclusion of the Instituto de Radiologia de Natal brand in the corporate electricity target, as well as an absolute 9.4% reduction in water consumption. As for the generation of waste, there was a 13.1% reduction in the total amount of waste generated, favored mainly by the temporary closure of several PSCs, due to the preventive actions to combat the pandemic of COVID-19. This same factor had an effect on the reduction observed in the volume of infectious waste generated by the company.

| Indicator | 2020 | 2020 vs. 2019 | 2019 | 2019 vs. 2018 | 2018 | 2018 vs. 2017 | 2017 |
|---|---|---|---|---|---|---|---|
| Energy (Kwh) | 55,485,392 | 1.3% | 54,770,185 | 9.7% | 49,930,736 | 9.3% | 45,678,456 |
| Water (sqm³) | 139,634 | -9.4% | 154,160 | -1.8% | 156,963 | 18.2% | 132,818 |
| Total Waste Generation (kg) | 1,333,621 | -13.1% | 1,534,528 | 2.0% | 1,504,757 | -5.1% | 1,585,791 |
| Common Residue | 751,508 | -15.5% | 889,539 | -0.1% | 890,285 | -3.5% | 922,706 |
| Infectious Waste | 582,114 | -9.7% | 644,990 | 5.0% | 614,472 | -7.3% | 663,085 |

Grupo Fleury has historically adopted a series of measures aimed at greater efficiency in the use of energy, water and waste generation. Among these actions, we highlight the purchase of renewable energy, advances in telemetry, installation of LED lighting, exchange of equipment for models with lower energy consumption or Energy Star seal, purchase of energy in the open market, water reuse systems - such as ongoing initiatives to reuse water from the treatment system at the Technical Center in São Paulo, review processes to reduce the consumption of materials and waste, in addition to campaigns and initiatives to raise awareness among employees about the need for rational use of the resource.

Grupo Fleury in 2020 takes another important step in adopting strategies for the use of renewable energy. To further advance these initiatives, the Company closed an agreement with GreenYellow to contract 4.5 MWp in solar energy. The contracted resource will supply 47% of the energy consumed by Grupo Fleury in Rio de Janeiro through the brands in which they are present in the state, which represents 45 PSCs between Labs a +, Felippe Mattoso and LAFE - all at low voltage. Grupo Fleury's energy consumption in Rio de Janeiro currently represents 27% of the total used by the Company throughout the country. Similarly, the company Voltxs will manage the contracting of 3.2 MWp in solar energy for approximately 50 consumer PSCs present in the State of São Paulo.

## Certifications, Voluntary Commitments, and Reports

Grupo Fleury was a pioneer in the field of diagnostic medicine in the implementation of an Integrated Management System certified by ISO 9001 (Quality Management) and ISO 14001 (Environmental Management), which reflects its concern with quality, the environment, continuous improvement of procedures and sustainability. In 2019, the expansion of the certification scope in the Rio de Janeiro Regional was highlighted through the inclusion of the Labs a + brand. Also of note are the following accreditations: that of the American College of Pathologists (CAP), both in the accreditation program and in the quality control program for the Central Technical Area and the Group's Technical Area located at Sírio-Libanês Hospital, both in São Paulo; the National Glycohemoglobin Standardization Program (NGSP) and the Brazilian Society of Clinical Pathology/Laboratory Medicine (SBPC/ML). All of the Group's regional offices are also accredited by the Accreditation Program for Clinical Laboratories (PALC) of the Brazilian Society of Clinical Pathology. The Company is the first company in Brazil to obtain accreditation from the American College of Radiology (ACR) for stereotaxis, at the Paraíso PSC of the Fleury Medicina e Saúde brand. We also have ACR accreditation for Nuclear Medicine, Tomography and Magnetic Resonance services in the Ponte Estaiada and Paraíso PSCs of the Fleury Medicina e Saúde brand. In 2019, the Fleury Medicina e Saúde brand was accredited by the requirements of the Accreditation Program in Diagnostic Imaging (PADI) of the Brazilian College of Radiology (CBR). The Ponte Estaiada, Rochaverá and Alphaville PSCs of this same brand are also certified by Leadership in Energy & Environmental Design (LEED).

Since 2011, Grupo Fleury has been recognized as a leading company in the healthcare segment by the Exame Sustainability Guide and, since 2014, it has been part of the B3 Corporate Sustainability Index (ISE) portfolio. In 2020, it joined the Dow Jones Sustainability Index - Emerging Markets portfolio for the first time. The portfolio is made up of 100 companies, of which only 9 are Brazilian, with Grupo Fleury being the only company in the Healthcare sector in the Americas to be included in the index.

The DJSI is the main global sustainability index, composed of companies that stand out worldwide for the adoption of best social, economic and environmental practices (Environmental, Social and Governance - ESG), and is a reference for investors who evaluate these dimensions in their portfolios. In 2020, the Group also integrated B3's ICO2 (Carbon Efficient) index.

The Group's concern and commitment to sustainable development are also apparent through its adherence to a series of voluntary initiatives, which are undertaken with national and international sectoral entities. Among them are:

**Sustainable Development Goals (SDG):** Agreement signed in 2015 by the countries that integrate the United Nations (UN) brings together 17 objectives and 169 goals to be achieved by the world by 2030, involving themes such as poverty eradication, education, climate change, sustainable cities, employment and inclusive economic growth, among others. The themes covered by the 17 objectives are pointed out with SDG icons. Grupo Fleury participates in discussions on the topic in the working group of the Brazil Network of the United Nations (UN) Global Pact.

**United Nations Global Compact:** Signatory since 2013, Grupo Fleury maintains its commitment to the promotion of social and environmental responsibility actions of the 10 Universal Principles of the Global Pact. The UN initiative aims to mobilize the international business community to adopt, in its business practices, fundamental values in the areas of human rights, labor relations, the environment and the fight against corruption.

**Principles of Women's Empowerment:** In 2017, the Company adhered to the commitment of UN Women and the Global Pact, in which it reaffirms its commitment to guaranteeing a fair, equal environment and opportunities for all employees. Additionally, it was created on a voluntary basis by a women's team from the Company, the Female Leadership group, to discuss how we can promote gender equity.

**Term of Commitment with Ethics and Integrity:** In 2020, the Company was again approved in the program promoted by the Executive Secretariat of Pró-Ética, linked to the Comptroller General of the Union, in order to act and contribute to a more honest, ethical and transparent corporate environment.

**Business Pact for Integrity and Against Corruption:** Signed by the Company in 2010, the document designed by the Ethos Institute, the Brazilian Committee of the Global Pact and the United Nations Office against Drugs and Crime (Unodoc) addresses topics such as corruption of public agents, organized crime, tax evasion and money laundering.

**Carbon Disclosure Program (CDP):** Since 2015, Grupo Fleury has joined this initiative on a voluntary basis. The CDP's objective is to foster a new way for companies to do business, preventing damage caused by climate change and the depletion of natural resources.

The full list of certifications and awards received by Grupo Fleury and the full version of the 2019 Annual Sustainability Report can be accessed on the Company's Investor Relations website (http://www.fleury.com.br/ir).

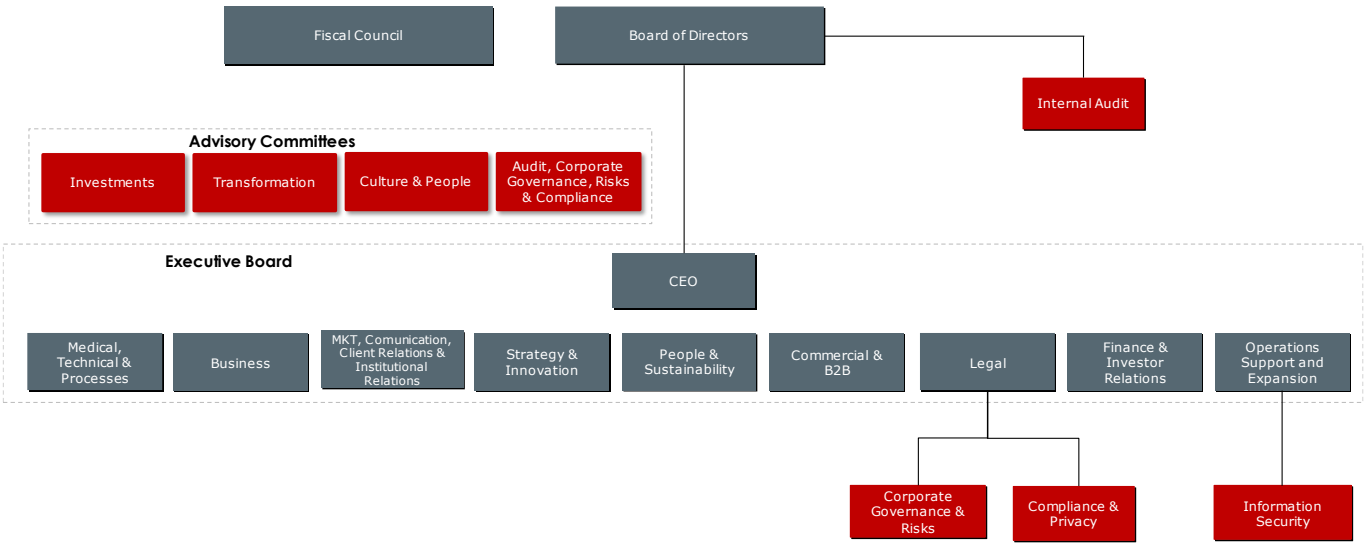
# Corporate Governance

## Listed in Novo Mercado, the Company guides its work by the highest Corporate Governance standards.

Grupo Fleury has its shares traded under the code FLRY3 in the Novo Mercado segment of B3, a special listing segment of the Brazilian Stock Exchange that requires the adoption of the highest standard of Corporate Governance. Grupo Fleury has practices and processes aligned with the principles of transparency, equity, accountability, corporate and social and environmental responsibility. This was a natural process for the Company, since before listing its shares on the Stock Exchange, management was already shared between the Executive Board and the Board of Directors, with the participation of independent directors.

The corporate organization chart established by the Company meets the best market practices and governance is supported by the structures that make up the Internal Controls System: Internal Audit, Compliance, Risk Management and Information Security.

**Organization Chart of Grupo Fleury**




### Board of Directors

Created in 1998, the Grupo Fleury's Board of Directors has a minimum of seven and a maximum of eleven sitting members, with up to eight alternate members. The Board of Directors aims to establish the general business guidelines and to elect the Statutory Executive Board, among other powers conferred by law and by the Company's Bylaws. The Board of Directors has an Internal Regulations governing its operation and its Advisory Committees. The tenure of the directors is established for two years, and the reelection is allowed.

## Structure of the Board of Directors

| Members of the Board of Directors | Position | Term of Office |
|---|---|---|
| Marcio Pinheiro Mendes | Chairman | GSM 2021 |
| Fernando Lopes Alberto | Vice-Chairman | GSM 2021 |
| Rui Monteiro de Barros Maciel | Board Member | GSM 2021 |
| Andrea da Motta Chamma | Board Member | GSM 2021 |
| Luiz Carlos Trabuco Cappi | Board Member | GSM 2021 |
| Samuel Monteiro dos Santos Junior | Board Member | GSM 2021 |
| Ivan Luiz Gontijo Junior | Board Member | GSM 2021 |
| Fernando de Barros Barreto | Independent Member | GSM 2021 |
| Cristina Anne Betts | Independent Member | GSM 2021 |
| André Marcelo da Silva Prado | Independent Member | GSM 2021 |
| Octavio de Lazari Junior | Alternate Member | GSM 2021 |
| Manoel Antônio Peres | Alternate Member | GSM 2021 |

Currently, the Board of Directors has ten sitting members and two alternate members, three independent effective directors, with a 20% participation of women in its composition. The Board is supported by four Advisory Committees: Audit, Risk Governance and Compliance; Investments; Transformation; and Culture and People. The Committees are permanent, meet monthly (Investments and Transformation) and bimonthly (Audit, Governance, Risks and Compliance and Culture and People) and have at least one member of the Board of Directors.

**Fiscal Council**

Established in 2018, the Fiscal Council is an independent body of the Company's management. Law 6404/76 establishes that the responsibilities of the Fiscal Council include supervising the management's activities, reviewing the publicly-held company's financial statements and disclosing its conclusions to shareholders.

## Structure of the Fiscal Council

| Members of the Fiscal Council | Position | Term of Office |
|---|---|---|
| Luciana Doria | Board Member | GSM 2021 |
| José Maria Chapina Alcazar | Board Member | GSM 2021 |
| Sergio Moreno | Board Member | GSM 2021 |
| Carolina Strobel | Alternate Member | GSM 2021 |
| Adriana Ruiz Alcazar | Alternate Member | GSM 2021 |
| Paulo Sergio Rodrigues | Alternate Member | GSM 2021 |

Currently, the Fiscal Council has three sitting members and their respective alternates.

**Audit, Governance, Risk Management and Compliance Committee**

Responsible for recommending the conditions to hire independent external audits and for proposing its goals; assessing and evaluating the internal audit's work, ensuring and improving internal controls; recommending procedures on inadequate accounting practices; monitoring the map of risks to which the Company is exposed and the due preventive and mitigating actions.

**Investments Committee**

This Committee is responsible for monitoring the budget's guidelines, managing the receivables and cancellations, analyzing actions to reduce costs and expenses and improving the profitability, as well as evaluating investment opportunities. Also responsible for debating the main corporate guidelines and evaluating, prioritizing and monitoring the most relevant projects in the Company.

**Transformation Committee**

It is responsible for advising the Board of Directors with the evaluation, prioritization and monitoring of the most relevant projects in the Company, as well as the development of organizational structure, system and processes, both under the focus of the strategy. The Committee also has the function of advising the Board of Directors with the evaluation of the strategic planning proposed by the Executive Board and promoting the Company's innovation, research and development.

**Culture and People Committee**

Responsible for evaluating, appointing and dismissing executive officers; monitoring the progress of the organization, facing strategic challenges for the business and management; evaluating the systems of performance evaluation, salary policies and staff development programs; proposing guidelines and criteria for variable remuneration programs; and monitoring and proposing actions arising from the evaluation of the organizational environment.

**Statutory Executive Board**

Grupo Fleury's Statutory Executive Board ended 2020 with six members (no change compared to 2019), as follows:

**Structure of the Statutory Executive Board**

| Directors | Position |
|---|---|
| Carlos Alberto Iwata Marinelli | CEO |
| Claudio Almeida Prado | Operations Support Executive Director |
| Edgar Gil Rizzatti | Chief Medical, Technical and Process Director |
| Fernando Augusto Rodrigues Leão Filho | Chief Financial Officer and Investor Relations Directors |
| Jeane Tsutsui | Brands Executive Director |
| José Roberto Araújo | B2B Commercial and Business Executive Director |

In accordance with CVM Instruction 381/03, we hereby report that the Company and its subsidiaries adopt as a formal procedure consulting independent auditors of KPMG Auditores Independentes to ensure that the provision of other services does not affect its independence and objectivity required to carry out independent audit services. The Company's policy for hiring services of independent auditors ensures that there is no conflict of interest, loss of independence or objectivity.

In the fiscal year ended on December 31, 2020, KPMG Auditores Independentes did not provide additional services exceeding 5% of the fees to audit Grupo Fleury's consolidated financial statements.

When hiring these services, the policies adopted by the Company are based on principles that preserve the independence of the auditor. In accordance with internationally accepted standards, these are the principles: (a) the auditor must not audit his or her own work; (b) the auditor must not occupy a management position in its client, and (c) the auditor must not legally represent the interests of its clients.

KPMG Auditores Independentes stated that the services were provided in strict compliance with accounting standards on the independence of independent auditors in the audit work and don't represent a situation that could affect the independence and objectivity of its external audit services.

## Grupo Fleury: Knowledge, Science and Innovation make a difference in fighting the COVID-19 pandemic

### In a year strongly impacted by the pandemic, knowledge, science and innovation proved to be essential tools to maintain the pioneering spirit in this journey

One of the pillars of Grupo Fleury's activity, the investment in Innovation, Research and Development (IRD) is the competitive advantage of the Company, which allowed the development of different types of tests to detect the SARS-CoV-2 virus, responsible for the pandemic of the COVID-19.

The R&D Molecular Biology sector was responsible for developing and offering, since February 2020, the detection test for COVID-19 by the RT-PCR method, considered the "gold standard test". Until February 2021, 1.1 million tests of this modality were carried out.

The R&D Immunology sector was responsible for the development of serological tests and rapid tests for the detection of the SARS-CoV-2 virus. On this front, it is worth mentioning Fleury's important participation in the coronavirus kits evaluation program, a partnership with the Brazilian Society of Clinical Analysis (SBAC), the Brazilian Society of Clinical Pathology and Laboratory Medicine (SBPC/ML), the Brazilian Association of Diagnostic Medicine (ABRAMED) and the Brazilian Chamber of Laboratory Diagnosis (CBDL), a project of great relevance for understanding the performance and application of the various tests offered in the Brazilian market.

The R&D Chromatography/Mass Spectrometry sector was responsible for developing an unprecedented test for the detection of COVID-19 by proteomics. In other words, instead of looking for the virus's RNA or antibodies, the team "thought outside the box" and developed a test that seeks to detect the virus proteins. This pioneering spirit resulted in the team publishing a scientific article in the renowned Nature magazine in December 2020, entitled Establishing a mass spectrometry-based system for rapid detection of SARS-CoV-2 in large clinical sample cohorts.

It is also worth noting the participation of Grupo Fleury in the study SoroEpi MSP - Seroepidemiological surveys to monitor the prevalence of SARS-CoV-2 infection in the city of São Paulo, Brazil. This project is a partnership between Grupo Fleury, Instituto Semeia, IBOPE Inteligência and Aliança Todos Pela Saúde, whose objective is to estimate, through serological tests, the percentage of people infected with the new coronavirus in the city of São Paulo. In January 2021, the fifth collection stage was carried out and the data have been widely disseminated, contributing to public policies aimed at controlling and fighting the virus.

The performance of a multidisciplinary R&D sector allowed Grupo Fleury to fully meet society's demand, offering different types of tests for the detection of COVID-19. Furthermore, more than ever, the importance of establishing partnerships has become clear. Nobody wins a pandemic alone. Throughout 2020, Grupo Fleury developed 25 research projects related to COVID-19, in partnership with startups, universities, hospitals and other institutions.

In the front of Bioinformatics, one of the sectors that also make up the multidisciplinary R&D team, Grupo Fleury, in partnership with the startup Neuralmed, was awarded, once again, by the Radiology Society of North America (RSNA) in the International Challenge of Artificial intelligence. The work, whose theme was Diagnosis of Pulmonary Thromboembolism (PTE) by computed tomography, was recognized with a bronze medal. The Group's multidisciplinary specialists, together with the members of the partner startup, also took the title of best team in Latin America.

In total, in 2020, more than 320 new products and changes in methodology were implemented. This number is double that of 2019 and shows how the Company's R&D sector is in full growth. The year 2020 was also marked by important changes in methodology and internalization (when tests that were sent to partner laboratories are now carried out in house). These projects generated an annual cost reduction of

more than R$ 18 million. During the year, the Company invested R$ 14 million in R&D, specifically intended for new tests and methodologies.

From the point of view of innovation in current businesses, the year 2020 was marked by agility and dynamism to make changes flexible, adapt the Group to the pandemic and evolve the customer experience. In addition to the well-known Agile Service, which includes the possibility of digital check-in and the use of self-service totems in the units, we have expanded our Client's home service, generating greater convenience and satisfaction for our customers. In our service units, we offer the Drive Thru service for the COVID-19 collection, improving the experience of both those who seek COVID service and those who seek even more security in our units. We created a "real-time" monitor of COVID-19 cases for patients and also collaborators and worked on analysis and decision algorithms for medical advice and guidance for confirmed cases, mainly supporting medical consultancy and occupational health. Technology and service tools, such as Whatsapp and Agende COVID, were also accelerated in our Call Center.

Although the impact of the pandemic has been very large and the efforts of the technical and medical areas have been focused on this topic, it is worth mentioning that, in parallel with the COVID-19 scenario, other equally important test developments needed to happen and to be provided to the patients.

In this context, it is worth mentioning, for example, the incorporation of fusions analysis to the Oncofoco test, aimed at cancer patients. The inclusion of this analysis was already highly requested by the medical community and, between May and June 2020, it was possible to add this important information to the test that helps in defining the patient's therapeutic plan. By the end of 2020, more than 200 Oncofocos were carried out, in this new methodology.

Still in front of Genomics, in the year 2020, more than 160 new products and changes in methodology, just related to Genomics, were implemented. Highlight for genetic panels of rare conditions, such as, for example, the genetic panel for osteogenesis imperfecta and the genetic panel for patients with recessive diseases. Customizable genetic panels were also implemented; that is, since December 2020, it is possible to customize the analysis of a specific gene or set of genes, according to the request of the medical order. Also, in December 2020, the article Diagnostic power and clinical impact of exome sequencing in a cohort of 500 patients with rare diseases was published in the American Journal of Medical Genetics, analyzing 500 Exomas performed since the beginning of the offer of this test.

In December 2020, the new Genomics brand, SOMMOS DNA, was also launched, focusing on conducting genetic mapping tests for the general public, in a Business to Consumer (B2C) model. The purpose of this type of testing is to identify mutations in DNA and their relationship to the probabilities of developing long-term or inherited diseases for children. The genetic panel of hereditary cancer DTC has already been developed and made available.

Innovation is deeply rooted in the strategic vision of Grupo Fleury and the company seeks, in the next five years, to intensify its vision of the individual at the center, with guidelines to expand its performance in new outpatient links in the chain, through its Healthcare platform, becoming a digital reference, reinforcing and seeking new models of offers in its core business. For each of these points, the creation of a culture of innovation and the connection with antennas and other innovative organizations, is essential. And the pandemic has accelerated the speed with which the Group is pursuing this vision.

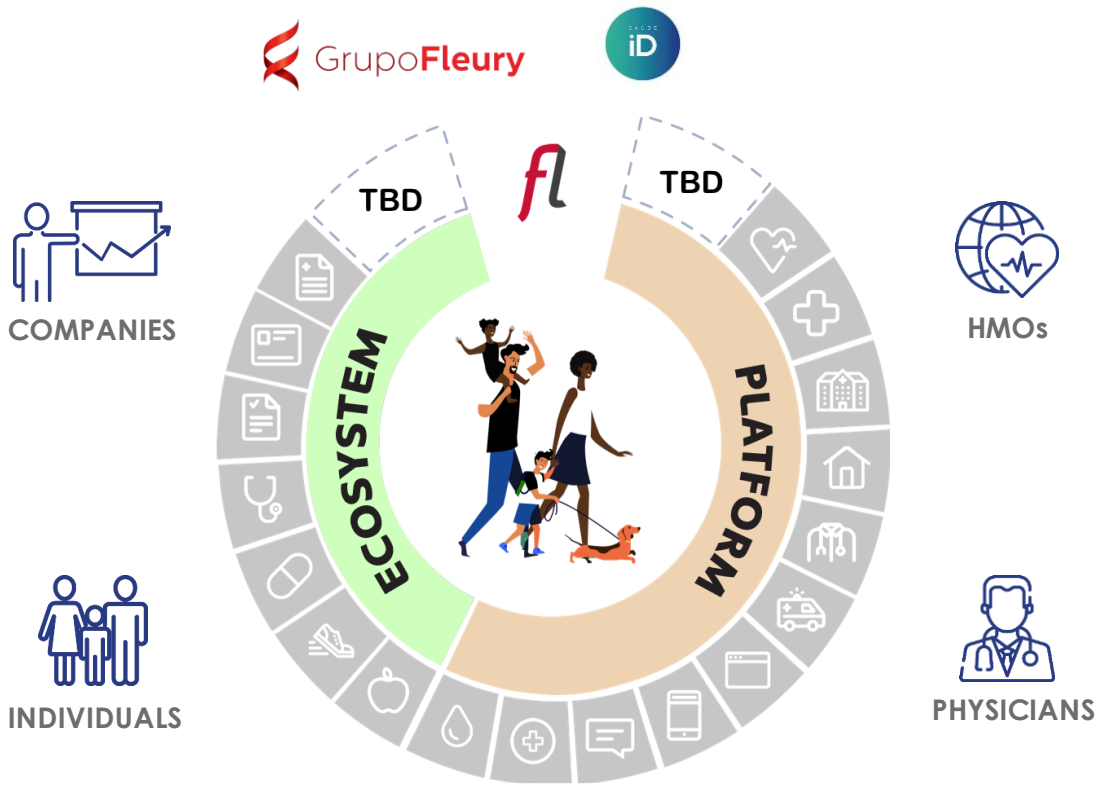
**Saúde iD**

The year had an important milestone for the Company, with the launch of Saúde iD, a Healthcare Platform based on data science and artificial intelligence, which combines technology to provide better care to the individual, in an intelligent and coordinated way, integrating products and services of health, ensuring more quality and efficiency in the management and journey of the patient's health - which is at the center of the strategy.

To promote integrated and complete solutions, the platform consists of services and products from the Group and also from partners. The Saúde iD Platform has the Company's brands in its portfolio, which include the services of diagnostic medicine, primary care, care coordination, integrated care for companies, telemedicine, infusion therapy, ophthalmology, fertility, day clinic and others.

Saúde iD reinforces the role of the Company in its mission to reinvent access to healthcare in Brazil and, in a practical and intelligent way, accelerates the capacity of Fleury and its partners to offer more integrated and effective pioneering solutions for the health management of individuals.

Also in 2020, Grupo Fleury launched Pupilla, a digital platform that combines technology and medical curation to bring high quality educational content made by physicians to physicians.




**Partnerships and Investments in Digital Companies**

Throughout the year, we strengthened our connection with the innovation ecosystem, developing and researching solutions in partnership with startups and other institutions. Among the highlights of the year are the closing of a partnership with Israeli startups Tytocare, to offer solutions that use portable devices for conducting remote clinical examinations, via telemedicine. In addition to Tytocare, minority investments were also made in Sweetch, to adapt the chronic management solution to the Brazilian reality, and Prontmed, a technology company focused on providing structured clinical data to health managers through electronic medical records for primary and secondary health.

In order to be more connected to the ecosystem of startups and healthtechs, having the opportunity to follow the development of promising businesses and bring the most innovative to its customers, the Company established Kortex Ventures, an investment fund in participations with the objective of making investments in startups that focus on digital health, diagnostic medicine and personalized medicine. Kortex Ventures, one of the largest healthcare corporate venture capital funds in Brazil, aims to identify opportunities in the market, analyzing and taking actions to generate value in the investee companies. The conclusion of this transaction is subject to approval by CADE.

# Physician Relationship

## Medical knowledge is the competitive advantage that adds value to health

To stimulate the generation and sharing of medical knowledge, the Company promotes internal actions of scientific studies, in addition to supporting the participation of its physicians in national and international conferences. The main actions of 2020 were:

- 149 scientific materials (including folders, portfolios, and magazines for the medical audience);
- 26 update meetings and 108 medical specialty meetings;

Grupo Fleury is a disseminator of knowledge through the production of publications for physicians. All brands carried out medical visits, in which 108 scientific publications were distributed between the Fleury Medicina e Saúde brand and a+ Medicina Diagnóstica in São Paulo and 23 video classes, in addition to three editions of the medical journal of Fleury Medicina e Saúde and three editions of the Grupo Fleury Medical Magazine with distribution in regional offices. Due to the pandemic, our main channel for disseminating our classes was webmeetings. In addition to the 49 webmeetings held (some in partnerships with other companies), we also participated in six congresses, with emphasis on the XIX Brazilian Thyroid Meeting, with an online Symposium, whose theme was: Role and indications of thyroglobulin dosage by spectrometry of mass in the follow-up of patients with thyroid carcinoma.

These initiatives reinforce Grupo Fleury's focus on greater proximity and strengthening of communication channels with medical customers, presenting them with their differentials, processes and use of internal knowledge that guarantee the technical excellence present in its history. This technical excellence, based on medical knowledge, is one of the main pillars of the Company's activity, which aims to deliver conclusive diagnoses to physicians and clients. For this, it counts on services such as medical consultancy, in which Grupo Fleury's clinical staff supports the requesting physician in understanding more complex diagnostic cases. In 2020, 346,221 consultations were provided, an increase of 8% compared to 2019. The number of integrated reports, sent to clients' doctors, totaled 70,840 in the year, down 30% compared to the year 2019. The reports involved diagnostic cases considered to be highly complex and evaluated in a multidisciplinary approach.

Grupo Fleury ended 2020 with 2,675 physicians service providers, an increase of 10% compared to the previous year.

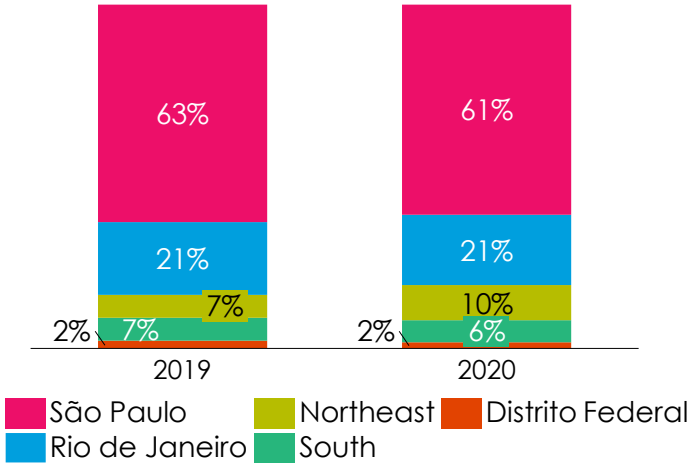
## People Management

### One of Grupo Fleury's culture basis, the Company's employees reflect the characteristics of our values such as excellence, respect, and enthusiasm

Grupo Fleury believes that the recognition that makes the company stand out as a benchmark in medical, service and management excellence is due to the qualification of its team of professionals. They are the ones who daily deliver the service that has made the organization a benchmark, even for other segments.

In 2020, the Company closed the year with 11.2 thousand employees, up by 12.5% over 2019. The increase in the number of employees is due to the Company's increased exposure through the acquisition of new brands and business expansion. The Company's turnover reached 9.2%, down by 1,170 bps (20.9% in 2019). On the other hand, employee-based turnover reached 8.6%, a reduction of 150 bps over 2019.

Employees by Region




In 2020, we invested R$ 2.2 million in training and updating the professionals. The Corporate University carried out 127 thousand hours of training, resulting in a 12.26 hour of training per employee.

## Economic and Financial Performance

The following data were impacted by the COVID-19 Pandemic in 2020.

## Net Revenues grew 2.3%; EBITDA decreased -4.9%, with a margin of 28.2%; and Net Margin of 8.6%.

**Gross Revenue**

Consolidated gross revenue of the Grupo Fleury totaled R$ 3.2 billion, up by 2.1%. PSCs decreased -0.3%, reaching R$2.6 billion in revenue.

In B2B, the growth totaled 15.0%, reaching R$ 568.5 million. In 2020, the Company entered into a new hospital operation, the Hospital América de Mauá, in the State of São Paulo

**Taxes and Cancellations**

Taxes on Gross Revenue remained stable when compared to the previous year, at 6.2% in 2020 and 2019. Cancellations improved reaching 1.4% (compared to 1.4% in 2019).

**Net Revenue**

Net Revenue grew by 2.3%, reaching R$ 3.0 billion.

**Cost of Services**

The cost of services, including expenses with personnel, medical services, occupation services, utilities, direct material, depreciation/amortization, and general expenses, totaled R$ 2.2 billion, representing 72.8% of the Net Revenue (vs. 69.5% in 2019).

### Cost of Services in 2020 vs. 2019

| Cost of Services breakdown | 2020 | | 2019 | | Variation | |
|---|---|---|---|---|---|---|
| | R$ MM | % Net Revenue | R$ MM | % Net Revenue | ▲ % | ▲ bps |
| Personnel and medical services | (987.5) | -33.2% | (1,013.2) | -34.9% | -2.5% | 164.6 bps |
| General services, rentals and utilities | (446.3) | -15.0% | (426.3) | -14.7% | 4.7% | -34.6 bps |
| Materials and Exam Intermediation | (426.9) | -14.4% | (310.5) | -10.7% | 37.5% | -367.8 bps |
| Depreciation and Amortization | (296.4) | -10.0% | (261.4) | -9.0% | 13.4% | -97.4 bps |
| General Expenses | (4.8) | -0.2% | (6.9) | -0.2% | -29.6% | 7.4 bps |
| **Cost of Services** | **-2,161.9** | **-72.8%** | **-2,018.3** | **-69.5%** | **7.1%** | **-327.8 bps** |

The total cost of services increased by 328 bps.

**Gross Profit**

Gross Profit reached R$ 809.7 million with a gross margin of 27.2%, down by 328 bps compared to 2019.

**Operating Expenses and Equity**

Operating expenses and equity reached R$ 331.1 million, including R$ 62.1 million in depreciation and amortization expenses, representing 11.1% of the Net Revenue (vs. 11.3% in 2019).

**EBITDA**

EBITDA reached R$ 837.5 million, a reduction of -4.9%, with a margin of 28.2%.

**Financial Result**

The financial income (loss) presented an expense of R$ -137.9 million vs. R$ -134.0 million YoY.

**Income Tax and Social Contribution**

Total Income Tax and Social Contribution totaled R$ 83.8 million resulting in an effective rate of 24.6% vs. 26.7% in 2019.

**Net Income and Earnings per Share**

The Company's Net Income reached R$ 257.0 million, reduction of 17.7%, with a margin of 8.6%.

**Capital Investments**

| CAPEX (R$ million) | 2020 | 2019 | Variation |
|---|---|---|---|
| New PSC's, Offer Expansion in Existing Units and Technical Areas | 52,0 | 60,1 | -13,5% |
| Diagnostic Equipment Renewal and Maintenance | 44,7 | 63,0 | -29,0% |
| IT/Digital | 91,1 | 84,7 | 7,5% |
| **Total Capex** | **187,8** | **207,9** | **-9,6%** |

In 2020, Grupo Fleury's investments totaled R$ 187.8 million, down by 9.6% over 2019.

**Debt**

| Composition of Net Debt (R$ MM) | 2020 | 2019 | Variation |
|---|---|---|---|
| Gross Debt (Debentures and Borrowings and Acquisitions ) | 2,012.6 | 1,639.2 | 22.8% |
| Cash, Cash Equivalents and Marketable Securities | 1,111.4 | 857.8 | 29.6% |
| **Net Debt** | **901.2** | **781.4** | **15.3%** |
| Net Debt / EBITDA LTM | 1.1x | 0.9x | 0.2x |
| EBITDA LTM / Financial Result LTM | 6.1x | 6.6x | -0.5x |

In 2020, the Company raised R$ 550 million, of which R$ 400 million are related to the first issue of promissory notes and R$ 150 million related to the Bank Credit Note. Amortizations of R$ 166.7 million were made for the second issue of debentures and R$ 12.2 million for the first series of promissory notes. In addition, R$ 27.8 million related to FINEP and R$ 0.6 million related to FINAME contracts, received with the purchase of Serdil, were amortized. We also paid R$ 63.5 million related to interest on debentures, FINEP, FINAME, bank credit note and promissory notes.

## Risk Rating

According to the latest report from Moody's risk agency, published on June 17th, the corporate rating of Fleury S.A. was Ba2/Aa2. The outlook was classified as stable, reflecting the recognition of the company and its brands, its market position in Brazil and its focus on a higher and more resilient income market, with positive long-term prospects for the Brazilian health industry.

## Income Distribution

On February 24, 2020, we announced the distribution of R$ 156.8 million as dividends. In addition to the distributions of R$ 74.5 million through Interest on Capital Payment, on December 30, 2020, the total distributed to shareholders was R$ 231.3 million, representing a payout of 90% of net income and a dividend yield of 2.7%.

## Share Buyback Program

On November 26, 2020, the Company approved the creation of the Buyback Program, with the objective of supporting the Company's Deferred Stock Plan, approved at the Extraordinary General Meeting held on December 5, 2019. The Buyback Program allows the acquisition by the Company of up to 1% of the outstanding shares on the date, for a period of 12 months from November 30, 2020.

As of December 31, 2020, the Company had repurchased 100,000 common shares of FLRY3, of which remained in treasury.

# Capital Markets

## Presence in the main indexes of the Brazilian Stock Exchange

On December 30, 2020, Grupo Fleury's shares closed at R$ 27.02. The average daily financial volume of shares traded reached R$ 63.5 million in 2020. As a result of this evolution in volume and business, the Negotiability Index reached 0.276% in the year. The Company ended the year with 317,366,103 shares.

In 2020, we conducted approximately 1,400 interactions with the market, including those held at the 15 conferences and Healthcare Days and seven other events that were attended by the Company. Grupo Fleury ended the year 2020 with 12 sell-side coverages, composed of three Buy recommendations, eight Neutral recommendations and one Sell recommendation.

In the year of 2020, the Company was included, for the eighth consecutive time, in the Corporate Sustainability Index (ISE) portfolio. In addition to the ISE, Grupo Fleury also remained in the portfolio of the IBOVESPA index in 61st position, with participation in the theoretical portfolio of 0.375%, in the IBr-X 100, IGC (Stock Index with Differentiated Corporate Governance) and ITAG (Stock Index) Differentiated Tag Along Actions). In 2020, the Group also integrated B3's ICO2 (Carbon Efficient) index.

Also during the year, the Company started to integrate, for the first time, the Dow Jones Sustainability Index of the New York Stock Exchange, in the DJSI Emerging Markets 2020/2021 portfolio. The portfolio is made up of 100 companies, of which only nine are Brazilian, with Grupo Fleury being the only company in the Healthcare sector in the Americas to be included in the index.

In 2020, Grupo Fleury raised R$ 550 million, of which R$ 400 million related to the first issue of promissory notes and R$ 150 million related to the Bank Credit Note. Amortizations of R$ 166.7 million were made for the second issue of debentures and R$ 12.2 million for the first series of promissory notes. The Promissory Notes will be entitled to a renumbering corresponding to 100% of the DI Rate (Interbank Deposits), plus a spread or surcharge of 2.94% per year, based on 252 Business Days. The Nominal Unit Value of the Promissory Notes will not be adjusted or monetarily restated by any index. Bank Credit Notes will be entitled to a remuneration equivalent to 100% of the DI Rate (Interbank Deposits) plus a spread or surcharge, equivalent to 4.55% per year.

# BOARD OF EXECUTIVE DIRECTORS DECLARATION ABOUT FINANCIAL STATEMENTS

The Executive Directors of Fleury S.A. ("Company"), pursuant to item VI of Article 25 of CVM Instruction 480 of December 7th, 2009, as changed, declare that they reviewed, discussed and agreed with the Company's financial statements for the period ended on December 31, 2020, authorizing the completion on this date.

São Paulo, February 23rd, 2021.

**Board of Executive Directors**

**Carlos Alberto Iwata Marinelli**
Chief Executive Officer

**Fernando Augusto Rodrigues Leão Filho**
Chief Financial and Investor Relations

**Jeane Mike Tsutsui**
Brands Officer

**José Roberto Araujo da Silva**
Commercial and B2B Business Officer

**Claudio Almeida Prado**
Operations Support Officer

**Edgar Gil Rizzatti**
Medical, Technical and Process Officer

# BOARD OF EXECUTIVE DIRECTORS DECLARATION ABOUT INDEPENDENT AUDITOR'S REPORT

The Executive Officers of Fleury S.A. ("Company"), in accordance with item V of Article 25 of CVM Instruction 480 of December 7th, 2009, as changed, declare that they reviewed, discussed and agreed with the opinions expressed in the independent auditors' report on the Company's financial statements for the period ended December 31, 2020, authorizing the completion on this date.

São Paulo, February 23rd, 2021.

**Board of Executive Directors**

**Carlos Alberto Iwata Marinelli**
Chief Executive Officer

**Fernando Augusto Rodrigues Leão Filho**
Chief Financial and Investor Relations

**Jeane Mike Tsutsui**
Brands Officer

**José Roberto Araujo da Silva**
Commercial and B2B Business Officer

**Claudio Almeida Prado**
Operations Support Officer

**Edgar Gil Rizzatti**
Medical, Technical and Process Officer

**FLEURY S.A.**
**CNPJ/MF nº 60.840.055/0001-31**
**NIRE 35.300.197.534**

**Minutes of the Meeting of the Audit and Risk Management Committee**
**Held on February 19, 2021**

**Date, time and place:** Held at 9:00 a.m., on February 19th, 2021, at the Company's headquarters, located in the city and state of São Paulo, at Av. General Valdomiro de Lima, nº 508, Jabaquara

**Attendance**: The completeness of the members of the Committee, Mr. Luiz Carlos Vaini (coordinator); Marcio Pinheiro Mendes and Haydewaldo Roberto Chamberlain, and the guests: Carlos Marinelli - Chief Executive Officer, Fernando Augusto Rodrigues Leão Filho – Chief Financial Officer, Robson de Miranda – Financial Corporate Officer, Gisele Schneider - Controller, Jeferson Guilherme dos Santos - Internal Audit, Manager, Marcos Boscolo - representatives of KPMG Auditores Independentes.

**Resolution:** Meeting to assess the Company's financial statements for the fourth quarter of 2020, the management report and the independent auditors' report, the Committee asked KPMG representatives to provide clarifications on the audit performed, informing them that no significant changes had occurred in the audit. There was no disagreement between the audit and management; There were no facts or impediments to the audit work, that the estimates made by Management are adequate; not have any indication related to indications of fraud and unlawful acts involving members of the Management, which the representatives of KPMG have reaffirmed that they comply with all independence requirements set forth in the rules and regulations. The Committee was also informed that in the opinion of the auditors, the financial statements fairly present, in all material respects, the individual and consolidated equity and financial position of Fleury SA, the individual and consolidated performance of its operations and their respective flows of assets. Individual and Consolidated Cash Accounts for the Fourth Quarter, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). After the presentation, the conclusion of the external audit was the approval of the unqualified Financial Statements.

In this way, the Committee recommends the Board of Directors to approve the financial statements - both parent company and consolidated – related to the period ended in December 31, 2020, prepared by the Company and audited by KPMG Auditores Independentes.

**Closing:** With no further matters on the agenda and in the absence of any other expression, this meeting was closed. These minutes were drafted, having been read and approved, and signed by all.

**Members of the Committee:**

Luiz Carlos Vaini

Márcio Pinheiro Mendes

Haydewaldo Roberto Chamberlain