Individual and Consolidated Financial Statements

Notre Dame Intermédica Participações S.A.

December 31, 2020
and Independent Auditor's Report

Notre Dame Intermédica Participações S.A.

Individual and consolidated financial statements

December 31, 2020

Contents

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A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB) and consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers
Notre Dame Intermédica Participações S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Notre Dame Intermédica Participações S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as on December 31, 2020 and the statement of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting practices.

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

Basis for opinion

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

Key audit matters

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

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

Business combinations

In 2020, the Company performed transactions involving business combinations, as mentioned in Note 5, accounted for using the acquisition method. The acquisition method, among other procedures, requires that the Company determine the date of actual acquisition of control, the fair value of the consideration transferred, the fair value of the assets acquired and of the liabilities assumed, and to measure goodwill due to expected future profitability or a gain from a bargain purchase. These procedures usually involve a high degree of judgment and the need to develop fair value estimates based on calculations and assumptions related to the acquiree’s future performance, which is subject to a high degree of uncertainty.

Because of the high degree of related judgment, and the impact that any changes in assumptions might have on the financial statements, we consider this a key audit matter.

How our audit addressed this matter

Our procedures related to business combinations included, among others, reading transaction-related documents, such as contracts and minutes, and obtaining evidence that supported the determination of the date of control acquisition and the fair value measurement of the consideration transferred. With the assistance of our corporate finance specialists, we reviewed the methodology adopted for measuring the fair value of assets acquired and liabilities assumed, assessed the reasonableness of assumptions used and calculations made by comparison with available market information. We also assessed the adequacy of the disclosures made by the Company.

Based on the audit procedures performed in connection with the accounting effects of business combinations, which are consistent with management's assessment, we consider the accounting policies for recognizing the Company's business combination reasonable to support the judgments and information included in the context of the financial statements taken as a whole.

Reserve for incurred but not reported claims (IBNR)

Subsidiaries Notre Dame Intermédica Saúde S.A., São Lucas Saúde S.A., SMV Serviços Médicos Ltda, Clinipam Clínica Paranaense de Assistência Médica Ltda, and Lifeday Planos de Saúde Ltda. have liabilities related to events incurred but not reported, which, as mentioned in Note 22, require the recognition of a reserve based on an actuarial note considering the estimate of events/claims already incurred but not accounted for by these subsidiaries. The actuarial calculation is based on the history of notices received from the service providers, which inform of the occurrence of events covered by the healthcare plans up to the reporting date as established by Normative Resolution No. 393/2015, as amended by Normative Resolution No. 442/2018, issued by the National Regulatory Agency for Private Health Insurance and Plans (ANS).

We consider this a key audit matter due to the complexity of the valuation models of actuarial liabilities, which require the use of complex long-term and highly subjective assumptions.

How our audit addressed this matter

Among other procedures, we analyzed, with the support of our actuaries, the methodology and the main assumptions used by management for assessing the IBNR-related actuarial obligations, verifying the mathematical accuracy of calculations and analyzing the consistency of results considering the parameters used and prior assessments Our audit procedures also included testing the underlying claims data used in the actuarial projections and the sufficiency of the disclosures related to the IBNR.

Based on the results of audit procedures performed for IBNR, which are consistent with management's assessment, we believe that the criteria and assumptions adopted by management in relation to the assessment of actuarial liabilities, as well as respective disclosures in Note 22, are acceptable in the context of the financial statements taken as a whole.

Impairment test of goodwill recorded

As described in Note 18, at December 31, 2020, the assets of the Company and its subsidiaries considered goodwill recognized based on expected future profitability on acquisitions of R$5,474,595 thousand, mainly comprising goodwill that arose upon acquisition of several companies and of the control of Notre Dame Group on May 21, 2014. Goodwill recorded is tested for impairment annually in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS). The impairment test and the need to record an impairment provision or not is supported by estimates of future profitability based on the business plan and budget prepared by the Company and approved by its governance levels.

Due to the significance of the goodwill amount, the uncertainties inherent in the process of determination of future cash flows discounted at present value, and the impact that any changes in assumptions of discount rates and growth in sales in the projection period and perpetuity could have on the amounts recorded in the financial statements, we considered this a key audit matter.

How our audit addressed this matter

As part of our auditing procedures, we involved our valuation specialists to assist us in the analysis of the projections and evaluation of the impairment test of the recorded goodwill. We also performed tests on these projections, which included, mainly: i) test of prospective financial information used; ii) comparison of the assumptions and methodologies used with the respective industry and Brazilian economic environment, considering a sensitivity analysis of the main assumptions adopted; and iii) analysis of the use of evaluation method and external information.

Additionally, we reviewed the disclosures in the financial statements with regard to impairment of goodwill recorded.

Based on the results of the audit procedures performed on the impairment test of goodwill recorded, which are consistent with management's assessment, we believe that the criteria and assumptions of the recoverable amount adopted by management, as well as the related disclosures in Note 18 are acceptable in the context of the financial statements taken as a whole.

Technology environment

The processing of transactions of the Company and its subsidiaries is dependent on their technological structure for the development of their operations and continuity of their business processes.

The ineffectiveness of the IT general controls environment and its dependent controls could result in incorrect processing of critical information used in the preparation of the financial statements and, for this reason, we consider this area of significance to our audit.

How our audit addressed this matter

In the context of our audit, with the assistance of our specialists, we applied procedures regarding the evaluation of the Company's information technology environment, including the assessment of the implementation and operating effectiveness of automated system application controls, and deficiencies were identified related to the process of management of accesses and changes to related IT applications.

The deficiencies in the design and operation of the internal controls related to general IT controls changed our evaluation regarding the nature, timing and extent of our substantive procedures planned to obtain sufficient and appropriate audit evidence. Our tests of the design and operation of IT general controls and the controls of applications considered relevant for the audit procedures performed provided a basis so that we could continue with the planned nature, timing and extent of our substantive audit procedures.

Other matters

Statements of value added

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

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

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

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

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

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

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

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

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

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

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

São Paulo, March 16, 2021.

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

Emerson Pompeu Bassetti
Accountant CRC-1SP251558/O-0

Notre Dame Intermédica Participações S.A.

Statements of financial position
December 31, 2020 and 2019
(In thousands of reais)

		Parent		Consolidated	
		December 31,		December 31,	
	Note	**2020**	**2019**	**2020**	**2019**
Assets					
Current		**113,538**	**137,082**	**5,118,964**	**5,973,381**
Cash and cash equivalents	7	110,545	133,881	2,563,751	3,514,439
Short-term investments	8	-	-	1,001,019	1,285,126
Trade receivables	9	-	-	637,763	492,769
Inventories	-	-	-	100,520	50,771
Deferred acquisition costs	10	-	-	244,009	186,085
Tax and social security credits	11	812	1,332	113,630	121,029
Other assets	12	2,181	1,869	458,272	323,162
Noncurrent		**7,627,134**	**6,774,702**	**11,234,575**	**7,174,659**
Short-term investments	8	-	-	152,647	-
Deferred tax assets	13	-	-	386,647	312,412
Deferred acquisition costs	10	-	-	229,558	178,748
Judicial and tax deposits	14	98,746	76,104	782,033	493,414
Other assets	12	10,552	-	726,254	611,043
Investments	15	7,517,836	6,698,598	993	11
Property, plant and equipment	16	-	-	2,217,421	1,758,553
Right of use	17	-	-	492,451	478,805
Intangible assets	18	-	-	6,246,571	3,341,673
Total assets		**7,740,672**	**6,911,784**	**16,353,539**	**13,148,040**

Notre Dame Intermédica Participações S.A.

Statements of financial position
December 31, 2020 and 2019
(In thousands of reais)

		Parent		Consolidated	
		December 31,		December 31,	
	Note	2020	2019	2020	2019
Liabilities and equity					
Current		**177,818**	**541,388**	**2,797,100**	**2,433,967**
Trade payables		2,333	685	162,326	133,817
Salaries payable		98	62	212,006	165,097
Taxes and social charges payable	19	510	591	502,841	360,357
Dividends payable	26.e)	174,877	100,601	174,877	100,601
Loans and financing	20	-	-	225,077	220,683
Debentures	21	-	-	81,091	169,560
Provision for income tax and social contribution	-	-	-	62,431	56,985
Technical reserves of healthcare operations	22	-	-	1,176,699	945,405
Deferred purchase price	25	-	118,981	-	118,981
Leases	17	-	-	38,376	33,466
Other liabilities	23	-	320,468	161,376	129,015
Noncurrent		**464,707**	**-**	**6,457,754**	**4,343,677**
Taxes and social charges payable	19	-	-	62,369	62,034
Loans and financing	20	-	-	943,663	35,159
Debentures	21	-	-	2,238,572	1,752,537
Technical reserves of healthcare operations	22	-	-	531,537	342,836
Deferred purchase price	25	72,938	-	72,938	-
Deferred tax liabilities	13	-	-	363,311	262,802
Provision for lawsuits	24	-	-	870,530	887,618
Leases	17	-	-	489,355	464,410
Other liabilities	23	391,769	-	885,479	536,281
Equity and noncontrolling interests		**7,098,147**	**6,370,396**	**7,098,685**	**6,370,396**
Capital	26.a)	5,646,453	5,526,232	5,646,453	5,526,232
(-) Unpaid capital	-	-	(225)	-	(225)
(-) Treasury shares	-	(2,857)	(2,857)	(2,857)	(2,857)
(-) Premium on acquisition of equity interest	26.d)	(2,779)	-	(2,779)	-
(-) Costs with public offering of shares	26.b)	(113,913)	(113,913)	(113,913)	(113,913)
Reserves:	26.c)	**1,571,243**	**961,159**	**1,571,243**	**961,159**
Capital reserve and stock options granted	-	149,304	100,563	149,304	100,563
Income reserves	-	1,421,939	860,596	1,421,939	860,596
Noncontrolling interests		-	-	538	-
Total liabilities and equity		**7,740,672**	**6,911,784**	**16,353,539**	**13,148,040**

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

Notre Dame Intermédica Participações S.A.

Statements of profit or loss
Years ended December 31, 2020 and 2019
(In thousands of reais; except for earnings per share, in reais)

			Parent		Consolidated
			December 31,		December 31,
	Note	2020	2019	2020	2019
Net operating revenue	27	-		10,673,268	8,412,439
Cost of services rendered	28	-		(7,562,659)	(6,104,467)
Gross profit		**-**	**-**	**3,110,609**	**2,307,972**
Administrative expenses	29.a)	(56,402)	(50,140)	(1,069,224)	(943,528)
Selling expenses	29.b)	-	-	(553,353)	(423,745)
Impairment of receivables	29.c)	-	-	(111,092)	(67,245)
Share of profit (loss) of subsidiaries	15	802,017	513,143	-	-
Other income, net		-	-	4,264	33,270
Profit before finance income and costs		**745,615**	**463,003**	**1,381,204**	**906,724**
Finance income	30	5,690	5,576	147,486	164,610
Finance costs	30	(15,117)	(44,996)	(283,523)	(352,157)
Profit before income tax and social contribution		**736,188**	**423,583**	**1,245,167**	**719,177**
Current income tax and social contribution	13	-	-	(450,022)	(268,143)
Deferred income tax and social contribution	13	-	-	(59,400)	(27,451)
Profit for the year		**736,188**	**423,583**	**735,745**	**423,583**
Attributable to:					
Equity holders of the Parent		736,188	423,583	736,188	423,583
Noncontrolling interests		-	-	(443)	-
		-	**423,583**	**735,745**	**423,583**
Earnings per share:					
Basic	32	1.2166	0.7922	1.2159	0.7922
Diluted	32	1.1890	0.7652	1.1883	0.7652

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

Notre Dame Intermédica Participações S.A.

Statements of comprehensive income
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Parent		Consolidated	
	December 31,		December 31,	
	2020	2019	2020	2019
Profit for the year	736,188	423,583	735,745	423,583
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**736,188**	**423,583**	**735,745**	**423,583**
Attributable to:				
Equity holders of the parent	736,188	423,583	736,188	423,583
Noncontrolling interests	-	-	(443)	-
	736,188	**423,583**	**735,745**	**423,583**

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

Notre Dame Intermédica Participações S.A.

Statements of changes in equity
Years ended December 31, 2020 and 2019
(In thousands of reais)

							Capital reserve	Income reserves					
	Note	Capital	(-) Unpaid capital	Premium on acquisition of equity interest	(-) Costs with public offering of shares	(-) Treasury shares	Stock option reserve	Legal	Statutory	Retained earnings	Total	Noncontrolling interests	Total
Balance at December 31, 2018		**1,765,924**	**-**	**-**	**(16,912)**	**(2,857)**	**56,296**	**31,134**	**506,480**	**-**	**2,340,065**	**-**	**2,340,065**
Capital increase	26.a)	3,760,308	-	-	-	-	-	-	-	-	**3,760,308**	-	**3,760,308**
(-) Unpaid capital		-	(225)	-	-	-	-	-	-	-	**(225)**	-	**(225)**
(-) Costs with public offering of shares	26.b)	-	-	-	(97,001)	-	-	-	-	-	**(97,001)**	-	**(97,001)**
Recognition of options granted	34	-	-	-	-	-	44,267	-	-	-	**44,267**	-	**44,267**
Profit for the year		-	-	-	-	-	-	-	-	423,583	**423,583**	-	**423,583**
(-) Legal reserve	26.c)	-	-	-	-	-	-	21,179	-	(21,179)	**-**	-	**-**
(-) Statutory reserve	26.c)	-	-	-	-	-	-	-	301,803	(301,803)	**-**	-	**-**
(-) Mandatory dividends	26.e)	-	-	-	-	-	-	-	-	(100,601)	**(100,601)**	-	**(100,601)**
Balance at December 31, 2019		**5,526,232**	**(225)**	**-**	**(113,913)**	**(2,857)**	**100,563**	**52,313**	**808,283**	**-**	**6,370,396**	**-**	**6,370,396**
Capital increase	26.a)	120,221	225	-	-	-	-	-	-	-	**120,446**	-	**120,446**
(-) Repurchase of treasury shares	26.d)	-	-	-	-	(245,122)	-	-	-	-	**(245,122)**	-	**(245,122)**
Sale of treasury shares	26.d)	-	-	-	-	242,343	-	-	-	-	**242,343**	-	**242,343**
(-) Premium on acquisition of equity interest		-	-	(2,779)	-	2,779	-	-	-	-	**-**	-	**-**
Recognition of options granted	34	-	-	-	-	-	48,741	-	-	-	**48,741**	-	**48,741**
Profit for the year		-	-	-	-	-	-	-	-	736,188	**736,188**	(443)	**735,745**
(-) Legal reserve	26.c)	-	-	-	-	-	-	36,809	-	(36,809)	**-**	-	**-**
(-) Statutory reserve	26.c)			-					524,534	(524,534)	**-**		**-**
(-) Mandatory dividends	26.e)			-						(174,845)	**(174,845)**		**(174,845)**
Noncontrolling interests		-	-	-	-	-	-	-	-	-	**-**	981	**981**
Balance at December 31, 2020		**5,646,453**	**-**	**(2,779)**	**(113,913)**	**(2,857)**	**149,304**	**89,122**	**1,332,817**	**-**	**7,098,147**	**538**	**7,098,685**

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

Notre Dame Intermédica Participações S.A.

Statements of cash flows (indirect method)
Years ended December 31, 2020 and 2019
(In thousands of reais)

		Parent		Consolidated	
		December 31,		December 31,	
	Note	2020	2019	2020	2019
Cash flows from operating activities:					
Profit for the year		**736,188**	**423,583**	**735,745**	**423,583**
Depreciation of property	16	-	-	132,329	84,676
Amortization of intangible assets	18	-	-	151,971	111,261
Depreciation of right of use	17	-	-	59,583	49,786
Share of profit (loss) of subsidiaries	15	(802,017)	(513,143)	-	-
Inflation adjustment of judicial deposits	14	(3,545)	-	(23,329)	(10,118)
Inflation adjustment of contingencies	24	-	-	48,876	29,641
Fair value adjustment of financial investments	8	-	-	394	(517)
Inflation adjustment - SUS	22.a)	-	-	27,562	25,662
Financial investments income	8	-	(4,013)	(57,332)	(86,775)
Foreign exchange (gains) / losses	8	-	-	473	(657)
Current and deferred income tax and social contribution	13	-	-	509,422	295,594
Changes in technical reserves	22.c)	-	-	36,881	20,309
Provision for lawsuits	29.a)	-	-	29,786	83,326
Provision for (reversal of) impairment of receivables	29.c)	-	-	15,232	(14,109)
Loss on impairment of receivables	29.c)	-	-	95,860	81,354
Provision for expected disallowances	9	-	-	8,025	9,509
Amortization of deferred acquisition costs	10	-	-	294,068	231,051
Present value adjustment - deferred portion	25	14,704	44,900	14,704	44,900
Interest on debentures and transaction cost	21	-	-	65,850	126,923
Interest on loans and financing and borrowing costs	20	-	-	39,909	18,206
Interest on leases	17	-	-	43,959	38,622
Appropriation of share-based payment plan	31	48,741	44,267	48,741	44,267
Write-off of property, plant and equipment/intangible assets	16 and 18	-	-	13,283	12,411
Others	-	-	-	119	592
Derivative financial instruments - NDF - Non-Deliverable Forward	30	-	-	(4,133)	-
Write-off of right of use/leases	17	-	-	(3,643)	(758)
Payment of income tax and social contribution	-	-	-	(441,885)	(213,449)
(Increase) decrease in operating assets					
Trade receivables	9	-	-	(183,913)	(199,056)
Inventories	-	-	-	(45,191)	(2,281)
Tax and social security credits	-	520	(1,177)	(2,953)	(59,137)
Deferred acquisition costs	10	-	-	(402,802)	(334,561)
Deferred tax assets	-	-	-	(3,531)	(17,564)
Judicial and tax deposits	14	(19,097)	(76,104)	(232,596)	(214,900)
Other assets	-	(10,864)	74,375	(217,210)	(204,955)
Increase (decrease) in operating liabilities					
Trade payables	-	1,648	(140)	(66,846)	(155,213)
Salaries payable	-	36	12	27,673	(22,951)
Taxes and social charges payable	-	(81)	46	103,505	78,208
Technical reserves of healthcare operations	-	-	-	133,512	248,283
Provision for income tax and social contribution	-	-	-	-	(5,479)
Deferred tax liabilities	-	-	-	-	41,183
Provision for lawsuits	24	-	-	(60,683)	(59,481)
Other liabilities	-	71,301	148,693	148,837	(10,767)
Deferred purchase price	25	(60,747)	(148,692)	(60,747)	(148,692)
Net cash generated by (used in) operating activities		**(23,213)**	**(7,393)**	**979,505**	**337,927**

Notre Dame Intermédica Participações S.A.

Statements of cash flows (indirect method)
Years ended December 31, 2020 and 2019
(In thousands of reais)

			Parent		Consolidated
			December 31,		December 31,
	Note	2020	2019	2020	2019
Short-term investments	7	-	(4,136,793)	(15,041,759)	(11,684,479)
Redemptions of short-term investments	7	-	4,444,290	15,405,731	11,890,850
Business combination	4	-	-	(2,925,766)	(1,525,143)
Acquisition of property, plant and equipment	15	-	-	(212,933)	(185,437)
Acquisition of intangible assets	-	-	-	(2,284)	(1,374)
Capital increase in subsidiary	14	(20,000)	(3,750,000)	-	-
Net cash used in investing activities		**(20,000)**	**(3,442,503)**	**(2,777,011)**	**(1,505,583)**
Payment of interest on debentures	20	-	-	(86,247)	(75,614)
Amortization of debentures - principal	20	-	-	(1,020,000)	(470,000)
Capital increase	25	120,446	3,760,083	120,446	3,760,083
Costs with public offering of shares	-	-	(97,001)	-	(97,001)
Repurchase of shares - share-based payment plan	-	-	-	(245,122)	-
Raising of loans and financing	19	-	-	1,174,179	29,851
Raising of debentures	20	-	-	1,437,963	1,682,720
Dividends paid	25.e)	(100,569)	(79,342)	(100,569)	(79,342)
Leases paid - principal	16	-	-	(40,600)	(29,957)
Leases paid - interest	16	-	-	(43,959)	(38,622)
Loans and financing paid - principal	19	-	-	(324,826)	(122,600)
Loans and financing paid - interest	19	-	-	(24,447)	(14,257)
Net cash generated by (used in) financing activities		**19,877**	**3,583,740**	**846,818**	**4,545,261**
Increase (decrease) in cash and cash equivalents for the year		**(23,336)**	**133,844**	**(950,688)**	**3,377,605**
Cash and cash equivalents at the beginning of the year		**133,881**	**37**	**3,514,439**	**136,834**
Cash and cash equivalents at the end of the year		**110,545**	**133,881**	**2,563,751**	**3,514,439**

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

Notre Dame Intermédica Participações S.A.

Statements of value added
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Parent		Consolidated	
	December 31,		December 31,	
	2020	2019	2020	2019
Revenue	**-**	**-**	**10,970,193**	**8,678,930**
Sales of goods, products and services	-	-	11,053,246	8,693,451
Other income	-	-	28,039	52,724
Impairment on receivables - reversal/(recognition)	-	-	(111,092)	(67,245)
INPUTS PURCHASED FROM THIRD PARTIES	**(5,677)**	**(3,987)**	**(8,069,023)**	**(6,781,672)**
Cost of sales and services	-	-	(7,104,184)	(6,015,271)
Materials, electric power, outsourced services and others	(5,677)	(3,987)	(964,839)	(766,401)
GROSS VALUE ADDED	**(5,677)**	**(3,987)**	**2,901,170**	**1,897,258**
DEPRECIATION AND AMORTIZATION	-	**-**	(343,883)	(245,723)
NET VALUE ADDED GENERATED BY THE ENTITY	**(5,677)**	**(3,987)**	**2,557,287**	**1,651,535**
VALUE ADDED RECEIVED IN TRANSFER	**807,707**	**518,719**	**144,083**	**164,516**
Share of profit (loss) of subsidiaries	802,017	513,143	-	-
Finance income	5,690	5,576	147,486	164,610
Others	-	-	(3,403)	(94)
TOTAL VALUE ADDED FOR DISTRIBUTION	**802,030**	**514,732**	**2,701,370**	**1,816,051**
DISTRIBUTION OF VALUE ADDED	**(802,030)**	**(514,732)**	**(2,701,370)**	**(1,816,051)**
Personnel	**(50,206)**	**(45,309)**	**(655,601)**	**(377,334)**
Salaries and wages	(50,206)	(45,309)	(572,785)	(325,080)
Benefits	-	-	(41,669)	(30,155)
FGTS (Unemployment Compensation Fund)	-	-	(41,147)	(22,099)
Taxes, fees and contributions	**(796)**	**(844)**	**(1,025,529)**	**(654,331)**
Federal	(752)	(771)	(847,642)	(520,304)
Municipal	(44)	(73)	(177,887)	(134,027)
Value distributed to providers of capital	**(14,840)**	**(44,996)**	**(284,495)**	**(360,803)**
Interest	(14,727)	(44,986)	(276,815)	(344,076)
Rentals	-	-	(6,150)	(7,761)
Others	(113)	(10)	(1,530)	(8,966)
Value distributed to shareholders	**(736,188)**	**(423,583)**	**(735,745)**	**(423,583)**
Dividends	(174,845)	(100,601)	(174,845)	(100,601)
Earnings retention for the year	(561,343)	(322,982)	(561,343)	(322,982)
Noncontrolling interests in retained earnings	-	-	443	-

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

1. Operations

Notre Dame Intermédica Participações S.A. (hereinafter “Company”) is a publicly-held holding company headquartered in Brazil at Avenida Paulista, 867, Bela Vista, CEP 01305-100, São Paulo-SP. The individual and consolidated financial statements incorporate the financial statements of the Company and its Subsidiaries (or “Notre Dame Intermédica Group”). The Company was established on February 18, 2014 and is engaged in: (i) the management of its own assets and (ii) holding interests as a partner, shareholder or holder of any other right in other civil or commercial companies whose purpose includes activities related to various segments of health, including companies that, directly or indirectly (a) manage, market or distribute healthcare plans or private dental plans; (b) operate hospitals, laboratories, clinical centers or medical care units; and/or (c) have real estate intended primarily for the development of activities in the health sector.

The Company obtained its registration as a publicly-held company on April 19, 2018 and began trading its shares in the “New Market” segment of B3 S.A. – Brasil, Bolsa, Balcão on April 23, 2018, under ticker GNDI3.

The Company is the direct parent company of BCBF Participações S.A. (“BCBF”), a publicly-held holding company, and indirect parent company of privately held entities regulated or not by the Brazilian Regulatory Agency for Private Health Insurance and Plans (“ANS”), and such entities engaged in providing services in the fields of medicine, dental care and hospital, covering the operation of own hospitals, laboratories and clinical centers through execution of healthcare contracts with individuals and legal entities, government or private entities and participations. Information on the Company's direct and indirect subsidiaries is presented in Note 3.b.

2. Corporate restructuring transactions

The Notre Dame Intermédica Group, under its strategic plan of continuous growth and expansion through acquisitions and corporate restructuring transactions, with the purpose of streamlining and unifying administrative activities, as well as achieving gains and operational synergy, completed the following for the year ended December 31, 2020:

a) Belo Dente Odontologia Ltda

At the Special General Meeting (SGM) held on April 1, 2020, the Explanatory record of merger was approved, for the merger of the company Belo Dente Odontologia Ltda. into the subsidiary Notre Dame Intermédica Saúde S.A. The appraisal report on the net book value of the merged company was issued by an independent firm. The merger occurred at April 1, 2020, base date at of March 31, 2020.

b) Merger of Hospital Nanci Ltda. & Cia and SMEDSJ – Serviços Médicos São José Ltda.

At the SGM held on August 1, 2020, the Explanatory record of merger was approved, for the merger of the companies Hospital Nanci & Cia Ltda. and SMEDSJ - Serviços Médicos de São José Ltda. into the subsidiary Notre Dame Intermédica Saúde S.A. The appraisal reports on the net book values of the merged companies were issued by an independent firm. The merger occurred at August 3, 2020, base date at of July 31, 2020.

c) Merger of Ghelfond Participações Ltda, Ultra Diagnóstico Ltda., Instituto Tomográfico de Guarulhos Ltda., Ecoimagem Diagnóstico por Ultra Som Ltda., Medix Diagnóstico Ltda., C & M Associados e Serviços Ltda., Slim Bem Estar e Saúde Clínica Médica Ltda. and Laboratório de Análises Clínicas - Labclin Ltda.

At the SGM held on September 1, 2020, the Explanatory record of merger was approved, for the merger of the companies Ghelfond Participações Ltda, Ultra Diagnóstico Ltda., Instituto Tomográfico de Guarulhos Ltda., Ecoimagem Diagnóstico por Ultra Som Ltda., Medix Diagnóstico Ltda., C & M Associados e Serviços Ltda., Slim Bem Estar e Saúde Clínica Médica Ltda. and Laboratório de Análises Clínicas - Labclin Ltda. into subsidiary Dr. Ghelfond Diagnóstico Ltda. The appraisal reports on the net book values of the merged companies were issued by an independent firm. The merger occurred at September 1, 2020, base date at of August 31, 2020.

d) Merger of Dr. Ghelfond Diagnóstico Ltda.

At the SGM held on September 1, 2020, the Explanatory record of merger was approved, for the merger of the company Dr. Ghelfond Diagnóstico Ltda. into the subsidiary Notre Dame Intermédica Saúde S.A. The appraisal report on the net book value of the merged company was issued by an independent firm. The merger occurred at September 1, 2020, base date at of August 31, 2020.

e) Merger of Ecole Serviços Médicos Ltda.

At the SGM held on October 1, 2020, the Explanatory record of merger was approved, for the merger of the company Ecole Serviços Médicos Ltda. into the subsidiary Notre Dame Intermédica Saúde S.A. The appraisal report on the net book value of the merged company was issued by an independent firm. The merger occurred at October 1, 2020, with base date as of September 28, 2020.

f) Merger of Centro de Diagnóstico Bom Jesus Ltda, Ônix Centro Médico Ltda, Hospital Ônix Mateus Leme Ltda. and Odontopam Assistência Médica Odontológica Ltda.

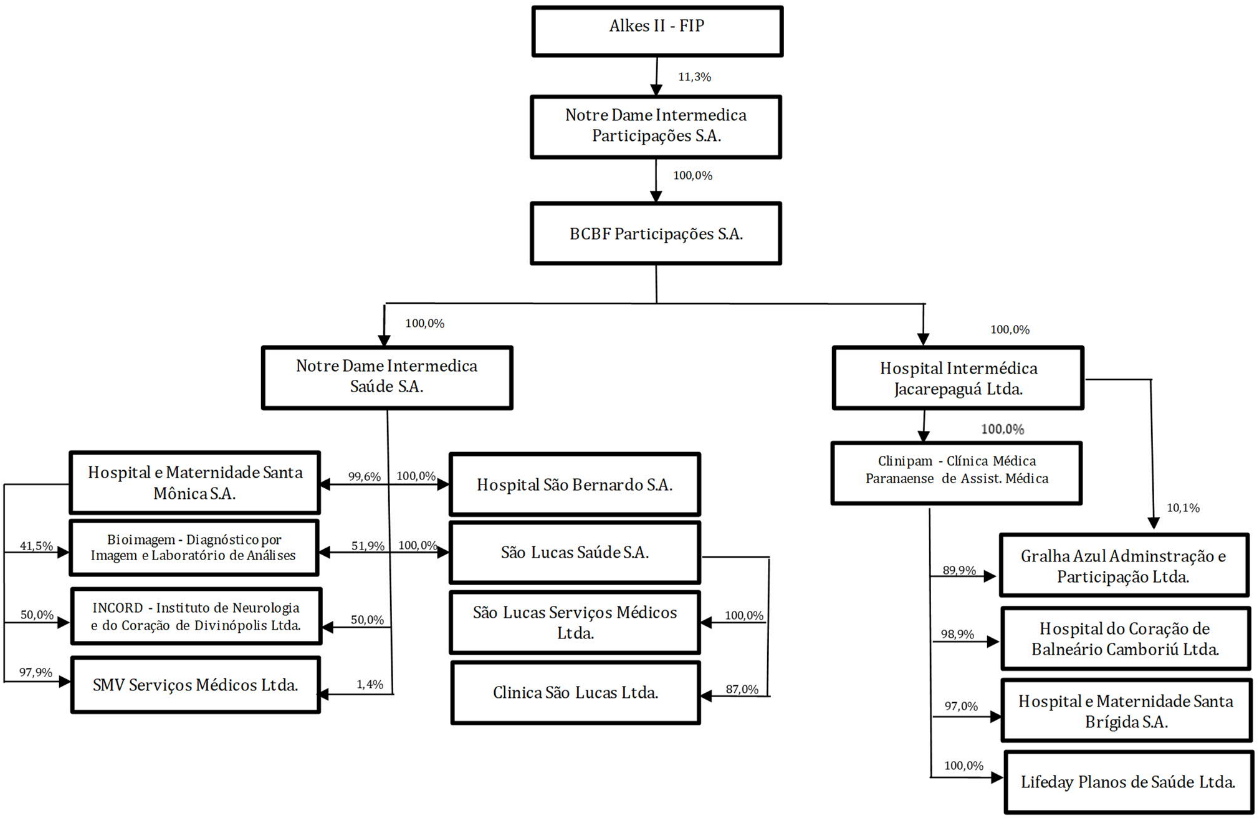
At the SGM held on November 3, 2020, the Explanatory record of merger was approved, for the merger of the companies Centro de Diagnóstico Bom Jesus Ltda, Ônix Centro Médico Ltda, Hospital Ônix Mateus Leme Ltda. and Odontopam Assistência Médica Odontológica Ltda. into the subsidiary Clinipam Clínica Médica Paranaense de Assistência Médica Ltda. The appraisal reports on the net book value of the merged companies were issued by an independent firm. The merger occurred at November 1, 2020, with base date as of October 31, 2020.

g) Merger of Mediplan Assistencial Ltda., Hospital Samaritano Ltda. and Hospital e Maternidade Samaritano Ltda.

At the SGM held on December 1, 2020, the Explanatory record of merger was approved, for the merger of the companies Mediplan Assistencial Ltda., Hospital Samaritano Ltda. and Hospital e Maternidade Samaritano Ltda. into the subsidiary Notre Dame Intermédica Saúde S.A. The appraisal reports on the net book values of the merged companies were issued by an independent firm. The merger occurred at December 1, 2020, with base date as of November 30, 2020.

h) <u>The Company's ownership structure at December 31, 2020 is as follows:</u>

Ownership structure at December 31, 2020



3. Preparation and presentation of the individual and consolidated financial statements

a) Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which comprise the standards of the Securities and Exchange Commission of Brazil (CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), which are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and present information comparable with the prior year.

In preparing these financial statements, the Company uses the following disclosure criteria: (i) regulatory requirements; (ii) relevance and specificity of information on the Company's operations to the users; and (iii) information needs of users of the financial statements. Therefore, management confirms that relevant information specific to the financial statements, and solely this information, is being disclosed and corresponds to that used by management in running the Company and its subsidiaries.

The consolidated financial statements include the financial statements of the Company and its subsidiaries as of December 31, 2020 and were approved by the Board of Directors and authorized for issue on March 16, 2021.

b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as of December 31, 2020.

Control is obtained when the Company is exposed, or has rights, to variable returns based on its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, it has:

- Power over the investee (that is, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, it is assumed that the majority of voting rights results in control. When the Company has less than the majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual agreement with other vote holders of the investee;
- Rights arising from contractual arrangements;
- The Company's voting rights and potential voting rights.

The Company assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when it no longer has the aforementioned control. Assets, liabilities, revenues and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company obtains control until the date such control over the subsidiary ceases to exist.

Profit or loss and each component of other comprehensive income are attributed to the Company's controlling shareholders and noncontrolling interests, even if this results in loss to noncontrolling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, revenues, expenses and cash flows relating to transactions between members of the Company, are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

For comparability purposes, some line items within the tables included in the notes were reclassified within the group, without changing the balance of the group.

The subsidiaries included in the consolidation, all based in Brazil, are the following:

(In thousands of reais, unless otherwise stated)

				Equity interest			
				December 31,			
				2020		2019	
	Core activity	Acquisition date	Merger date	Direct	Indirect	Direct	Indirect
BCBF Participações S.A.	Holding company	-	-	100,00%	-	100,00%	-
Notre Dame Intermédica Saúde S.A.	Healthcare plan	-	-	-	100,00%	-	100,00%
Hospital São Bernardo S.A.	Health	02/23/2017	-	-	100,00%	-	100,00%
Hospital Intermédica Jacarepaguá Ltda.	Health	04/05/2019	-	-	100,00%	-	100,00%
Mediplan Asistência Ltda.	Healthcare plan	05/29/2019	12/01/2020	-	-	-	100,00%
Hospital e Maternidade Samaritano Ltda.	Health	05/29/2019	12/01/2020	-	-	-	100,00%
Hospital Samaritano Ltda.	Health	05/29/2019	12/01/2020	-	-	-	100,00%
Belo Dente Odontologia Ltda.	Dental activities	07/04/2019	04/01/2020	-	-	-	100,00%
SMEDJ - Serviços Médicos São José Ltda.	Healthcare plan	11/18/2019	08/03/2020	-	-	-	100,00%
Nanci & Cia Ltda.	Health	11/18/2019	08/03/2020	-	-	-	100,00%
Ghelfond Participações S.A.	Holding company	11/28/2019	09/01/2020	-	-	-	100,00%
C & M Associados e Serviços Ltda.	Laboratory	11/28/2019	09/01/2020	-	-	-	100,00%
Ultra Diagnóstico Ltda.	Laboratory	11/28/2019	09/01/2020	-	-	-	100,00%
Slim Bem Estar e Saúde Cliníca Médica Ltda.	Laboratory	11/28/2019	09/01/2020	-	-	-	100,00%
Dr. Ghelfond Diagnóstico Ltda.	Laboratory	11/28/2019	09/01/2020	-	-	-	100,00%
Ecoimagem Diagnóstico por Ultra Som Ltda.	Laboratory	11/28/2019	09/01/2020	-	-	-	100,00%
Instituto Tomográfico de Guarulhos Ltda.	Laboratory	11/28/2019	09/01/2020	-	-	-	100,00%
Medix Diagnóstico Ltda.	Laboratory	11/28/2019	09/01/2020	-	-	-	100,00%
São Lucas Saúde S.A.	Healthcare plan	01/23/2020	-	-	100,00%	-	-
São Lucas Serviços Médicos Ltda.	Health	01/23/2020	-	-	100,00%	-	-
Clínica São Lucas Ltda.	Health	01/23/2020	-	-	87,07%	-	-
Clinipam - Clínica Médica Paranaense de Assistência Médica Ltda.	Healthcare plan	02/07/2020	-	-	100,00%	-	-
Centro De Diagnóstico Bom Jesus Ltda.	Laboratory	02/07/2020	11/01/2020	-	-	-	-
Ônix Centro Médico Ltda.	Health	02/07/2020	11/01/2020	-	-	-	-
Hospital Ônix Mateus Leme Ltda.	Health	02/07/2020	11/01/2020	-	-	-	-
Gralha Azul Administração e Participação Ltda.	Holding company	02/07/2020	-	-	100,00%	-	-
Odontopam Assistência Médica Odontológica Integrada Ltda.	Dental activities	02/07/2020	11/01/2020	-	-	-	-
Ecole Serviços Médicos Ltda.	Healthcare plan	04/13/2020	10/01/2020	-	-	-	-
Laboratório de Análises Clinicas - Labclin Ltda.	Laboratory	04/13/2020	09/01/2020	-	-	-	-
Hospital do Coração de Balneário Camboriú Ltda.	Health	05/20/2020	-	-	98,99%	-	-
SMV - Serviços Médicos Ltda.	Healthcare plan	08/24/2020	-	-	99,30%	-	-
Hospital e Maternidade Santa Monica S.A.	Health	08/24/2020	-	-	99,40%	-	-
Incord - Instituto de Neurologia e de Coração de Divinópolis Ltda.	Laboratory	08/24/2020	-	-	100,00%	-	-
Bioimagem - Diagnóstico por Imagem e Laboratório de Análises Clínicas	Laboratory	08/24/2020	-	-	93,35%	-	-
Hospital e Maternidade Santa Brigida S.A.	Health	10/23/2020	-	-	97,02%	-	-
Lifeday Planos de Saúde Ltda.	Healthcare plan	12/01/2020	-	-	100,00%	-	-

c) COVID-19 Pandemic

In compliance with CVM-SNC/SEP Circular Letter No. 03/2020, in view of the current scenario that Brazil and the entire world are experiencing due to the COVID-19 pandemic, the Company sought to assess the possible material impacts on its operations, in order to verify the effects on this interim financial information for the period ended March 31, 2020 and future disclosures.

In Brazil, after the confirmation of the first coronavirus case, shutdowns, resulting from social distancing, were requested or imposed by government authorities or defined by companies as preventive measures. These shutdowns impacted several segments of the national economy, mainly the physical retail and many industry sectors, in addition to the service chain.

As the deceleration process occurred with greater intensity as from the last 10 days of March, we had not identified any unusual changes in operating results or cash flows of the first quarter of 2020.

However, when analyzing the behavior of the main operating and financial indicators in the second quarter of 2020, when the social distancing measures were in full effect (mainly in the

States of São Paulo and Rio de Janeiro, where a significant part of our activities are concentrated), we identified impacts that had a positive effect on the results of our operations, as described in Note 3.c to the Interim Financial Information for the period ended June 30, 2020.

In the third quarter of 2020, we noticed that the same movements continued to occur, although with impacts significantly lower than those seen in the second quarter, since we identified a growing trend towards the resumption to normal activities in various medical activities.

Throughout the fourth quarter of 2020, with the resurgence of a “second wave” of COVID in the main markets where we operate, we experienced a different behavior from patients, who continued to seek health services to maintain their routine and/or elective treatment. Accordingly, not only the expenses with exams, but also the demand for hospital services reached levels above the historical average. This difference in behavior became even more exacerbated in December, which historically has a low seasonality, but which exceptionally in 2020 represented the month with the highest frequency of hospitalizations and procedures due to the coexistence of regular patients with patients undergoing COVID treatment.

Below we describe the impacts measured for the fourth quarter.

Readjustment of Healthcare Plans

According to Notice No. 85, of August 31, 2020, ANS postponed the application of the readjustments of the healthcare plan contracts for the year 2021. However, the respective readjustments were recognized as "Revenue" in accordance with IFRS 15, so that there was no impact on the profit or loss for the year. This postponement had a minor impact on the company's cash that will be realized throughout the year 2021.

Hospital services for other healthcare plans:

From October to December 2020, we have noticed a reduction in healthcare services for customers from other healthcare plans, justified by a strategy to face the pandemic, which prioritized the preservation of hospital beds in case there is a need to care for beneficiaries of the Company and its subsidiaries. This drop allowed the opening of the capacity of hospital beds and, mainly, ICUs that were progressively filled with our patients with suspect or confirmed COVID.

Health and dental care cost:

Based on our main historical operating indicators, adjusted for the seasonality of this time of the year, we continue to notice lower use by our beneficiaries of dental procedures

As for health care (outpatient and inpatient), we experienced a progressive return to normality of routine and elective procedures, which started to be conducted concomitantly with an increasing number of COVID patients, leading to a greater use of these procedures when compared to the third quarter of 2020 and also with the same period of 2019, notably during December 2020.

Risk related to impairment of financial assets:

With the gradual resumption of normal activities in the main financial markets worldwide, the impact from mark-to-market, mainly on certain ANS investment funds, created for the Brazilian Regulatory Agency for Private Health Insurance and Plans backing purposes, was significantly reduced.

Risk related to impairment of property, plant and equipment/intangible assets:

In the fourth quarter of 2020, the Company engaged an independent and specialized consulting firm to assess the impairment of property, plant and equipment/intangible assets. The report issued presented no impairment indicators.

Risk of inventory losses:

The Company and its subsidiaries maintain very strict control an average turnover of medicines inventory and have a over the expiration dates. With the reduction in medical services, especially surgeries, there was a decrease in use of medicines, but this did not impact the expiration of the batches. With the gradual resumption of medical services, our inventory levels have now returned to normal and we have not identified any need for recording losses.

Risk of going concern:

With the flexibility measures adopted by the state governments, we continue to see an increase in the demand for outpatient care, which is close to our average historical indicators. At the same time, during the fourth quarter, we saw a progressive increase in the number of patients with symptoms of COVID-19, notably in December, in all areas where we operate.

The actual impacts of these current trends are impossible to quantify as they will depend not only on (i) the evolution of the disease curve itself, (ii) how fast the population is vaccinated and the responses to different vaccines; (iii) new treatment protocols for patients with COVID that may require new medications, but mainly the measures that may be implemented by governments, which will be able to affect not only (iv) the speed of spread of the virus, but also (v) economic activity, and consequently employment. And because it is a new disease, it is difficult to predict exactly when normality will return.

Although COVID-19 is expected to continue to impact global and local economic activity, until the date of disclosure of these financial statements, we did not identify any increase in default by our customers or requests for cancellation or modification of contracts, even though maintenance of the adverse macroeconomic scenario may continue to affect employment level negatively in the country and, consequently, the number of private healthcare plan beneficiaries in Brazil.

We believe that because we are offering essential health services – especially in times of a pandemic – we did not experience an impact on credit risk, except for some occasional negotiations with certain customers, whereby there has been deferral of monthly payments by them, which has already been recognized as described in Note 9.

With respect to liquidity management, the Company and its subsidiaries prepare projected cash flow analyses and periodically review the obligations assumed and the financial instruments used, including those related to the guarantee of technical reserves. It is important to mention that as of December 31, 2020 our position of immediate liquidity assets, classified as Cash and cash equivalents, corresponds to R$ 600,553, according to Note 7, while our debt commitments have an average maturity of 4-year gross debt, according to Notes 20 and 21.

The Company, through its subsidiaries BCBF Participações and Notre Dame Intermédica Saúde, has debentures that contain financial covenants, the main example being related to the maintenance of the relationship between net debt and EBITDA - Earnings before interest, taxes, depreciation and amortization, measured every three months. At December 31, 2020, BCBF Participações and Notre Dame Intermédica Saúde were in compliance with the covenants.

In the first months of 2021, the Company and its subsidiaries initiated a comprehensive vaccination program for its hospital and ambulatory care frontline employees in all regions where we operate, in accordance with the guidelines of the respective local health departments.

The extent to which COVID-19 will affect the business, the financial position, results of operations and the prospects of the Company and its Subsidiaries will depend on future developments, which are uncertain and cannot, for the time being, be reasonably foreseen, including new information that may arise about the spread of COVID-19 and/or the actions of the government and other entities to contain it in Brazil. Although it is not possible to reasonably estimate the extent of possible impacts on our business, financial condition, results of operations and prospects, our estimates of revenue and cash flow from operating activities fully ensure continuity of our operations. The Company and its Subsidiaries continuously monitor the situation as closely as possible and are actively evaluating the possible impacts on their business and implementing measures that mitigate potential existing risks.

d) Statement of value added (DVA)

The statement of value added is not required by the IFRS and is presented in compliance with accounting practices adopted in Brazil as supplementary information to the IFRS.

e) Functional and reporting currency

The individual and consolidated financial statements are presented in Reais (R$), which is the functional currency of the Company and its subsidiaries.

f) Significant accounting judgments, estimates and assumptions

The preparation of the individual and consolidated financial statements requires management to record certain amounts of assets, liabilities, revenues, and expenses based on estimates, which are established according to judgments and assumptions for the determination of the adequate amount to be recorded in the financial statements. The actual amounts of settlement of operations may significantly differ from those recorded in the financial statements due to the subjectivity inherent in the process of their determination.

The assumptions and estimates are continuously revised. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Information on critical judgments relating to the accounting policies adopted that have significant effects on the amounts recognized in the individual and consolidated financial statements are included in the following explanatory notes:

- measurement of financial assets at fair value and under the present value adjustment method;
- impairment of receivables;
- recoverability of deferred income tax and social contribution;
- impairment testing of assets;
- right of use (leases);
- share-based payment transactions;
- technical reserves;
- Provision for lawsuits; and
- Liability Adequacy Test (LAT).

g) Classification between current and noncurrent

The Company classified assets and liabilities in the statement of financial position into current and noncurrent. An asset is classified as current when:

- It is expected to be realized, or intended to be sold or used in the Company’s normal operating cycle.
- It is held primarily for the purpose of trading.
- It is expected to be realized within 12 months after the end of the reporting period.
- It is cash or cash equivalent (according to Technical Pronouncement CPC 03 - Statement of Cash Flows), unless its exchange or use for settlement of liabilities is prohibited for at least 12 months after the end of the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when:

- It is expected to be settled during the entity's normal operating cycle.
- It is held primarily for the purpose of trading.

- It shall be settled within 12 months from the end of the reporting period.
- The entity has no unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

h) New or revised pronouncements applied for the first time in 2020

The Company applied for the first time certain standards and revisions, which are valid for annual periods starting January 1, 2020 or thereafter.

(i) Revisions of CPC 15 (R1): definitions of business

The revisions of CPC 15 (R1) clarify that, to be considered a business, an integrated set of activities and assets must include at least an input of resources and a substantive process that together contribute significantly to the capacity to generate output of resources. In addition, it clarified that a business can exist without including all the inputs and processes necessary to create outputs. These revisions had no impact on the Company's individual and consolidated financial statements, but may impact future periods if the Company engages into any business combinations.

(ii) Revisions of CPC 26 (R2) and CPC 23: definition of material

The revisions provide a new definition of material that reads that "the information is material if its omission, distortion or obscurity can reasonably influence decisions that primary users of general purpose financial statements make based on those financial statements, which provide financial information on the entity's specific report". The revisions clarify that the materiality will depend on the nature or magnitude of the information, individually or coupled with other information, in the context of the financial statements. Distorted information is material if it could reasonably be expected to influence decisions made by primary users. These revisions had no impact on the individual and consolidated financial statements, nor is it expected that there will be any future impact for the Company.

i) Standards, amendments to and interpretations of existing standards that are not yet in effect at December 31, 2020 and were not early adopted by the Company

The new and amended standards and interpretations issued, but not yet effective until the date of issue of the financial statements of the Company, are described below. The Company intend to adopt these new and amended standards and interpretations, if applicable, when they come into force.

IFRS 17 – Insurance Contracts

The International Accounting Standards Board ("IASB") issued on May 18, 2017, IFRS 17 - Insurance Contracts (standard not yet issued by CPC in Brazil, but which will be codified as

CPC 50 - Insurance Contracts and replace CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition, measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation characteristics. The general objective of the standard is to provide an accounting model for insurance contracts that is useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies in force in previous periods, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The focus of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation characteristics (variable rate approach).
- A simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023 and requires the presentation of comparative amounts.

The early adoption of standards, although encouraged by the IASB, is not permitted in Brazil, as long as the Brazilian Accounting Pronouncements Committee (CPC) does not issue an equivalent standard.

Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, in order to specify the requirements for classifying the liability as current or non-current. The amendments provide clarification on the following:

- The meaning of the right to postpone liquidation;
- That the right to postpone must exist on the base date of the report;
- That this classification is not affected by the likelihood that an entity will exercise its right to postpone;
- That only if a derivative embedded in a convertible liability is itself an equity instrument the terms of a liability would not affect its classification.

The changes are valid for periods beginning on or after January 1, 2023 and must be applied retrospectively. Currently, the Company and its subsidiaries assess the impact that the changes will have on current practice and whether existing loan agreements may require renegotiation.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of the individual and consolidated financial statements are the following:

a) Cash and cash equivalents

Cash and cash equivalents are held to meet short-term commitments and not for investment or other purposes. The Company considers cash equivalents a financial investment that is readily convertible into a known amount of cash and with an insignificant risk of change in value.

Therefore, an investment typically qualifies as a cash equivalent when it has a short-term maturity, for example three months or less, from the contract date.

For the purposes of the individual and consolidated financial statements, bank overdrafts are included as a component of cash and cash equivalents due to the high liquidity in a short period of time, fully making up the Group's cash management.

b) Financial instruments

Financial assets

Initial measurement

Upon initial recognition, the entity measures its financial assets at fair value, considering the transaction costs attributable to the acquisition or issue of the financial asset. For trade receivables, the initial measurement is based on the transaction price.

Subsequent measurement

According to the classification of the assets, the subsequent measurement will be at:

- Amortized cost

These assets are recorded using the effective interest rate method, less the expected credit loss. In addition, the computation of amortized cost considers the amount of principal paid.

- Fair value through profit or loss

The financial assets classified in this business model are accounted for through the recognition of the gain or loss in profit or loss for the period.

The Company recognizes as financial assets classified in this category: cash and cash equivalents, government securities and short-term investments with guarantees classified as marketable securities.

Impairment of financial assets

The requirements for the assessment of the impairment of financial assets are based on the expected credit loss model. The main changes in the accounting policy for impairment are listed below.

The expected credit loss model includes the use of forward-looking information and financial asset classification in three stages:

- Stage 1 - 12-month expected credit loss: result from default events that are possible within the next 12-months. Applicable to financial assets originated or purchased without credit recovery problems.

- Stage 2 - Lifetime expected credit loss: considers all possible default events. Applicable to financial assets originated or purchased without credit recovery problems for which there has been a significant increase in credit risk.

- Stage 3 - Expected credit loss for impaired assets: considers all possible default events. Applicable to financial assets originated or purchased with credit recovery problems. The measurement of assets classified in this stage differs from stage 2 due to the recognition of interest income by applying the effective interest rate to the amortized cost (net of provision) and not to the gross carrying amount. An asset will migrate of stage as its credit risk increases or decreases. In this way, a financial asset that migrated to stages 2 and 3 may return to stage 1, unless it was originated or purchased with credit recovery problems.

The Company’s main operation is related to the collection of sales of health and dental care plans, which are related to insurance.

The Company recognizes for its assets classified at amortized cost a provision for the expected credit loss. This assessment is made prospectively and is based on historical data. In addition, the Company assesses monthly these changes in the credit risk of financial assets and, if there is no significant increase in the credit risk, a credit loss shall be recognized for the outstanding amount for the following 12 months and if there is a significant increase in the credit risk, the loss is recognized based on the total amount outstanding, for the lifetime of the financial instrument.

For the collection of sales of other hospital services, the Company chose to measure the allowances for loss using the simplified model. For these trade receivables, the percentage of historical loss (%) for the group of customers was applied.

Financial liabilities

<u>Classification and initial recognition</u>

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost and added to the transaction cost that are directly attributable to the issuance of the financial liability. The Company's financial liabilities include: suppliers and other accounts payable, borrowings, leases and debentures.

<u>Subsequent measurement</u>

According to the classification of the financial liabilities, the subsequent measurement will be at:

- Amortized cost

  The financial liabilities classified as at amortized cost are accounted for using the effective interest method, where gains and losses are recognized in profit or loss at the moment the liabilities are derecognized and on the recognition of amortization.

- Fair value through profit or loss

  The financial liabilities classified as at fair value through profit or loss are accounted for through the recognition of the gain or loss in profit or loss for the period.

c) Impairment of receivables

The Company's subsidiaries set up a provision for impairment of receivables based on a calculation methodology strictly in conformity with Normative Resolution (RN) 322/2013 as amended by RN 435/2018.

The impairment of receivables related to health plans is recognized for receivables past due for over 60 days for contracts with individuals (individual plans) and past due for over 90 days for contracts with legal entities (collective and corporate plans), except for specific cases assessed individually by Management.

For credits not related to health plans, a loss of impairment of receivables is made for balances past due for more than 90 days, except in specific cases assessed individually by Management.

Additionally, a provision is set up for all installments to fall due of these contracts.

d) Present value adjustment of assets and liabilities

Monetary assets and liabilities arising from long-term or short-term transactions are adjusted to present value, when material in relation to the financial statements taken as a whole.

e) Deferred Acquisition Cost (DAC)

Deferred acquisition costs refers to agency services and is deferred and amortized over the contract term or expectation according to Actuarial Technical Note (NTA) and is reflected in the balance of the account "Deferred acquisition costs" in current assets, according to Normative Resolution (RN) No. 322/13 as amended by RN No. 435/2018. In 2020, through the last technical study carried out, the Company and its subsidiaries maintained the deferral of expenses for a period of up to 36 months and the balance to be deferred is reflected under "Deferred selling expenses" in current assets, which comprises the balance of up to 12 months, and non-current assets, for balances over 12 months. Other expenses with commissions are recorded as selling expenses, as incurred.

f) Investments – Parent company

The equity interest that the Company has in its subsidiaries is valued using the equity method and recorded under "Equity in the earnings of investees" in the statement of profit or loss.

The financial statements of subsidiaries are prepared for the same fiscal periods as those from the Company. If necessary, adjustments are made to conform the accounting policies to the Company's accounting policies.

g) Property, plant and equipment

Buildings, vehicles, facilities, machinery and equipment and furniture and fixtures are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

Costs of repair and maintenance are recognized in profit or loss, when incurred.

Depreciation is calculated using the straight-line method, taking into consideration the estimated useful lives of the assets:

An item of property, plant and equipment is derecognized when sold or when no future economic benefit is expected from its use. Any gains or losses resulting from the derecognition of the asset in included in the statement of profit or loss in the year in which the asset is derecognized.

The residual value, useful life of assets and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively, where appropriate.

h) Intangible assets

Intangible assets acquired separately are measured at cost at the time of their initial recognition and, after initial recognition, are stated at cost, less accumulated amortization and/or accumulated impairment losses. The useful life of intangible assets is classified as definite or indefinite, and intangible assets with definite economic useful life are amortized under the straight-line method at the rates mentioned in note 18 and assessed for impairment whenever there is indication of impairment of the asset. The amortization of intangible assets with definite useful lives is recognized in the statement of profit or loss in the category of expenses consistent with their use.

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized at fair value on the acquisition date.
Subsequent to initial recognition, these intangible assets are stated at cost, less amortization and impairment, similarly to intangible assets acquired separately.

i) Impairment of non-financial assets

Management annually reviews the net carrying amount of assets in order to assess events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. If such evidence is identified and the net carrying amount exceeds the recoverable amount, a provision for impairment is set up adjusting the net carrying amount to the recoverable amount. The impairment of an asset or a certain cash-generating unit is defined as the higher of the value in use and the fair value less costs to sell.

In the estimate of the value in use of the asset, estimated future cash flows are discounted at their present value, using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. The net fair value of selling expenses is determined, whenever possible, based on recent market transactions between knowledgeable and interested parties with similar assets. In the absence of observable transactions an appropriate valuation methodology is used. The calculations provided in this model are corroborated by available fair value indicators, such as quoted prices for listed entities, among other available indicators.

The Company bases its impairment assessment based on the forecasts and these detailed financial budgets, which are prepared separately by Management for each generating unit to which the assets are allocated. Projections based on these forecasts and budgets generally cover the 5-year period. An average long-term growth rate is calculated and applied to future cash flows after the fifth year.

The impairment loss on the asset is recognized in profit or loss in a manner consistent with the asset's loss.

For assets other than goodwill, an assessment is made at each reporting date to determine if there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or the cash-generating unit. An impairment loss on a previously recognized asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss that was recognized. The reversal is limited so that the carrying amount of the asset is not one that would have been determined (net of depreciation, amortization or depletion) if no impairment loss had been recognized for the asset in prior years. This reversal is recognized in profit or loss.

The impairment test for goodwill is made annually or when circumstances indicate that the carrying amount has deteriorated.

The impairment loss is recognized for a cash-generating unit to which the goodwill relates. When the recoverable amount of the unit is less than its carrying amount, the loss is recognized and allocated to reduce the carrying amount of the unit assets in the following order: (a) reducing the carrying amount of the goodwill allocated to the cash-generating unit; and (b) to the other assets of the unit in proportion to the carrying amount of each asset.

Intangible assets with indefinite useful lives are tested for impairment annually, individually or at the level of the cash-generating unit, as the case may be, or when circumstances indicate a loss due to impairment of the carrying amount.

j) Goodwill

Goodwill arising from a business combination is measured as the excess of the consideration transferred over the net assets acquired. Subsequent to initial recognition, goodwill is measured at cost, less any accumulated impairment losses.

For impairment testing purposes, goodwill is allocated to each of the cash-generating units (CGUs) of the Company (or groups of CGUs) that will benefit from the synergies of the combination.

CGUs to which goodwill was allocated are annually subject to impairment tests or, more frequently, if there is an indication that a CGU may be impaired. If the value in use of a CGU is lower than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and, subsequently, to the other assets of the CGU, in proportion to the carrying amount of each of its assets. Any goodwill impairment loss is recognized directly in profit or loss for the year.

k) Technical reserves of healthcare operations

Reserves are recognized when there is a present obligation (legal or constructive), as a result of past events, it is probable that future disbursement will be required to settle the present obligation, and the amount of such obligation can be reliably estimated. Due to the operating activities of the Company's subsidiaries, certain reserves are required as follows:

- The Incurred but Not Reported Reserve (IBNR) is set up to cover events incurred but not reported, according to Normative Resolution (RN) 209/2009, amended by RNs 227/2010, 243/2010, 246/2011, 313/2012, 393/2015 and 442/2018, and calculated based on an actuarial technical note submitted and approved by ANS.

- The Unsettled Claims Reserve is set up based on notices received from service providers that notify the Company of events covered by the plans received up to the end of the reporting period (RN 290/2012, amended by RNs 322/2013 and 435/2018).

- The Reserve for Remission is set up for beneficiaries who became exempt from payments of consideration in a certain period according to the coverage established by contract.

- The Unsettled Claims Reserve to be paid to the SUS – Unified Public Health System corresponds to care costs of beneficiaries that used the public service network. The Operators must record the reimbursement to SUS in their accounting books under "Unified Public Health System" (Note 28), against the line item "Technical reserve of health insurance operations" (recognized under "Unsettled Claims Reserve to be paid to the SUS" Note 22), in current and noncurrent liabilities.

- The Incurred but Not Reported Reserve at SUS – IBNR SUS – refers to the estimate of the number of events/claims that have already occurred in the SUS system's assistance network and have not been reported. This reserve was established in accordance with RN 442/2018, which became effective as of January 1, 2020. As the Operator does not have its own actuarial methodology, the accrued amount is in accordance with that made available monthly on the website of the Brazilian Regulatory Agency for Private Health Insurance and Plans - ANS.

- Reserve for Insufficient Consideration - RIC - refers to insufficiency of consideration/premium for coverage of events/claims to occur, when verified, in accordance with Normative Resolution RN 442/2018, which became effective as of January 1, 2020. As the Operator does not have its own actuarial methodology, the amount to be accrued, if any, is calculated using the factor of insufficient consideration/premium (FIC), as set out in Annex VII of said RN, multiplied by the sum of the amounts of the financial consideration of private healthcare plans at a pre-established price in the last 12 months.

In accordance with Normative Resolution 227/2010 amended by RNs 329/2013 and 392/2015, 419/16, 427/17 in 430/17, of the ANS Collegiate Board, which regulates the setting up of reserves, the operator is required to maintain minimum financial assets as defined by the RN to cover the reserves. These rules require that the operator link its financial assets in the minimum amount of the RN to cover the considerations.

l) <u>Provisions, contingent assets and contingent liabilities</u>

The assessment of contingent liabilities, except those from claims, is made considering the requirements of CPC 25 (IAS 37) – Provisions, Contingent Liabilities and Contingent Assets, issued by CPC.

Provisions for lawsuits are recorded based on the opinion of legal counsel; the cause of the lawsuits; similarity with previous lawsuits; the complexity of the cases and courts' positioning, whether the loss may result in an outflow of resources to settle the obligations and if the amounts involved can be reliably measured. Contingent liabilities classified as probable loss are fully provisioned.

Legal obligations arise from administrative or legal discussions challenging the lawfulness or constitutionality of the subject matter which, regardless of the assessment of the likelihood of favorable outcome, are fully recognized in the individual and consolidated financial statements, based on the applicable legislation.

Contingent liabilities are disclosed if there is a potential future obligation arising from past events or if there is a present obligation arising from a past event, and payment thereof is not probable or its amount cannot be reliably estimated.

Contingent assets are only recognized in the Company's accounting books when there is security interest or final unappealable court decisions, characterizing the favorable outcome as virtually certain. Contingent assets assessed as probable favorable outcome are only disclosed.

m) Direct taxes

Income tax and social contribution - current

Current tax assets and liabilities for the current and prior years are measured at the expected amount to be paid to the tax authorities using the tax rates that are substantially approved at the ed of the reporting period.

Income tax and social contribution - deferred

Deferred tax is generated by temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all temporary tax differences, except for:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination, and at the transaction date, it does not affect the accounting profit or tax profit or loss;

- On temporary tax differences related to investments in subsidiaries, where the period of reversal of temporary differences may be controlled and it is probable that the temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and losses, to the extent that it is probable that taxable profit is available for deductible temporary differences, and unused tax credits and losses can be used, except:

- When deferred tax asset related to the deductible temporary difference is generated from the initial recognition of asset or liability in a transaction other than a business combination, and at the transaction date, it does not affect the accounting profit or tax profit or loss;

- On the deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the near future and the taxable profit will be available for temporary differences to be utilized.

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

Deferred tax assets written off are reviewed at the end of each reporting period and are recognized to the extent that it becomes probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year in which the asset will be realized or the liability settled based on the tax rates (and tax law) that were enacted at the end of the reporting period.

ICPC 22 / IFRIC 23 - Uncertainty over income tax treatments

In December 2018, the Securities and Exchange Commission of Brazil (CVM) through Resolution 804/18 approved ICPC 22 - Uncertainty over income tax treatments, which is equivalent to IFRIC 23. The interpretation came into effect as of January 1, 2019 and clarifies how to apply the recognition and measurement requirements of CPC 32 - Income Taxes when there is uncertainty over income tax treatment.

ICPC 22 does not apply to taxes outside the scope of IAS 12 nor does it specifically include the requirements related to interest and fines associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether the Company and its subsidiaries consider uncertain tax treatments separately;
- The assumptions that the Company makes regarding the examination of tax treatments by the tax authorities;
- How the Company determines actual profit (tax loss), calculation tax bases, unused tax losses, unused tax credits and tax rates;
- How the Company considers changes in facts and circumstances.

Management evaluated the procedures adopted to calculate the Corporate Income Tax and Social Contribution on Net Profit, Current and Deferred, of the Company and its subsidiaries and concluded that there is no uncertainty over the tax treatment in accordance with the tax legislation in force, therefore, there is no impact on adoption of this interpretation to the Individual and Consolidated Financial Statements.

n) Share-based payment plan

The Company offers its employees the option to participate in the share-based payment plan in which employees render services in exchange for equity securities (“share-based payment”).

The cost of transactions settled with equity instruments is measured based on the fair value on the date they were granted.

The share-based payment plan is classified as an equity-settled instrument, detailed in note 31, calculated based on the amount attributed to the permanence and performance of participants, determined at the fair value of granted options, at grant date, using an option pricing model, and is recognized over the vesting period in “Capital reserve”, in equity.

The participants of the share-based payment plan are restricted to the executives of the Company and its subsidiaries.

o) Long-term post-employment benefit obligations

The Company grants to certain executives the benefit of post-employment health care. The costing of benefits granted by defined benefit plans is established separately for each plan using the projected unit credit method.

Measurements comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest, and the return on plan assets, excluding net interest, are recognized immediately in the statement of financial position, with corresponding debits or credits retained through other comprehensive income in the period in which it occurs. Measurements are not reclassified in profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier of:

- The date of change of the plan or a significant reduction of the expected length of service; and
- The date on which the Company recognizes the costs related to restructuring.

Net interest is calculated by applying the discount rate to the net defined benefit asset or liability. The Company recognizes the following changes in the net defined benefit obligations in administrative expenses in the individual and consolidated statement of profit or loss.

The participants of the post-employment benefits plan are restricted to certain executives of the Company and its subsidiaries.

p) Leases

At the initial date of the agreement, the Company and its subsidiaries assess whether this agreement is or contains a lease, that is, whether the agreement transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company and its subsidiaries apply a single approach to recognition, measurement, presentation and disclosure for all lease transactions, except for:

- Leases of "low-value" assets (e.g., personal computers and office furniture); and
- Short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lease payments are presented as part of the cash flows from financing activities.

Based on assessments, the Company identified that the major impact of this standard is related to the recognition in the statement of financial position of the right of use and lease liabilities related to properties leased from third parties, vehicles and equipment, with effective periods of more than 12 months according to the criteria established by the standard.

Annually or when there are significant changes, the Company and its subsidiaries re-measured the discount rate for each lease portfolio for new contracts or for those that showed changes in their initial characteristics. As at December 31, 2020, the initial rate increased by the risk was 4.48% p.a. applied according to the maturity of the agreements.

q) Earnings per share

- Basic earnings

  Basic earnings per share are calculated by dividing the profit for the year attributable to the Company's common shareholders by the weighted average number of common shares outstanding during the year.

- Diluted earnings

  Diluted earnings per share are calculated by dividing the profit for the year attributable to the Company's common shareholders by the weighted average number of common shares available during the year plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive common shares into common shares.

r) Payment of dividends and interest on capital

The payment of mandatory minimum dividends and interest on capital to shareholders is recognized as a liability in the financial statements at the end of the year, based on the Company's bylaws. Any amount above the mandatory minimum amount is only recognized as a liability on the date it is approved in a Shareholders' Meeting.

s) Revenue recognition and operating costs

The Company operates with health and dental care services.

These services are sold under separate contracts, individual by customer or as a package of services. For this one with health care plans, the Company believes that it must meet the requirements of CPC 11/IFRS 4 - Insurance Contracts. For items not included in this pronouncement the Company adopts as policy for revenue recognition the criteria set out in CPC 47/IFRS 15 - Contracts with customers.

I. Revenue recognition

Revenue is recognized to the extent it is probable that future economic benefits will flow to the Company and when it can be measured reliably, regardless of when payment is received. Revenue is recognized based on the fair value of the consideration received, less discounts, rebates and taxes or charges on sales.
Revenues from considerations, in the type of pre-established price, are recognized over the corresponding period of risk coverage (*pro rata die*).

In cases when an invoice is issued in advance of the period of coverage of contracts with customers, the amount is recognized under "Technical reserves of health insurance operations", sub-item "Unearned Premiums/Consideration Reserve (UPCR)", as described in note 22, classified as current liabilities.

Revenues from healthcare services rendered are accounted for on an accrual basis.

II. Revenue from Contracts with Customers

- Services rendered

The Company renders health and dental care plan services through its hospitals. These services are sold separately under contracts with customers. The Company preliminarily evaluated that the services are provided over time since the customer receives and consumes simultaneously the benefits provided. The Company identified and analyzed the differences according to the new pronouncement, as described below:
Variable consideration

The Company has two types of disallowances:

- internal, which are performed by auditors of the operators who inspect the reports prior to invoicing inside the hospitals;
- external, disallowances of invoices that go to the operators and due to several reasons may be approved or not.

The Company considers that the disallowances are variable considerations, in accordance with IFRS 15:

If the consideration promised in the contract includes a variable amount, the entity must estimate the amount of the consideration to which the entity will be entitled in exchange for the transfer of the promised goods or services to the customer.

The variability related to the consideration promised to the customer may be expressly stated in the contract.

The amount of the variable consideration must be estimated using any of the methods below, depending on the method the entity expects to best estimate the amount of the consideration to which it is entitled:

- expected amount: total amounts weighted by the probability of a range of possible amounts of consideration. The expected amount may be an appropriate estimate of the amount of the variable consideration, if the entity has a great number of contracts with similar characteristics;

- the most probable amount - is the single most probable amount in a range of possible amounts of consideration (that is, the single most probable result of the contract). The most probable amount may be an appropriate estimate of the amount of the variable consideration;

- variable: if the contract has only two possible results (e.g. the entity reaches a performance bonus or not).

III. Recognition of costs of services rendered

The costs to operate the Company's own health care service facilities are recognized in profit or loss as incurred. The costs of services rendered by other accredited healthcare service providers (hospitals, laboratories and clinics) are accounted for based on notices of occurrence of events covered by the plans.

t) Operating segments

Operating segments are presented consistently with the internal report provided to the chief operating decision maker of the Company and its subsidiaries, responsible for the allocation of resources and evaluation of the operating segments' performance.

The Company's segment information is segregated into:

(i) Health – services in the fields of medicine, hospital, social medicine and occupational health, subdivided into Heath Southeast and Health South.

(ii) Dental – services in the field of odontology.

We present the details in note 33.

u) Liability Adequacy Test – LAT

CPC 11/IFRS 4 requires that insurance companies and equivalent companies that issue contracts classified as insurance contracts analyze the liabilities recorded at each reporting date through a minimum adequacy test. Such test is performed by using realistic actuarial assumptions for cash flows of all contracts classified as insurance contracts. Current estimates of cash flows consider all risks assumed up to the test reporting date.

If any insufficiency is identified, the Company recognizes the loss in profit or loss for the year.

The test was performed considering the business segments adopted by the Company and considered technical reserves, net considerations, administrative and selling expenses. In the calculation of present value of cash flows, the Company used as reference the risk-free rates provided by official sources.

The calculation of LAT considered in its estimates the commitments assumed until the reporting date and the settlement of these commitments in future periods. Based on this data, the amounts of actuarial liabilities were estimated, which were discounted to present value for a comparison with the technical reserves of assets made.

The test performed did not present insufficiency at the reporting date, consequently, there was no need to set up additional reserves.

v) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the sum of the consideration transferred, measured based on the fair value at the acquisition date, and the fair value of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures noncontrolling interest in the acquiree either at fair value or at its proportionate share of the identifiable net assets of the acquiree.

Costs directly attributable to the acquisition are expensed when incurred.

When acquiring a business, the Company assesses the assets acquired and liabilities assumed in order to classify and allocate them in accordance with contractual terms, economic circumstances and relevant conditions on the acquisition date, including the segregation of embedded derivatives in host contracts in the acquiree.

Any contingent consideration transferred by the acquirer is recognized at fair value on the acquisition date.

The subsequent changes in the fair value of contingent consideration recognized as an asset or a liability shall be recognized in accordance with CPC 48 in the statement of profit or loss.

Goodwill is initially measured as the excess of the consideration transferred over the net assets acquired (identifiable net assets acquired and liabilities assumed). If the consideration is lower than the fair value of the net assets acquired, the difference shall be recognized as a gain in the statement of profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the synergies arising from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(In thousands of reais, unless otherwise stated)

Where goodwill forms part of a cash-generating unit and a portion of that unit is disposed of, the goodwill associated with the portion disposed of is included in the cost of the operation when determining the respective gain or loss thereon. The goodwill disposed of in such circumstances is determined based on amounts proportional to the disposed of portion in relation to the cash-generating unit maintained.

5. Business combination

5.1. Acquisition of Clinipam Group

On February 7, 2020, the Notre Dame Intermédica Group completed the acquisition of the Clinipam Group and took over the control of the companies Clinipam - Clínica Médica Paranaense de Assistência Médica Ltda., Centro de Diagnóstico Bom Jesus Ltda., Ônix Centro Médico Ltda., Hospital Ônix Mateus Leme Ltda., Gralha Azul Administração e Participação Ltda. and Odontopam Assistência Médica Odontológica Ltda.

The purchase price was R$ 2,642,343 as per the contract signed on February 7, 2020; being a cash installment of R$ 2,452,343 divided into a cash payment of R$ 2,210,000 and a payment with 3,365,870 Company shares equivalent to R$ 242,343. Additionally, there was an interim portion withheld of R$ 40,000, which was fully paid by its subsidiary, and a remaining installment of R$ 150,000 to be paid by February 7, 2026, with interim payments as from the second anniversary. The purpose of the interim portion withheld is to cover any contingencies arising from the period prior to the closing date, pursuant to the contractual clause.

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets on the acquisition of the Clinipam Group.

The appraisal report and its measurement end as soon as the Company obtains the information that it was seeking about facts and circumstances existing at the acquisition date. However, the measurement period will not exceed one year from the acquisition date.

Cash installment	2,452,343
Intermediary installment	40,000
Portion withheld	150,000
Consideration, net	**2,642,343**

On January 14, 2020, the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) approved the acquisition through Directive Release No. 1/2020/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE.

On January 3, 2020, the transaction had been approved by the Brazilian Antitrust Authority (CADE) through merger review process No. 08700.005661/2019-64.

(In thousands of reais, unless otherwise stated)

The table below summarizes the consideration paid to acquire the Clinipam Group and the fair value of the identifiable assets and liabilities at the acquisition date:

	December 31, 2019
Assets	
Current	**149,224**
Cash and cash equivalents	10,704
Short-term investments	78,605
Trade receivables	57,762
Inventories	6
Tax and social security credits	2
Other current assets	2,145
Noncurrent	**359,925**
Deferred tax assets	26,473
Judicial deposits	28,787
Property, plant and equipment[1]	153,745
Right of use	4,380
Intangible assets[2]	124,122
Indemnity assets	22,418
Total assets	**509,149**
Liabilities	
Current	**136,930**
Trade payables	10,620
Salaries payable	6,824
Taxes and social charges payable	7,602
Loans and financing	1,302
Provision for income tax and social contribution	5,524
Technical reserves of healthcare operations	99,803
Leases	1,811
Other current liabilities	3,444
Noncurrent	**55,084**
Loans and financing	945
Technical reserves of healthcare operations	26,970
Provision for lawsuits	22,418
Leases	2,954
Other noncurrent liabilities	1,797
Total liabilities	**192,014**
Total assets/liabilities acquired	**317,135**
Goodwill arising on transaction	2,325,208
Total consideration, net	**2,642,343**

[1] Property, plant and equipment – For the property, plant and equipment items acquired in the Business Combination for R$ 91,675, the appraisal report on tangible and intangible assets identified a surplus of R$ 63,382. The fair value of property, plant and equipment items on the acquisition date was R$ 155,057.

[2] Intangible assets – For the intangible assets acquired in the Business Combination for R$ 5,311, the appraisal report on tangible and intangible assets identified a surplus of the portfolio of R$ 118,806. The fair value of intangible assets on the acquisition date was R$ 124,117.

(In thousands of reais, unless otherwise stated)

The Company identified the allocation of tangible and intangible assets on the acquisition of the ipam Group (business combination) measured at fair value, according to the appraisal report issued by an independent firm. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	**Clinipam Group**
Customers portfolio	Income method	118,806
Property, plant and equipment	Market value	65,560
Goodwill	Fair value	2,325,208

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

Intangible assets	**Intangible assets amount allocated**	**Useful life**
Customers portfolio	118,806	2 to 7 years
Total allocated	**118,806**	
Goodwill not allocated	2,325,208	Indefinite
Total intangible assets	**2,444,014**	

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

Revenue recognized in the consolidated statement of profit or loss includes revenues generated by the Clinipam Group of R$ 839,294. The Clinipam Group also contributed with profit of R$ 89,959.

Had the Clinipam Group been consolidated as of January 1, 2020, the consolidated statement of profit or loss would have presented pro forma net revenue of R$ 762,613 and pro forma net profit of R$ 81,425. This information on net revenue and profit or loss was obtained by simply aggregating the amounts of the acquired and acquiring companies and does not represent the consolidated actual amounts for the year.

5.2. Acquisition of São Lucas Group

On January 23, 2020, the Notre Dame Intermédica Group completed the acquisition of the São Lucas Group and took over the control of the companies São Lucas Saúde S.A., São Lucas Serviços Médicos Ltda. and Clínica São Lucas.

The purchase price was R$ 376,849 as per the transaction closing agreement signed on January 23, and paid as follows: a cash installment of R$ 306,849, an intermediary installment of R$ 20,000 paid on May 27, 2020, and a portion of R$ 50,000 will remain withheld until January 23, 2026 to cover contingencies arising from the period prior to the closing date as determined in a contractual clause.

(In thousands of reais, unless otherwise stated)

The appraisal report and its measurement end as soon as the Company obtains the information that it was seeking about facts and circumstances existing at the acquisition date. However, the measurement period will not exceed one year from the acquisition date.

Cash installment	306,849
Intermediary installment	20,000
Portion withheld[1]	50,000
Total consideration	**376,849**
Present value adjustment on portion withheld	(5,626)
Consideration, net	**371,223**

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets on the acquisition of the São Lucas Group.

The table below summarizes the consideration paid to acquire the São Lucas Group and the fair value of identifiable assets and liabilities at the acquisition date:

	December 31, 2019
Assets	
Current	**70,861**
Cash and cash equivalents	9,417
Short-term investments	53,147
Trade receivables	6,077
Inventories	1,845
Tax and social security credits	83
Other current assets	292
Noncurrent	**168,840**
Deferred tax assets	11,148
Judicial deposits	120
Other noncurrent assets	3,878
Investments	420
Property, plant and equipment[2]	27,109
Right of use	3,944
Intangible assets[3]	109,482
Indemnity assets	12,739
Total assets	**239,701**

(In thousands of reais, unless otherwise stated)

Liabilities	
Current	**36,480**
Trade payables	552
Salaries payable	3,060
Taxes and social charges payable	2,740
Loans and financing	402
Provision for income tax and social contribution	1,759
Technical reserves of healthcare operations	21,288
Leases	251
Other current liabilities	6,428
Noncurrent	**36,456**
Technical reserves of healthcare operations	406
Deferred tax liabilities	104
Provision for lawsuits	12,166
Leases	3,840
Other noncurrent liabilities	19,940
Total liabilities	**72,936**
Total assets/liabilities acquired	**166,765**
Goodwill arising on transaction	**204,458**
Total consideration, net	**371,223**

[1]Portion withheld – the contract establishes that a portion of the purchase price will be withheld for a 6-year period as from the closing date in order to guarantee the obligations to compensate the seller, which is expected to be fully or partially released. The amount will be restated by reference to the SELIC variation. This portion has been adjusted to present value to better reflect the rates consistently with those prevailing in the market considering the Group's economic conditions.

[2] Property, plant and equipment – For the property, plant and equipment items acquired in the Business Combination for R$ 20,752, the appraisal report on tangible and intangible assets identified a surplus of R$ 6,357. The fair value of property, plant and equipment items on the acquisition date was R$ 27,109.

[3] Intangible assets – For the intangible assets acquired in the Business Combination for R$ 73, the appraisal report on tangible and intangible assets identified a surplus of the portfolio of R$ 109,409. The fair value of intangible assets on the acquisition date was R$ 109,482.

The Company identified the allocation of tangible and intangible assets on the acquisition of the São Lucas Group (business combination) measured at fair value. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	São Lucas Group
Customers portfolio	Income method	109,409
Property, plant and equipment	Market value	6,357
Goodwill	Fair value	204,458

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

(In thousands of reais, unless otherwise stated)

Intangible assets	Intangible assets amount a	Useful life
Customers portfolio	109,409	9 to 12 years
Total allocated	**109,409**	
Goodwill not allocated	204,458	Indefinite
Total intangible assets	**313,867**	

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

The São Lucas Group was consolidated as of January 1, 2020. The amount recognized in the financial statements for the period includes net revenue of R$ 299,013, of which R$ 292,585 is represented by 87.07% of the Company and R$ 6,428 is represented by 12.93% distributed to noncontrolling interests, and net profit of R$ 28,101 represented by 87.07% of the Company, for the same period.

5.3. Acquisition of Ecole Serviços Médicos Ltda

On April 13, 2020, the Notre Dame Intermédica Group concluded the acquisition of Ecole Serviços Médicos Ltda. and took control of the company.

The purchase price was R$ 49,000, according to the closing term, with a cash payment of R$ 37,750, with a portion withheld until May 13, 2026 in the amount of R $11,250 to cover any contingencies arising from the period preceding the closing date as determined in a contractual clause.

The appraisal report and its measurement end as soon as the Company obtains the full information about facts and circumstances existing at the acquisition date.

However, the measurement period will not exceed one year from the acquisition date.

Cash installment	37,750
Portion withheld[1]	11,250
Total consideration	**49,000**
Present value adjustment on portion withheld	(1,659)
Consideration, net	**47,341**

On March 17, 2020, Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) approved the acquisition through Official Letter 28/2020/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE.

(In thousands of reais, unless otherwise stated)

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets on the acquisition of Ecole.

The table below summarizes the consideration paid to acquire Ecole Serviços Médicos Ltda and the fair value of identifiable assets and liabilities at the acquisition date:

Assets	
Current	**21,219**
Cash and cash equivalents	432
Short-term investments	13,834
Trade receivables	6,141
Tax and social security credits	143
Other current assets	669
Noncurrent	**18,422**
Deferred tax assets	530
Property, plant and equipment[2]	229
Right of use	1,699
Intangible assets [3]	15,039
Indemnity assets	925
Total assets	**39,641**
Liabilities	
Current	**22,870**
Trade payables	1,217
Salaries payable	447
Taxes and social charges payable	547
Provision for income tax and social contribution	61
Technical reserves of healthcare operations	18,376
Leases	691
Other current liabilities	1,531
Noncurrent	**4,951**
Technical reserves of healthcare operations	2,328
Provision for lawsuits	925
Leases	1,137
Other noncurrent liabilities	561
Total liabilities	**27,821**
Total assets/liabilities acquired	**11,820**
Goodwill arising on transaction	**35,521**
Total consideration, net	**47,341**

[1]Portion withheld – the contract establishes that a portion of the purchase price will be withheld for a 6-year period as from the closing date in order to guarantee the obligations to compensate the seller, which is expected to be fully or partially released. The amount will be restated by reference

(In thousands of reais, unless otherwise stated)

to the CDI variation. This portion has been adjusted to present value to better reflect the rates consistently with those prevailing in the market considering the Group's economic conditions.

[2]Property, plant and equipment – the appraisal report on tangible and intangible assets identified a surplus of R$ 229. The fair value of property, plant and equipment items on the acquisition date was R$ 229.

[3]Intangible assets – the appraisal report on tangible and intangible assets identified a surplus of the customer portfolio on the acquisition date of R$ 15,039. The fair value of intangible asset items on the acquisition date was R$ 15,039.

The Company identified the allocation of tangible and intangible assets on the acquisition of the Ecole Operator (business combination) measured at fair value. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	**Ecole**
Customers portfolio	Income method	15,039
Property, plant and equipment	Market value	229
Goodwill	Fair value	35,521

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

Intangible assets	**Intangible assets amount al**	**Useful life**
Customers portfolio	15,039	6 to 7 years
Total allocated	**15,039**	
Goodwill not allocated	35,521	Indefinite
Total intangible assets	**50,560**	

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

Revenue recognized in the consolidated statement of profit or loss includes revenues generated by the Ecole Operator of R$ 42,514. The Operator also contributed with net profit of R$ 89.

Had the Ecole Operator been consolidated as of January 1, 2020, the consolidated statement of profit or loss would have presented pro forma net revenue of R$ 64,508 and pro forma net profit of R$ 310. This information on net revenue and profit or loss was obtained by simply aggregating the amounts of the acquired and acquiring companies and does not represent the consolidated actual amounts for the year.

5.4. Acquisition of Laboratório de Análises Clínicas Labclin Ltda.

On April 13, 2020, the Notre Dame Intermédica Group concluded the acquisition of Laboratório de Análises Clínicas Labclin Ltda. and took over the control of the company.

(In thousands of reais, unless otherwise stated)

The purchase price was R$ 7,443, and the payment was made in cash according to the closing term.

The appraisal report and its measurement end as soon as the Company obtains the information that it was seeking about facts and circumstances existing at the acquisition date.

However, the measurement period will not exceed one year from the acquisition date.

Cash installment	7,443
Total consideration	**7,443**

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets on the acquisition of Labclin.

The table below summarizes the consideration paid to acquire the company Laboratório de Análises Clínicas Labclin Ltda. and the fair value of identifiable assets and liabilities at the acquisition date:

Assets	
Current	**1,372**
Cash and cash equivalents	66
Short-term investments	1,227
Trade receivables	29
Other current assets	50
Noncurrent	**3,478**
Short-term investments	1,636
Property, plant and equipment[1]	1,008
Right of use	834
Total assets	**4,850**

(In thousands of reais, unless otherwise stated)

Liabilities	
Current	**1,201**
Trade payables	87
Salaries payable	417
Taxes and social charges payable	109
Provision for income tax and social contribution	18
Leases	201
Other current liabilities	369
Noncurrent	**678**
Leases	678
Total liabilities	**1,879**
Total assets/liabilities acquired	**2,971**
Goodwill arising on transaction	**4,472**
Total consideration, net	**7,443**

[1] Property, plant and equipment – For the property, plant and equipment items acquired in the Business Combination for R$ 303, the appraisal report on tangible and intangible assets identified a surplus of R$ 705. The fair value of property, plant and equipment items on the acquisition date was R$ 1,008.

The Company identified the allocation of tangible and intangible assets on the acquisition of Labclin (business combination) measured at fair value. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	Lab-clin
Property, plant and equipment	Market value	705,374
Goodwill	Fair value	4,472

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

Intangible assets	Intangible assets amount a	Useful life
Goodwill not allocated	4,472	Indefinite
Total intangible assets	4,472	

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

(In thousands of reais, unless otherwise stated)

Revenue recognized in the consolidated statement of profit or loss includes revenues generated by Labclin of R$ 4,125. Labclin also contributed with net profit of R$ 858.

Had Labclin been consolidated as of January 1, 2020, the consolidated statement of profit or loss would have presented pro forma net revenue of R$ 7,274 and pro forma net profit of R$ 1,303. This information on net revenue and profit or loss was obtained by simply aggregating the amounts of the acquired and acquiring companies and does not represent the consolidated actual amounts for the year.

5.5. Acquisition of Hospital do Coração de Balneário Camboriú Ltda.

On May 20, 2020, the Notre Dame Intermédica Group concluded the acquisition of Hospital do Coração de Balneário Camboriú Ltda. and took over the control of the company.

The purchase price was R$ 65,710, according to the contract for purchase and sale of units of interest and other covenants, with a cash payment of R$ 52,110. From this amount, the net debt of R$ 22,948 was discounted, with the effective net payment of R $ 29,162 and with a portion withheld until May 2026 in the amount of R$ 13,600 to cover any contingencies arising from the period preceding the closing date as determined in a contractual clause.

The appraisal report and its measurement end as soon as the Company obtains the information that it was seeking about facts and circumstances existing at the acquisition date. However, the measurement period will not exceed one year from the acquisition date.

Cash installment	29,162
Portion withheld[1]	13,600
Total consideration	42,762
Present value adjustment on portion withheld	(1,986)
	40,776

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets on the acquisition of Hospital Camboriú.

The table below summarizes the consideration paid to acquire Hospital Camboriú and the fair value of identifiable assets and liabilities at the acquisition date:

(In thousands of reais, unless otherwise stated)

Assets	
Current	**4,967**
Cash and cash equivalents	50
Trade receivables	4,223
Inventories	586
Tax and social security credits	108
Noncurrent	**30,346**
Deferred tax assets	233
Investments	16
Property, plant and equipment[2]	29,262
Right of use	247
Indemnity assets	588
Total assets	**35,313**
Liabilities	
Current	**14,152**
Trade payables	4,936
Salaries payable	1,963
Taxes and social charges payable	2,754
Loans and financing	3,608
Leases	157
Other current liabilities	734
Noncurrent	**16,146**
Taxes and social charges payable	8,454
Loans and financing	1,650
Deferred tax liabilities	1,324
Provision for lawsuits	588
Leases	140
Other noncurrent liabilities	3,990
Total liabilities	**30,298**
Total assets/liabilities acquired	**5,015**
Goodwill arising on transaction	**35,761**
Total consideration, net	**40,776**

[1]Portion withheld – the contract establishes that a portion of the purchase price will be withheld for a 6-year period as from the closing date in order to guarantee the obligations to compensate the seller, which is expected to be fully or partially released. The amount will be restated by reference to the CDI variation. This portion has been adjusted to present value to better reflect the rates consistently with those prevailing in the market considering the Group's economic conditions.

[2] Property, plant and equipment – For the property, plant and equipment items acquired in the Business Combination for R$ 16,750, the appraisal report on tangible and intangible assets identified a surplus of R$ 12,512. The fair value of property, plant and equipment items on the acquisition date was R$ 29,262.

The Company identified the allocation of tangible and intangible assets on the acquisition of Hospital Camboriú (business combination), measured at fair value. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	Hospital Camboriú
Property, plant and equipment	Market value	12,512
Goodwill	Fair value	35,761

(In thousands of reais, unless otherwise stated)

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

Intangible assets	Intangible assets amount al	Useful life
Goodwill not allocated	35,761	Indefinite
Total intangible assets	**35,761**	

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

Revenue recognized in the consolidated statement of profit or loss includes revenues generated by Hospital Camboriú of R$ 30,319, of which R$ 30,013 is represented by 98.99% of the Company and R$ 306 is represented by 1.01% distributed to noncontrolling shareholders. The Hospital also contributed with a net profit of R$ 1,854, of which R$ 1,835 is represented by 98.99% of the Company and R$ 19 represented by 1.01% distributed to noncontrolling shareholders.

Had Hospital Camboriú been consolidated as of January 1, 2020, the consolidated statement of profit or loss would have presented pro forma net revenue of R$ 42,285, of which R$ 41,858 is represented by 98.99% of the Company and R$ 427 is represented by 1.01% distributed to noncontrolling shareholders; and pro forma net profit of R$ 4,125, of which R$ 4,084 is represented by 98.99% of the Company and R$ 42 is represented by 1.01% distributed to noncontrolling shareholders. This information on net revenue and profit or loss was obtained by simply aggregating the amounts of the acquired and acquiring companies and does not represent the consolidated actual amounts for the year.

5.6. Acquisition of Santa Mônica Group

On August 24, 2020, Notre Dame Intermédica Group completed the acquisition of Santa Mônica Group and obtained the control of the companies SMV Serviços Médicos Ltda., Hospital e Maternidade Santa Mônica S.A., Incord – Instituto de Neurologia e do Coração de Divinópolis Ltda. and Bioimagem Diagnósticos por Imagem e Laboratório de Análises Clínicas Ltda.

The purchase price was R$ 220,306, according to the closing term, the amount of the net debt of R$ 14,089 was discounted, resulting in a net consideration of R$ 206,218, upon signature of the closing term a cash payment of R$ 97,366 was made, with a remaining amount of R$ 108,851 payable in 6 annual installments as determined in a contractual clause.

The appraisal report and its measurement end as soon as the Company obtains the information that it was seeking about facts and circumstances existing at the acquisition date. However, the measurement period will not exceed one year from the acquisition date.

Cash installment	97,366
Portion withheld[1]	108,851
Total consideration	**206,217**
Present value adjustment on portion withheld	(15,848)
Consideration, net	**190,369**

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets on the acquisition of the Santa Mônica Group.

The table below summarizes the consideration paid to acquire the Santa Monica Group and the fair value of identifiable assets and liabilities at the acquisition date:

(In thousands of reais, unless otherwise stated)

Assets	
Current	**29,377**
Cash and cash equivalents	3,170
Short-term investments	18,719
Trade receivables	3,466
Inventories	1,864
Other current assets	2,158
Noncurrent	**107,730**
Deferred tax assets	206
Judicial deposits	3,787
Investments	5
Property, plant and equipment[2]	94,021
Right of use	569
Intangible assets [3]	7,095
Indemnity assets	2,047
Total assets	**137,107**
Liabilities and equity	
Current	**53,093**
Trade payables	4,299
Salaries payable	4,042
Taxes and social charges payable	3,467
Loans and financing	22,669
Provision for income tax and social contribution	983
Technical reserves of healthcare operations	9,085
Leases	368
Other current liabilities	8,180
Noncurrent	**9,184**
Taxes and social charges payable	221
Loans and financing	4,323
Technical reserves of healthcare operations	2,612
Provision for lawsuits	1,789
Leases	239
Total liabilities	**62,277**
Total assets/liabilities acquired	**74,830**
Goodwill arising on transaction	**115,539**
Total consideration, net	**190,369**

[1]Portion withheld – the contract establishes that portions of the purchase with annual maturities will be withheld for a 6-year period as from the closing date in order to guarantee the obligations to compensate the seller, which is expected to be partially released. The amount will be restated by reference to the CDI variation. This portion has been adjusted to present value to better reflect the rates consistently with those prevailing in the market considering the Group's economic conditions.

[2] Property, plant and equipment – for the property, plant and equipment items acquired in the Business Combination for R$ 59,469, the appraisal report on tangible and intangible assets identified a surplus of R$ 34,252. The fair value of property, plant and equipment items on the acquisition date was R$ 94,021.

[3] Intangible assets – For the intangible assets acquired in the Business Combination for R$ 389, the appraisal report on tangible and intangible assets identified a surplus of the portfolio of R$ 6,706. The fair value of intangible assets on the acquisition date was R$ 7,095.

(In thousands of reais, unless otherwise stated)

The Company identified the allocation of tangible and intangible assets on the acquisition of the Santa Monica Group (business combination) measured at fair value. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	São Lucas Group
Customers portfolio	Income method	6,706
Property, plant and equipment	Market value	34,552
Goodwill	Fair value	115,539

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

Intangible assets	Intangible assets amount allocated	Useful life
Customers portfolio	6,706	9 to 12 years
Total allocated	**6,706**	
Goodwill not allocated	115,539	Indefinite
Total intangible assets	**122,245**	

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

Revenue recognized in the consolidated statement of profit or loss includes revenues generated by the Santa Monica Group of R$ 56,374 and net profit of R$ 1,523.

Had the Grupo Santa Mônica been consolidated as of January 1, 2020, the consolidated statement of profit or loss would have presented pro forma net revenue of R$ 94,756 and pro forma net profit of R$ 11,300. This information on net revenue and profit or loss was obtained by simply aggregating the amounts of the acquired and acquiring companies and does not represent the consolidated actual amounts for the year.

5.7. Acquisition of Hospital e Maternidade Santa Brígida S.A.

On October 23, 2020, the Notre Dame Intermédica Group completed the acquisition of Hospital e Maternidade Santa Brígida S.A. and took over the control of the company.

The purchase price was R$ 30,969, according to the closing term, with a cash payment of R$ 18,356, with a portion withheld until October 2026 in the amount of R$ 12,613 to cover any contingencies arising from the period preceding the closing date as determined in a contractual clause.

(In thousands of reais, unless otherwise stated)

The appraisal report and its measurement end as soon as the Company obtains the information that it was seeking about facts and circumstances existing at the acquisition date. However, the measurement period will not exceed one year from the acquisition date.

Cash installment	18,356
Portion withheld[1]	12,613
Total consideration	**30,969**
Present value adjustment on portion withheld	(1,836)
Consideration, net	**29,133**

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets in the acquisition of Hospital e Maternidade Santa Brígida.

The table below summarizes the consideration paid to acquire Hospital e Maternidade Santa Brígida and the fair value of identifiable assets and liabilities at the acquisition date:

Assets	
Current	**6,593**
Cash and cash equivalents	46
Short-term investments	4,119
Trade receivables	1,553
Inventories	257
Tax and social security credits	348
Other current assets	270
Noncurrent	**33,690**
Deferred tax assets	754
Investments	343
Property, plant and equipment[2]	29,264
Direitos de uso	1,148
Intangible assets	40
Indemnity assets	2,141
Total assets	**40,283**

(In thousands of reais, unless otherwise stated)

Liabilities and equity	
Current	**22,326**
Trade payables	3,482
Salaries payable	2,483
Taxes and social charges payable	4,019
Loans and financing	12,070
Leases	272
Noncurrent	**17,378**
Taxes and social charges payable	5,781
Deferred tax liabilities	8,500
Provision for lawsuits	2,145
Leases	952
Noncontrolling interests in subsidiaries	-
Total liabilities	**39,704**
Total assets/liabilities acquired	**579**
Goodwill arising on transaction	**28,554**
Total consideration, net	**29,133**

[1]Portion withheld – the contract establishes that portions of the purchase with annual maturities will be withheld for a 6-year period as from the closing date in order to guarantee the obligations to compensate the seller, which is expected to be partially released. The amount will be restated by reference to the CDI variation. This portion has been adjusted to present value to better reflect the rates consistently with those prevailing in the market considering the Group's economic conditions.

[2] Property, plant and equipment – for the property, plant and equipment items acquired in the Business Combination for R$ 29,223, the appraisal report on tangible and intangible assets identified a surplus of R$ 41. The fair value of property, plant and equipment items on the acquisition date was R$ 29,264.

The Company identified the allocation of tangible and intangible assets on the acquisition of Hospital e Maternidade Santa Brígida (business combination) measured at fair value. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	**Hosp. Sta. Brigida**
Property, plant and equipment	Market value	41
Goodwill	Fair value	28,554

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

Intangible assets	**Intangible assets amount allocated**	**Useful life**
Goodwill not allocated	28,554	Indefinite
Total intangible assets	**28,554**	

(In thousands of reais, unless otherwise stated)

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

Revenue recognized in the consolidated statement of profit or loss includes revenues generated by Hospital e Maternidade Santa Brígida of R$ 8,684, of which R$ 8,425 is represented by 97.02% of the Company and R$ 259 is represented by 2.98% distributed to noncontrolling shareholders.

Had Hospital e Maternidade Santa Brígida been consolidated as of January 1, 2020, the consolidated statement of profit or loss would have presented pro forma net revenue of R$ 33,021, of which R$ 32,037 is represented by 97.02% of the Company and R$ 984 is represented by 2.98% distributed to noncontrolling shareholders. This information on net revenue and profit or loss was obtained by simply aggregating the amounts of the acquired and acquiring companies and does not represent the consolidated actual amounts for the year.

5.8. Acquisition of Lifeday Planos de Saúde Ltda.

On December 1, 2020, the Notre Dame Intermédica Group completed the acquisition of Lifeday Planos de Saúde Ltda. Operator and took over the control of the company.

The purchase price was R$ 70,000, according to the closing term, with a cash payment of R$ 32,753, an intermediary installment of R$ 10,000, maturing on March 9, 2021, with a portion withheld until December 2026 in the amount of R$ 27,247 to cover any contingencies arising from the period preceding the closing date as determined in a contractual clause.

The appraisal report and its measurement end as soon as the Company obtains the information that it was seeking about facts and circumstances existing at the acquisition date. However, the measurement period will not exceed one year from the acquisition date.

Cash installment	32,753
Portion withheld[1]	18,500
Total consideration	**51,253**
Present value adjustment on portion withheld	(1,306)
Consideration, net	**49,947**

As required by CPC 15 (R1) - Business Combinations, the Company provided through an independent firm the identification report for the tangible and intangible assets on the acquisition of the Lifeday Planos de Saúde.

The table below summarizes the consideration paid to acquire Lifeday Planos de Saúde and the fair value of identifiable assets and liabilities at the acquisition date:

(In thousands of reais, unless otherwise stated)

Assets	
Current	**5,836**
Cash and cash equivalents	28
Short-term investments	4,760
Trade receivables	947
Other current assets	101
Noncurrent	**20,964**
Deferred tax assets	179
Investments	184
Property, plant and equipment[2]	125
Intangible assets [3]	19,950
Indemnity assets	526
Total assets	**26,800**
Liabilities and equity	
Current	**44,037**
Trade payables	1,908
Taxes and social charges payable	2,632
Loans and financing	1,092
Technical reserves of healthcare operations	38,290
Other current liabilities	115
Noncurrent	**1,514**
Taxes and social charges payable	988
Provision for lawsuits	526
Total liabilities	**45,551**
Total assets/liabilities acquired	**(18,751)**
Goodwill arising on transaction	**68,698**
Total consideration, net	**49,947**

[1]Portion withheld – the contract establishes that portions of the purchase with annual maturities will be withheld for a 6-year period as from the closing date in order to guarantee the obligations to compensate the seller, which is expected to be partially released. The amount will be restated by reference to IPCA variation. This portion has been adjusted to present value to better reflect the rates consistently with those prevailing in the market considering the Group's economic conditions.

[2] Property, plant and equipment – for the property, plant and equipment items acquired in the Business Combination for R$ 356, the appraisal report on tangible and intangible assets identified a depreciation of R$ 231. The fair value of property, plant and equipment items on the acquisition date was R$ 125.

[3]Intangible assets – The appraisal report on tangible and intangible assets identified a capital gain of R$ 19,950. The fair value of intangible assets on the acquisition date was R$ 19,950.

The Company identified the allocation of tangible and intangible assets on the acquisition of Lifeday Planos de Saúde (business combination) measured at fair value. According to the appraisal report issued by an independent firm, the preliminary allocations are:

	Valuation method	**Lifeday**
Customers portfolio	Income method	19,950
Property, plant and equipment	Market value	(231)
Goodwill	Fair value	68,698

For consolidation purposes, the intangible assets identified by the Company were allocated as follows:

Intangible assets	Intangible assets amount allocated	Useful life
Customers portfolio	19,950	3 to 4 years
Total allocated	**19,950**	
Goodwill not allocated	68,698	Indefinite
Total intangible assets	**88,648**	

As defined in the shareholders' agreement, all contingencies relating to periods previous to the execution of the purchase and sale agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

Goodwill on acquisition is justified by the values of assets acquired and expected future profitability from the synergy generated by the Notre Dame Intermédica Group activity.

Revenue recognized in the consolidated statement of profit or loss includes revenues generated by Lifeday Planos de Saúde of R$ 8,059.

Had Lifeday Planos de Saúde been consolidated as of January 1, 2020, the consolidated statement of profit or loss would have presented pro forma net revenue of R$ 117,522. This information on net revenue and profit or loss was obtained by simply aggregating the amounts of the acquired and acquiring companies and does not represent the consolidated actual amounts for the year.

6. Risk management

The Company controls companies that operate exclusively with health and dental plans, own hospitals and emergency rooms, catering to a wide range of corporate customers, associations and individuals. The main risks of these businesses are credit, interest rate and liquidity risks. Management of these risks involves different departments and contemplates a number of policies and fund allocation strategies deemed appropriate and sufficient by management.

- <u>Credit risk</u>

  Credit risk is the risk that a counterparty to a business does not fulfill the obligation established in a financial instrument or a contract with a customer, which would lead to a financial loss. The Company and its subsidiaries are exposed to credit risk in their operating activities (mainly related to trade receivables) and financing, including deposits in banks and financial institutions and other financial instruments.

  The credit policy considers the peculiarities of operating health and dental care plans and is designed to maintain the flexibility required by market conditions and our customers' needs. The Company and its subsidiaries carry out an ongoing monitoring of the level of their trade receivables. The methodology to determine the provision for credit losses is used, according to requirements of CPC 01 – Impairment and CPC 48 – Financial Instruments.

(In thousands of reais, unless otherwise stated)

The Company and its subsidiaries prioritize investments directly in government securities or low-risk investments in first-tier banks, also considering internal rating criteria and limits established based on qualitative and quantitative information.

The investment policy requires the need to allocate resources in accordance with ANS Normative Resolution (RN) 392/15, amended by ANS NR 419/16, 427/17 and 430/17, to guarantee the technical reserves.

- Liquidity risk

The main purpose of the Company's liquidity risk management is to monitor the maturity of the rights and obligations of the Company and its subsidiaries, as well as the liquidity of their financial instruments. The Company and its subsidiaries seek to mitigate liquidity risk by matching the expected cash flows required to meet commitments and the net financial resources available on a timely basis and in quantities necessary to cover any mismatching.

For that purpose, the Company and its subsidiaries prepare projected cash flow analyses and periodically review the obligations assumed and the financial instruments used, especially those intended to guarantee the technical reserves.

a.1 Liquidity risk

					Consolidated
					December 31,
Liquidity	Short-term investments		2020		2019
		Amount	% portfolio	Amount	% portfolio
Immediate	Cash and cash equivalents - Short-term investments	2,486,298	68.31%	3,463,917	72.94%
From 31 to 120 days	Bank certificate of deposit - CDB - variable rates, repo debentures, open-ended fixed income funds and other	474,364	13.03%	95,096	2.00%
From 31 to 120 days	Financial bills - LF	19,430	0.54%	170,231	3.58%
From 121 to 240 days	Bank certificate of deposit - CDB - variable rates, repo debentures, open-ended fixed income funds and other	14,583	0.40%	230,726	4.86%
From 241 to 360 days	Financial treasury bills - LFT	-	-	26,175	0.55%
From 241 to 360 days	Bank certificate of deposit - CDB - variable rates, repo debentures, open-ended fixed income funds and other	125,700	3.45%	529,691	11.15%
From 241 to 360 days	Financial bills - LF	-	-	21,682	0.46%
More than 361 days	Bank certificate of deposit - CDB - variable rates, repo debentures, open-ended fixed income funds and other	30,002	0.82%	1,034	0.03%
More than 361 days	National treasury bills - LTN	227,385	6.25%	112,451	2.37%
More than 361 days	Financial treasury bills - LFT	80,862	2.22%	98,040	2.06%
More than 361 days	Financial bills - LF	181,340	4.98%	-	-
		3,639,964	**100%**	**4,749,043**	**100%**

In accordance with ANS Normative Resolution 392/15, amended by RNs 419/16, 427/17, 430/17 and 448/20, subsidiaries Notre Dame Intermédica Saúde S.A, São Lucas Saúde S.A., Clinipam – Clínica Médica Paranaense de Assistência Médica Ltda., SMV – Serviços Médicos Ltda. and Lifeday Planos de Saúde Ltda. maintain restricted financial investments for the coverage of technical reserves, amounting to R$ 978,675 at December 31, 2020 (R$ 678,595 at December 31, 2019).

a.2 Asset and liability management (ALM)

Assets and liabilities are managed under the ALM method. This method consists of an ongoing process of preparation, implementation, monitoring and review of assets and liabilities management strategies for the purpose of reaching a certain return at a certain risk level.

- Currency risk

Financial investments

The Company and its subsidiaries' exposure to the currency risk affects mainly short and long-term investments in foreign exchange funds. Foreign exchange differences may also affect the Company and its subsidiaries' finance income (costs) due to the variation of the foreign currency to which the investment refers. Subsidiary Notre Dame Intermédica Saúde is exposed to the currency risk in financial investments, but this exposure does not generate a material impact on the profit or loss of the Company and its subsidiaries, as the amount recognized under the foreign exchange funds is R$ 43 at December 31, 2020 (R$ 1,075 at December 31, 2019).

Loans and financing

On November 28, 2019, the Notre Dame Intermédica Group acquired the Ghelfond Group. Among the assets acquired and liabilities assumed, the company Dr. Ghelfond has liabilities for loan operations carried out in foreign currency under Law 4131/62.

Currently recorded in the indirect subsidiary Notre Dame Intermédica Saúde S.A., after the merger of the Ghelfond Group on September 1, 2020, this operation presents exchange risk and, in order to hedge against the fluctuations of such currencies against the Real, the company contracted derivative financial instruments, NDF - Non-Deliverable Forward (purchase of Financial Bond), on the same date of the funding operation. At December 31, 2020, the NDF balance is R$ 4,133.

- Insurance risk

The Company's subsidiaries business model is based on the collection of monthly or annual amounts from customers and is exposed to insurance risk from the variation of costs of health and dental care plans, and in the dental segment, the risk is limited to the frequency of use and low cost of treatments made.

In the development and structuring of health and dental care plans, the following are considered: cost of customer services, model of service that the beneficiary will receive, model of enrollment with the dental and health care plans, model of use of own or contracted network and fees paid to professionals of the accredited network.

Additionally, the Company and its subsidiaries also analyze the risk of variation in health and dental care plan costs and the direct impact on customers' contracts.

(In thousands of reais, unless otherwise stated)

In managing these risks, the Company and its subsidiaries monitor claims due to the use, and any deficiencies are negotiated directly with their customers so that the contract may be balanced in relation to their profitability.

- Interest rate risk of financial instruments

Interest rate risk arises from the possibility of changes in interest rates that could bring impacts to the present value of the investments portfolio, loans and financing and the raising of debentures.

The Company and its subsidiaries adopt a policy of investing mostly in floating rate securities.

By means of RN 392/15, amended by RN 419/16, 427/17 and 430/17 pursuant to CMN Resolution 4444 of November 13, 2015, the ANS establishes for the healthcare providers the diversification of their investments toward assets pledged in guarantee of technical reserves. In view of this requirement, the Company's operators have been making investments in fixed and floating rate government bonds.

The financial portfolio of the Company and its subsidiaries is almost entirely exposed to fluctuations in interest rates in the domestic market - Interbank Deposit Certificate (CDI), and the remainder is indexed to the Central Bank Benchmark Rate (SELIC).

Breakdown of investments is shown in note 8.

The Company's direct and indirect subsidiaries have loans and financing and debentures, and are exposed to the variation of the CDI rate + spread and TJLP. Breakdown of loans and financing and debentures is presented in notes 20 and 21, respectively.

The Company works with financial institutions whose ratings are as follows:

Issuers	December 31, 2020	National long-term rating	December 31, 2019	National long-term rating
Banco Santander (Brasil) S.A.	1,026,703	brAAA	1,598,085	A(bra)
Banco Bradesco S.A.	1,092,470	AAA(bra)	1,957,495	brAAA
Caixa Econômica Federal	73,824	AA(bra)	16,502	AAA
Itaú Unibanco S.A.	634,656	AAA(bra)	762,515	brAAA
Votorantim S.A.	284,913	AAA(bra)	120,449	brBBB-
Banco Safra S.A.	35,535	brAAA	191,741	brAAA
Banco Daycoval S.A.	50	AA(bra)	343	AA(bra)
Banco GMAC S.A.	-	brAAA	24,869	brAAA
Banco do Brasil S.A.	370,362	AA(bra)	1,708	BB-(bra)
XP Investimentos	78,549	AA(bra)	-	AA(bra)
BTG Pactual digital	-	AA(bra)	3,311	AA(bra)
Greencred	2	AA(bra)	-	AA(bra)
Uniprime	1,376	A(bra)	-	A(bra)
Citibank	2,430	-	72,025	-
Sicoob	37,982	AA-(bra)	-	-
Unicred	1,112	-	-	-
	3,639,964		**4,749,043**	

Source: Fitch Ratings agency (when available) and Banco Santander, consulted on January 21, 2021.

Sensitivity analysis of interest rate variations

For the sensitivity analysis, the Company and its subsidiaries adopted rates in effect at dates close to reporting dates, using the same rate for SELIC and CDI, due to their proximity. In the projection of the probable scenario, for scenarios I and II, these rates were increased/decreased by 25% and 50%, respectively.

Therefore, with other variables held constant, the chart below shows a simulation of the effect of interest rate variations on equity and future profit or loss for the next 12 months (consolidated) considering the balances at December 31, 2020.

(In thousands of reais, unless otherwise stated)

													Parent
													December 31, 2020
						Interest reduction				Interest increase			
	Index	Risk	% - p.a.[1]	R$	Probable	Rate	-25%	Rate	-50%	Rate	+25%	Rate	+50%
Other liabilities													
Contractual obligations	CDI	CDI increase	3.77%	(391,769)	(14,770)	2.83%	(11,087)	1.89%	(7,404)	4.71%	(18,452)	5.66%	(22,174)

													Consolidated
													December 31, 2020
						Interest reduction				Interest increase			
	Index	Risk	% p.a.	R$	Probable	Rate	-25%	Rate	-50%	Rate	+25%	Rate	+50%
Cash and cash equivalents													
CDBs	CDI	CDI decrease	3.77%	1,774,660	66,905	2.83%	50,223	1.89%	33,541	4.71%	83,586	5.66%	100,446
Open-ended fixed income fund	CDI	CDI decrease	3.77%	596,195	22,477	2.83%	16,872	1.89%	11,268	4.71%	28,081	5.66%	33,745
Compromised operations	CDI	CDI decrease	3.77%	115,402	4,351	2.83%	3,266	1.89%	2,181	4.71%	5,435	5.66%	6,532
Others	Selic	Selic decrease	4.00%	41	2	3.00%	1	2.00%	1	5.00%	2	6.00%	2
				2,486,298	**93,735**		**70,362**		**46,991**		**117,104**		**140,725**
Short-term investments													
CDBs	CDI	CDI decrease	3.77%	223,628	8,431	2.83%	6,329	1.89%	4,227	4.71%	10,533	5.66%	12,657
LFTs	Selic	Selic decrease	4.00%	100,292	4,012	3.00%	3,009	2.00%	2,006	5.00%	5,015	6.00%	6,018
Open-ended fixed income fund	CDI	CDI decrease	3.77%	421,021	15,872	2.83%	11,915	1.89%	7,957	4.71%	19,830	5.66%	23,830
LFs	CDI	CDI decrease	3.77%	181,340	6,837	2.83%	5,132	1.89%	3,427	4.71%	8,541	5.66%	10,264
				926,281	**35,152**		**26,385**		**17,617**		**43,919**		**52,769**
Loans and financing													
BNDES	TLP	TLP increase	4.47%	(1,047)	(47)	3.35%	(35)	2.24%	(23)	5.59%	(59)	6.71%	(70)
Working capital	CDI + 2.6% p.a.	CDI increase	6.47%	(260,230)	(16,837)	5.50%	(14,313)	4.53%	(11,788)	7.44%	(19,361)	8.40%	(21,859)
Working capital	CDI + 2.4% p.a.	CDI increase	6.26%	(279,166)	(17,476)	5.30%	(14,796)	4.33%	(12,088)	7.23%	(20,184)	8.19%	(22,864)
Working capital	CDI + 2.3% p.a.	CDI increase	6.16%	(298,619)	(18,395)	5.19%	(15,498)	4.23%	(12,632)	7.12%	(21,262)	8.09%	(24,158)
Working capital	CDI	CDI increase	3.77%	(9,011)	(340)	2.83%	(255)	1.89%	(170)	4.71%	(424)	5.66%	(510)
Leasing	CDI	CDI increase	3.77%	(2,885)	(109)	2.83%	(82)	1.89%	(55)	4.71%	(136)	5.66%	(163)
Promissory notes	CDI + 1.4% p.a.	CDI increase	5.22%	(278,677)	(14,547)	4.27%	(11,900)	3.31%	(9,224)	6.18%	(17,222)	7.13%	(19,870)
Credit cooperative	CDI	CDI increase	3.77%	(2,076)	(78)	2.83%	(59)	1.89%	(39)	4.71%	(98)	5.66%	(118)
Others	CDI	CDI increase	3.77%	(24,759)	(933)	2.83%	(701)	1.89%	(468)	4.71%	(1,166)	5.66%	(1,401)
				(1,156,470)	**(68,762)**		**(57,639)**		**(46,487)**		**(79,912)**		**(91,013)**
Debentures													
Debentures - BCBF (2nd)	CDI + 2.25% p.a.	CDI increase	6.10%	(60,801)	(3,709)	5.14%	(3,125)	4.18%	(2,541)	7.07%	(4,299)	8.03%	(4,882)
Debentures - BCBF (4th)	CDI + 2.65% p.a.	CDI increase	6.52%	(752,837)	(49,085)	5.55%	(41,782)	4.58%	(34,480)	7.49%	(56,387)	8.45%	(63,615)
Debentures - BCBF (5th)	CDI + 2.65% p.a.	CDI increase	6.52%	(697,639)	(45,486)	5.55%	(38,719)	4.58%	(31,952)	7.49%	(52,253)	8.45%	(58,950)
Debentures - Notre Dame (3rd)	CDI + 1.6% p.a.	CDI increase	5.43%	(808,386)	(43,895)	4.47%	(36,135)	3.52%	(28,455)	6.39%	(51,656)	7.35%	(59,416)
				(2,319,663)	**(142,175)**		**(119,761)**		**(97,428)**		**(164,595)**		**(186,863)**
Contractual obligations													
Contractual obligations	CDI	CDI increase	3.77%	(681,069)	(25,676)	2.83%	(19,274)	1.89%	(12,872)	4.71%	(32,078)	5.66%	(38,549)
Contractual obligations	105% of CDI	CDI increase	3.96%	(9,439)	(374)	2.97%	(280)	1.98%	(187)	4.95%	(467)	5.94%	(561)
Contractual obligations	90% of CDI	CDI increase	3.39%	(36,575)	(1,240)	2.54%	(929)	1.70%	(622)	4.24%	(1,551)	5.09%	(1,862)
Contractual obligations	95% of CDI	CDI increase	3.58%	(34,684)	(1,242)	2.69%	(933)	1.79%	(621)	4.48%	(1,554)	5.37%	(1,863)
Contractual obligations	100% SELIC	Increase on SELIC	4.00%	(47,390)	(1,896)	3.00%	(1,422)	2.00%	(948)	5.00%	(2,370)	6.00%	(2,843)
Contractual obligations	IPCA	IPCA increase	3.30%	(28,604)	(944)	2.48%	(709)	1.65%	(472)	4.13%	(1,181)	4.95%	(1,416)
				(837,761)	**(31,372)**		**(23,547)**		**(15,722)**		**(39,201)**		**(47,094)**

[1] In the % p.a. column (probable scenario) the rates were obtained from the website of bank Bradesco - “Bradesco Long-Term Projection” published on January 1, 2021.

Notre Dame Intermédica Participações S.A.

Notes to the individual and consolidated financial statements
December 31, 2020 and 2019
(In thousands of reais, unless otherwise stated)

7. Cash and cash equivalents

	Parent		Consolidated	
		December 31,		December 31,
	2020	2019	2020	2019
Cash and banks	11,865	279	77,453	50,522
Short-term investments have immediate liquidity[1]	98,680	133,602	2,486,298	3,463,917
	110,545	**133,881**	**2,563,751**	**3,514,439**

[1] Short-term investments have immediate liquidity, are readily convertible into a known amount of cash and are not subject to a significant risk of change in value, and the Company and its subsidiaries are entitled to immediate redemption.

8. Short-term investments

At December 31, 2020 and 2019, the financial instruments comprising financial investments were as follows:

							Consolidated
				December 31, 2020		December 31, 2019	
		Maturities					
Fair value through profit or loss	**Levels**	**Up to 1 year**	**om 1 to 5 years**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial treasury bills – LFT (i)	1	19,430	80,862	100,292	100,292	124,215	124,215
National treasury bills – LTN (i)	1	-	227,385	227,385	227,385	112,451	112,451
Bank Certificate of Deposit – CDB (ii)	2	223,628	-	223,628	223,628	632,364	632,364
Repo agreements (iii)	2	-	-	-	-	10,603	10,603
Open-ended fixed income fund (iv)	2	421,021	-	421,021	421,021	212,464	212,464
Exchange funds (iv)	2	-	-	-	-	1,075	1,075
Financial bills - LF (v)	2	-	181,340	181,340	181,340	191,913	191,913
Other fixed income securities	2	-	-	-	-	41	41
Total		**664,079**	**489,587**	**1,153,666**	**1,153,666**	**1,285,126**	**1,285,126**
			Current	1,001,019		1,285,126	
			Noncurrent	152,647		-	

i. Federal government bonds were recorded at cost plus yield accrued and adjusted to fair value based on the benchmark reference of the secondary market of the Brazilian Association of Financial and Capital Markets Entities (ANBIMA) (Level 1).

ii. The Company and its subsidiaries adopt the policy of investing mostly in floating rate securities with immediate liquidity issued by financial institutions in Bank Deposit Certificates (CDBs) with immediate liquidity (Level 2).

iii. Repurchase agreements are based on debentures with the following issuers: Banco Santander (Brasil) S.A. and Banco Itaú (Level 2).

iv. Funds are managed by Banco Bradesco S.A., Banco do Brasil S.A., Banco Itaú, Banco Safra S.A., Banco Santander (Brasil) S.A., Caixa Econômica Federal, Unicred and XP Investimentos (Level 2).

v. Transactions will financial bills were recorded at cost plus yield accrued and adjusted to fair value in floating rate securities tied to the Interbank Deposit Fund (CDI) with 2-year liquidity (Level 2).

The short-term investments have daily yield linked to the CDI and Selic rates, with variable maturities up to September 2025.

(In thousands of reais, unless otherwise stated)

The Company and its subsidiaries' investments are classified under "Financial assets at fair value through profit or loss". Regardless of the maturity of the Company and its subsidiaries' investments, they are recognized in current assets (except for the investment tied to the contract obligation, which is recorded in noncurrent assets).

Changes in financial investments

	Consolidated	
	December 31,	
	2020	**2019**
Balance at the beginning of the year	**1,285,126**	**1,262,542**
Balance acquired	176,047	141,006
Investments	15,041,759	11,684,479
Redemptions	(15,405,731)	(11,890,850)
Foreign exchange gains (losses)	(473)	657
Finance income (costs)	57,332	86,775
Fair value adjustment	(394)	517
Balance at the end of the year	**1,153,666**	**1,285,126**

Fair value measurement

The fair values of fixed-income government securities were obtained from the reference tables disclosed by Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais (ANBIMA). The quotations of fixed-income private securities were announced by ANBIMA.

The pricing criteria for financial instruments are defined by the manager and the custodian, and curves and rates disclosed by ANBIMA and B3 are used for the calculations described in the institution's pricing manual, in conformity with ANBIMA's self-regulation code.

The financial investments are under custody of, registered with and traded at the SELIC and B3.

9. Trade receivables

Trade receivables refer to transactions related to healthcare plans and healthcare services, generated by the operation of subsidiaries at December 31, 2020, as follows:

	December 31,	
	2020	**2019**
Trade receivables related to:		
Healthcare plans	395,423	221,367
Healthcare not relating to healthcare plans	242,340	271,402
	637,763	**492,769**

(In thousands of reais, unless otherwise stated)

Due to the COVID-19 pandemic, as disclosed on the website of the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) on October 8, 2020 and by release No. 85, ANS suspended the price adjustments for healthcare plans.

This suspension comprises plans contracted by individuals, as ANS annually discloses the maximum percentage of adjustments that will be made by healthcare providers for this type of healthcare plan, for the period from June 2020 to May 2021, no adjustment has been disclosed so far.

The price adjustments were also suspended for plans contracted by medium and small companies (SMEs) and through enrollment under collective healthcare plans and others, and the customers will be charged in the year 2021, pursuant to the ANS guidelines. The percentage of the adjustment is measurable and applicable on the anniversary date of the contract, therefore, the recognition of this revenue was approved by the regulatory agencies. The Company's Healthcare Providers recognized this revenue in the quarter, net of provision for historical loss.

At December 31, 2020 and 2019, the breakdown of trade receivables was as follows:

		Consolidated
		December 31,
	2020	**2019**
Receivables from operations with healthcare plans	447,271	258,171
(-) Impairment of receivables	(51,848)	(36,804)
	395,423	**221,367**
		Consolidated
		December 31,
	2020	**2019**
Receivables from healthcare operations not related to the Operator's healthcare plans	261,624	279,562
(-) Impairment of receivables	(19,284)	(8,160)
	242,340	**271,402**
Trade receivables	**637,763**	**492,769**

(In thousands of reais, unless otherwise stated)

Aging of trade receivables is as follows:

	Consolidated		
	December 31, 2020		
	Balance	Impairment of receivables	Net balance
Current:			
From 1 to 30 days	259,537	(5,157)	254,380
More than 30 days	24,805	(6)	24,799
Past due:			
From 1 to 30 days	45,342	(2,014)	43,328
From 31 to 90 days	78,929	(6,013)	72,916
More than 90 days	38,658	(38,658)	-
Receivables from operations with healthcare plans	**447,271**	**(51,848)**	**395,423**

	Consolidated		
	December 31, 2019		
Current:	Balance	Impairment of receivables	Net balance
From 1 to 30 days	97,380	(5,389)	91,991
More than 30 days	18,500	(1)	18,499
Past due:			
From 1 to 30 days	55,565	(1,537)	54,028
From 31 to 90 days	63,418	(6,569)	56,849
More than 90 days	23,308	(23,308)	-
Receivables from operations with healthcare plans	**258,171**	**(36,804)**	**221,367**

	Consolidated		
	December 31, 2020		
	Balance	Impairment of receivables	Net balance
Current:			
From 1 to 30 days	49,719	(41)	49,678
More than 30 days	46,169	(35)	46,134
Past due:			
From 1 to 30 days	25,554	(229)	25,325
From 31 to 90 days	124,771	(3,568)	121,203
More than 90 days	15,411	(15,411)	-
Receivables from healthcare operations not related to the Operator's healthcare plans	**261,624**	**(19,284)**	**242,340**

	Consolidated		
	December 31, 2019		
	Balance	Impairment of receivables	Net balance
Current:			
From 1 to 30 days	39,738	(2,063)	37,675
More than 30 days	84,656	(10)	84,646
Past due:			
From 1 to 30 days	35,492	(17)	35,475
From 31 to 90 days	113,810	(204)	113,606
More than 90 days	5,866	(5,866)	-
Receivables from healthcare operations not related to the Operator's healthcare plans	**279,562**	**(8,160)**	**271,402**

(In thousands of reais, unless otherwise stated)

Changes in trade receivables:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	**221,367**	**178,671**
Balance acquired	65,387	21,473
Net considerations	10,424,104	7,741,757
Amounts received	(10,210,560)	(7,656,031)
Reversal (recognition) of impairment of receivables	(10,601)	16,010
(-) Loss on receivables	(94,274)	(80,513)
Balance at the end of the year	**395,423**	**221,367**

Changes in receivables for health care transactions not related to the Operator's health plans

	Consolidated December 31, 2020	Consolidated December 31, 2019
Balance at the beginning of the year	**271,402**	**153,651**
Balance acquired	14,811	16,672
Revenue from healthcare operations not related to the Operator's healthcare plans	638,460	670,912
Co-participation	183,618	141,622
Amounts received	(851,709)	(699,204)
Provision for expected disallowances	(8,025)	(9,509)
Reversal (recognition) of impairment of receivables	(4,631)	(1,901)
(-) Loss on receivables	(1,586)	(841)
Balance at the end of the year	**242,340**	**271,402**

Changes in expected credit losses

			Consolidated
	Healthcare plans	**Not related to healthcare plan**	**Total**
Balance at December 31, 2019	**(36,804)**	**(8,160)**	**(44,964)**
Balance acquired	(7,080)	(3,965)	(11,045)
Reclassification	2,528	(2,528)	-
Amounts recognized	(489,647)	(139,150)	(628,797)
Reversals[1]	479,155	134,519	613,674
Balance at December 31, 2020	**(51,848)**	**(19,284)**	**(71,132)**

10. Deferred acquisition costs

Acquisition costs are deferred and amortized over the contract term or expectation according to Actuarial Note (NTA) and are reflected in the balance of "Deferred acquisition costs" in current and noncurrent assets. At December 31, 2020 and 2019, deferred acquisition costs comprise the following:

(In thousands of reais, unless otherwise stated)

	Consolidated	
		December 31,
	2020	2019
Balance at the beginning of the year	**364,833**	**256,310**
Balance acquired	-	5,013
Amounts recognized	402,802	334,561
(-) Amortization	(294,068)	(231,051)
Balance at the end of the year	**473,567**	**364,833**
Current assets	244,009	186,085
Noncurrent assets	229,558	178,748

11. Tax and social security credits

Tax and social security credits comprise the following:

	Consolidated	
		December 31,
	2020	2019
Income tax	66,531	59,116
Social contribution on profit (CSLL)	14,255	12,241
Withholding income tax	23,745	23,860
Social security credit	878	17,740
PIS and COFINS credits	7,835	7,288
ISS credit	386	784
Tax and social security credits	**113,630**	**121,029**

12. Other assets

	Parent		Consolidated	
		December 31,		December 31,
	2020	2019	2020	2019
Judicial deposit ISS – SP (a)	-	-	376,929	258,215
Advances to suppliers	129	43	40,676	19,830
Other receivables	1,705	1,388	11,671	13,466
Advances to employees	-	-	12,640	12,615
Advances for payment of lawsuits	-	-	10,587	10,073
Prepaid expenses	347	438	654	787
Software maintenance to be amortized (d)	-	-	5,115	8,176
Current	**2,181**	**1,869**	**458,272**	**323,162**
Receivables - indemnities (b)	-	-	620,124	511,687
Trade receivables from healthcare plans	-	-	7,822	7,127
Collateral deposits	-	-	838	2,595
Indemnity assets (c)	-	-	74,045	76,714
Court-frozen deposits	1	-	7,249	5,570
Derivatives - NDF receivable	-	-	4,133	-
Others	10,551	-	12,043	7,350
Noncurrent	**10,552**	**-**	**726,254**	**611,043**
	12,733	**1,869**	**1,184,526**	**934,205**

(In thousands of reais, unless otherwise stated)

a) These refer to judicial deposits related to Service Tax (ISS). The deposited amount is related to the provision shown in note 18. As the deposit is made on the tax maturity date, i.e., in the month subsequent to the provision, there is a mismatch between the judicial deposit and the provision.

b) Under the share purchase and sale agreement and other covenants, it has been defined that all contingencies relating to periods prior to the execution of the agreement would be the responsibility of the former shareholders and, consequently, these amounts would be reimbursed or deducted from the portion withheld payable.

c) According to a private instrument for the purchase and sale of shares and other covenants, signed between the former members of the Green Line Group and the Notre Dame Intermédica Group, which in certain circumstances guarantee, as long as they are liable to indemnify, any obligations that may occur. The corresponding entry was recognized in liabilities in the provision for lawsuits line item, as per note 24.

d) The Company has made payments for data services effective for 12 months, which will be recognized in profit or loss over the appropriate period.

13. Income tax and social contribution

	Consolidated				
		December 31,	Changes in the	Recognized in	Acquisitions of
	2020	2019	period	the statement of	subsidiaries
Deferred tax assets on temporary differences arising from:					
Provision for lawsuits (civil, tax and labor)	163,524	173,789	(10,265)	(21,577)	11,312
Impairment of receivables	47,687	34,493	13,194	9,220	3,974
Provision for SUS events	131,388	78,694	52,694	35,474	17,220
Tax credit on difference - initial adoption leases CPC 6 (R2) / IFRS16	11,986	6,587	5,399	4,153	1,246
Provision for ANS penalties	6,220	3,945	2,275	298	1,977
Other additions	25,842	14,904	10,938	3,613	7,325
Deferred tax assets	**386,647**	**312,412**	**74,235**	**31,181**	**43,054**
Deferred tax liabilities on temporary differences arising from:					
Depreciation and amortization	(21,408)	(7,752)	(13,656)	(13,656)	-
Amortization of intangible assets for tax purposes - NDI Par	(82,996)	(104,315)	21,319	21,319	-
Inflation adjustment of judicial deposits	(34,167)	(27,358)	(6,809)	(6,809)	-
Amortization of intangible assets for tax purposes	(2,168)	(2,175)	7	7	-
Deferred tax liabilities on goodwill arising from acquisition	(40,798)	(41,485)	687	687	-
Deferred tax liabilities on goodwill arising from merger	(157,032)	(65,871)	(91,161)	(91,161)	-
Others	(24,742)	(13,846)	(10,896)	(968)	(9,928)
Deferred tax liabilities	**(363,311)**	**(262,802)**	**(100,509)**	**(90,581)**	**(9,928)**
Total net deferred tax (assets and liabilities)	**23,336**	**49,610**	**(26,274)**	**(59,400)**	**33,126**

[1] Acquisitions of subsidiaries – the amount of R$ 43,054 refers to deferred tax assets of the Clinipam Group, Hospital do Coração de Camboriú, São Lucas Group, Ecole and Santa Mônica Group (balance acquired) in the amount of R$ 39,523 and adjustments of companies acquired in 2019 from the Ghelfond Group and São José dos Lírios Group in the amount of R$ 3,531.

Deferred taxes arising from temporary differences will be realized as they are settled or realized in a period not exceeding 10 years. The period of settlement or realization of such differences is uncertain and is related to several factors that are not under Management's control. Based on its projections of future taxable profits, Management's expectation for the realization of tax credits is as follows:

(In thousands of reais, unless otherwise stated)

											Consolidated
2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
-	35,271	35,271	35,271	35,271	38,818	41,349	41,349	41,349	41,349	41,349	386,647
											386,647

At December 31, 2020, the Company's subsidiaries amortized, for tax purposes, goodwill amounting to R$ 1,574,161, using tax credits of R$ 535,817 as from the setup, in conformity with a technical study, business plan and management's projections.

The income tax expense for the period is as follows:

	Parent		Consolidated	
	December 31,		December 31,	
	2020	2019	2020	2019
Profit before taxes	**736,188**	**423,583**	**1,245,167**	**719,177**
Tax rate of 34%	**(250,304)**	**(144,018)**	**(423,357)**	**(244,520)**
Share of profit (loss) of subsidiaries	272,686	174,469	-	-
Variable compensation of management	-	-	(7,015)	(7,826)
Share-based payment plan	(16,572)	(15,051)	(16,572)	(15,051)
Present value adjustment - deferred purchase price	(5,007)	(15,266)	(5,007)	(15,266)
Tax losses of subsidiaries without recognition of deferred tax	(2,009)	(128)	(12,802)	(3,798)
Presumed profit adjustment	-	-	(7,190)	1,250
Non-deductible expenses	1,206	-	(1,408)	(14,138)
Other permanent exclusions (additions)	-	(6)	(36,071)	3,755
Income tax and social contribution expenses disclosed in the statement of profit or loss	**-**	**-**	**(509,422)**	**(295,594)**
Deferred income tax and social contribution expense	-	-	(59,400)	(27,451)
Current income tax and social contribution expense	-	-	(450,022)	(268,143)
At the effective rate	**0%**	**0%**	**41%**	**41%**

14. Judicial and tax related deposits

The Company and its subsidiaries' judicial deposits are as follows:

					Consolidated
	December 31, 2019	Balance acquired	Additions/write-offs deposits	Inflation adjustments	December 31, 2020
Tax	176,785	918	25,996	8,545	212,244
Labor	25,744	-	920	1,725	28,389
Regulatory / civil	55,037	1,299	8,179	2,077	66,592
Judicial deposits - SUS	235,848	30,477	197,501	10,982	474,808
	493,414	**32,694**	**232,596**	**23,329**	**782,033**

					Consolidated
	December 31, 2018	Balance acquired	Additions/write-offs deposits	Inflation adjustments	December 31, 2019
Tax	93,161	22	80,687	2,915	176,785
Labor	25,985	-	(1,607)	1,366	25,744
Regulatory / civil	55,165	2,354	(2,872)	390	55,037
Judicial deposits - SUS	91,132	577	138,692	5,447	235,848
	265,443	**2,953**	**214,900**	**10,118**	**493,414**

(In thousands of reais, unless otherwise stated)

Tax – as mentioned in note 24, the Company and its subsidiaries are parties to legal and administrative proceedings and, according to guidance provided by their legal advisors, made judicial deposits and await conclusion of the cases.

Labor – deposits made by the Company and its subsidiaries to cover contingencies (note 24) of a labor complaint nature, for pain and suffering, collective lawsuits and public regulatory/civil actions.

Regulatory/Civil – these correspond to judicial deposits relating to indemnity collection lawsuits, affirmative covenants, revision actions, petitions requesting that amounts payable could not be claimed and declaratory judgment actions. The regulatory/civil contingencies presented in note 24 refer to these deposits.

Judicial deposits – SUS – the subsidiaries are challenging in court the amounts charged by the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) as “SUS Refund”, addressed by article 32 of Law 9656/98. The subsidiaries assigned no risk prognosis since this refers to a guarantee for effective jurisdictional protection.

15. Investments – Company

a) Changes in investment in direct subsidiary BCBF Participações S.A. occurred as follows:

Balance at December 31, 2019	**6,698,598**
Share of profit (loss) of subsidiaries in the year	840,622
Amortization of the surplus from business combination	(41,384)
Result of premium on acquisition of equity interest	2,779
Total share of profit (loss) of subsidiaries for the year	**802,017**
Adjustment of premium on acquisition of equity interest	(2,779)
Capital increase	20,000
Balance at December 31, 2020	**7,517,836**

b) Main accounting information on direct subsidiary BCBF Participações S.A.:

	December 31	
	2020	**2019**
Assets	9,376,664	7,313,989
Liabilities	2,336,826	1,134,773
Equity	7,039,838	6,179,216
Profit for the year	840,622	555,736
% Equity interest	100%	100%

(In thousands of reais, unless otherwise stated)

16. Property, plant and equipment

	Useful life	Annual depreciation rate % p.a.	December 31, 2019	Balance acquired [1]	Acquisitions	Disposals	Transfers	Depreciation	Consolidated December 31, 2020
Land and buildings	25 to 50 years	2%	1,072,796	221,553	3,176	-	75,817	(25,989)	1,347,353
Vehicles	1 to 10 years	17%	639	1,218	-	(480)	(1)	(662)	714
Facilities	5 to 10 years	14%	4,926	1,603	81	(137)	2,013	(994)	7,492
Machinery and equipment	1 to 25 years	14%	256,693	73,722	45,977	(352)	2,036	(71,619)	306,457
Furniture and fixtures	1 to 15 years	10%	46,213	5,691	8,716	(247)	2,686	(6,071)	56,988
IT equipment	1 to 15 years	25%	26,344	2,663	2,236	-	6,952	(11,598)	26,597
PP&E in progress	-	-	179,598	35,158	100,210	(1,093)	(86,012)	(672)	227,189
Leasehold improvements	-	-	171,344	(3,844)	120,740	(7,352)	(21,533)	(14,724)	244,631
			1,758,553	**337,764**	**281,136**	**(9,661)**	**(18,042)**	**(132,329)**	**2,217,421**

	Useful life	Annual depreciation rate % p.a.	December 31, 2018	Balance acquired	Acquisitions	Disposals	Transfers	Depreciation	Consolidated December 31, 2019
Land and buildings	25 to 50 years	2%	551,560	426,332	80,900	(485)	32,459	(17,970)	1,072,796
Vehicles	1 to 10 years	17%	216	2,279	-	-	26	(1,882)	639
Facilities	5 to 10 years	14%	5,258	39	392	-	(72)	(691)	4,926
Machinery and equipment	1 to 25 years	14%	113,245	133,779	40,515	(1,129)	121	(29,838)	256,693
Furniture and fixtures	1 to 15 years	10%	30,656	7,778	11,062	(222)	172	(3,233)	46,213
IT equipment	5 to 15 years	25%	19,804	3,445	5,802	(1)	6,475	(9,181)	26,344
PP&E in progress	-	-	110,001	1,204	108,897	(2,504)	(33,121)	(4,879)	179,598
Leasehold improvements	-	-	100,226	12,954	85,465	(1,399)	(8,900)	(17,002)	171,344
			930,966	**587,810**	**333,033**	**(5,740)**	**(2,840)**	**(84,676)**	**1,758,553**

[1] According to CPC 15 (R1) – Business Combinations, companies may make adjustments in the allocations of balances acquired, measured at fair value during the 12-month period, upon presentation of a report issued by an independent firm. Of the total amount presented in “Balance acquired", the amount of R$ 3,001 refers to opening balance to acquisitions the group made in 2019, and the amount of R$ 334,763 refers to acquisitions in the period.

Property, plant and equipment items are subject to periodic analyses, at least annually, of the impairment of assets. As of December 31, 2020, there were no indications of impairment of property, plant and equipment items.

The amount of depreciation for the period is recognized in line items “Cost of services rendered” and “Operating expenses”, as mentioned in notes 28 and 29.a, respectively.

Management did not identify events or circumstances that would require modification in the estimates of economic useful life for the items presented in property, plant and equipment of the other group companies.

In the period, the Company and its subsidiaries acquired property, plant and equipment items at a total cost of R$ 281,136, of which R$ 212,933 were paid in the period and R$ 68,203 are provisioned under “Trade payables”.

(In thousands of reais, unless otherwise stated)

17. Right of use and leases

The Company has leases with the nature of lease of properties, IT equipment and fleet of vehicles, using the usual market clauses for cancelation and/or extension of contracts.

The restatement rates used to update the amounts under the terms of the contracts are generally indexed to the Consumer Price Index (IPC).

The Company calculated discount rates based on the risk-free interest rates observed in the Brazilian market, for the terms of its contracts, adjusted to the Company's reality. Spreads were obtained from surveys conducted with potential investors of the Company's debt securities. The table below shows the rates used by the Company:

Useful life	Rate % p.a.
Up to 2 years	7.24%
2 – 4 years	8.36%
4 – 6 years	8.82%
6 – 8 years	9.39%
8 – 10 years	9.53%
Over 10 years	9.67%

The leases contracted by the Company are presented below:

i. Right of use

				Consolidated
	Rentals	Machinery and equipment	Others	Total
Balance at December 31, 2019	**463,203**	**15,543**	**59**	**478,805**
Balance acquired	11,861	960	-	12,821
Contract updates	88,108	13,505	-	101,613
New contracts	13,302	-	-	13,302
Disposals	(54,507)	-	-	(54,507)
Depreciation	(55,044)	(4,516)	(23)	(59,583)
Balance at December 31, 2020	**466,923**	**25,492**	**36**	**492,451**

(In thousands of reais, unless otherwise stated)

ii. Leases

a. Changes in leases

	Consolidated
Balance at December 31, 2019	**497,876**
Balance acquired	13,691
Contract updates	101,613
New contracts	13,302
(+) Disposals	(58,151)
Interest	43,959
(-) Payment of principal	(40,600)
(-) Payment of interest	(43,959)
Balance at December 31, 2020	**527,731**
Current	38,376
Noncurrent	489,355

b. Maturity of contracts

	Consolidated	
	December 31,	
	2020	2019
2020	-	78,112
2021	88,927	79,338
2022	81,594	72,445
2023	73,474	67,165
2024	70,658	64,966
2025	66,682	-
More than 5 years	493,503	490,674
Undiscounted amounts	**874,838**	**852,700**
Embedded interest	(347,107)	(354,824)
	527,731	**497,876**

Additional information

In accordance with the IASB Basis for Conclusion 161 and 162, referring to CVM official letter 02/19 and IFRS 16/CPC 06 (R2), Management used the nominal incremental rate for the calculation of assets and liabilities within the scope of IFRS 16/CPC 06 (R2) which are disclosed in the Company's statement of financial position.

Management believes that the rate used reflects real cash flow and is in line with the characteristics of our contracts, as determined by item 27b of the CVM official letter.

To comply with the guidance of the official letter and required transparency, we present below the impacts on the statement of financial position, with the comparability of nominal interest x effective interest. For the calculation of the effective rate we used the index of our contracts, IGP-M for most of them, applied to the annual payment flow, obtained by the disclosure of Banco Bradesco projections for the indicators up to 2023, with repetition of the longest rate for the future flow starting from 5 years.

(In thousands of reais, unless otherwise stated)

	2020	**2019**
Nominal flow		
Lease liability	874,838	852,700
Embedded interest	(347,107)	(354,824)
	527,731	**497,876**
Real flow inflated		
Lease liability	907,602	901,509
Embedded interest	(360,106)	(375,134)
	547,496	**526,375**

a. CVM Ruling 859/2020

On July 7, 2020, the Securities and Exchange Commission of Brazil (CVM) approved Ruling 859, which establishes amendments to Accounting Pronouncement – CPC 06 (R2), and which is in line with the approval of the International Accounting Standards Board - IASB.

Due to the COVID-19 pandemic, lease agreements in which there were impacts of reduction or suspension of payments and which, under normal circumstances, would cause modifications in contracts, with changes in cash flows and review of discount rates, should be treated as variable payment.

In compliance with CVM Ruling, the Company analyzed and identified the agreements that correspond to the pronouncement, as they were directly affected by COVID-19 and, consequently, were subject to effects of reduction and/or suspension of payments, and the Company treated such agreements as variable payments; the effect on profit or loss amounted to R$ 4,634, recorded as reduction in rental expenses.

(In thousands of reais, unless otherwise stated)

18. Intangible assets

a. Changes in intangible assets

								Consolidated
	Useful life	December 31, 2019	Balance acquired [1]	Acquisitions	Disposals	Transfers	Amortization	December 31, 2020
Healthcare plan portfolio acquisition	Useful life (a)	311,795	272,957	-	(36)	138	(68,548)	516,306
Computer system	20% p.a.	19,986	1,407	2,284	-	17,349	(9,060)	31,966
Goodwill in business combinations	Indefinite (b)	2,703,967	2,765,801	-	(3,586)	20,621	(12,208)	5,474,595
Intangible assets		305,324	-	-	-	(19,548)	(62,100)	223,676
Other intangible assets	Indefinite (c)	601	-	-	-	(518)	(55)	28
		3,341,673	**3,040,165**	**2,284**	**(3,622)**	**18,042**	**(151,971)**	**6,246,571**
						-		

								Consolidated
	Useful life	December 31, 2018	Balance acquired	Acquisitions	Disposals	Transfers	Amortization	December 31, 2019
Healthcare plan portfolio acquisition	Useful life (a)	73,266	273,958	-	-	-	(35,429)	311,795
Computer system	20% p.a.	12,875	483	13,724	(14)	4,753	(11,835)	19,986
Goodwill in business combinations	Indefinite (b)	1,276,994	1,426,973	-	-	-	-	2,703,967
Intangible assets		374,067	-	-	(2,600)	(2,211)	(63,932)	305,324
Other intangible assets	Indefinite (c)	4,425	-	-	(4,057)	298	(65)	601
		1,741,627	**1,701,414**	**13,724**	**(6,671)**	**2,840**	**(111,261)**	**3,341,673**

[1] According to CPC 15 (R1) – Business Combinations, companies may make adjustments in the allocations of balances acquired, measured at fair value during the 12-month period, upon presentation of a report issued by an independent firm. Of the total amount presented in “Balance acquired", the amount of (R$ 53,774) refers to opening balance to acquisitions the group made in 2019, and the amount of R$ 3,084,636 refers to acquisitions in the period.

(In thousands of reais, unless otherwise stated)

(a) This refers to the acquisition of a dental and healthcare plan portfolio, as follows:

		Portfolio breakdown	
		December 31,	
Group/Company	Date	2020	2019
Notre Dame Group	May-21-14	375	397
Santamália Group	Nov-16-15	3,237	6,225
Hospital Family	Dec-23-15	-	1,929
Unimed ABC	Sep-23-16	13,442	15,512
Cruzeiro do Sul Group	Jan-31-18	13,692	15,403
SAMED Group	Oct-01-18	21,951	25,695
Green Line Group	Jan-01-19	126,981	139,552
Mediplan Group	May-29-19	49,268	55,181
Belo Dente	Jul-04-19	37,856	43,425
São José Group	Nov-18-19	5,394	8,476
São Lucas Group	Jan-23-20	100,291	-
Clinipam Group	Feb-07-20	105,425	-
Ecole	Apr-13-20	13,173	-
Grupo Santa Mônica	Aug-24-20	5,552	-
Lifeday	Dec-01-20	19,669	-
		516,306	**311,795**

The acquisition of the dental and healthcare plan portfolio has been amortized as shown in the table below:

Portfolio	Useful life
Dental plan	3 to 5 years
Health	2 to 13 years

(b) This refers to goodwill based on expected future profitability (business combination) with indefinite useful life and, whenever necessary, an impairment test of the cash-generating unit is performed.

(In thousands of reais, unless otherwise stated)

			Goodwill breakdown	
			December 31,	
Group/Company	CGU[1]	Date	2020	2019
Notre Dame Group	Health/Dental	May-21-14	480,133	480,133
Santamália Group	Health	Nov-16-15	125,405	125,405
Hospital Family	Health	Dec-23-15	77,149	77,149
Unimed ABC	Health	Sep-23-16	71,476	71,476
SAMCI/IBRAGE	Health	Mar-01-17	22,232	22,232
Hospital São Bernardo	Health	Feb-23-17	147,652	147,652
Nova Vida Group	Health	Jul-03-17	148,566	148,566
Cruzeiro do Sul Group	Health	Jan-31-18	56,190	56,190
SAMED Group	Health	Oct-01-18	173,928	173,928
Green Line Group	Health	Jan-01-19	802,484	812,501
Mediplan Group	Health	May-29-19	223,217	256,716
Hospital Jacarepaguá	Health	Apr-05-19	54,223	61,378
Belo Dente	Dental	Jul-04-19	21,379	22,709
Ghelfond Group	Health	Nov-28-19	161,698	154,165
São José Group	Health	Nov-18-19	90,652	93,767
São Lucas Group	Health	Jan-23-20	204,458	-
Clinipam Group	Health South	Feb-07-20	2,325,208	-
Ecole	Health	Apr-13-20	35,521	-
LabClin	Health	Apr-13-20	4,472	-
Hospital Camboriú	Health	May-20-20	35,761	-
Grupo Santa Mônica	Health	Aug-24-20	115,539	-
Hospital Santa Brigida	Health	Oct-25-20	28,554	-
Lifeday	Health	Dec-01-20	68,698	-
			5,474,595	**2,703,967**

1 – CGU - Cash-Generating Unit

(c) This refers to the allocation of identifiable intangible assets on the acquisition of companies (customer relationship, trademarks and non-compete agreement) to be amortized as shown below:

Intangible assets	Useful life
Trademarks	30 years
Customer relationship	3 to 8 years
Non-compete agreement	5 years

The amount of amortization for the period is recognized in line items “Cost of services rendered” and “Operating income (expenses)”, as mentioned in notes 28 and 29.a, respectively.

b. Impairment of assets

Goodwill paid for expected future profitability and intangible assets with indefinite useful lives

The Company and its subsidiaries conducted an impairment testing of the cash-generating units (CGUs) derived from the goodwill arising on business combination. In 2019, the Company’s operations were basically limited to the Southeast region, and the CGUs matched their operating segments (note 33). In 2020, due to the constant acquisitions made and the increase in participation in other regions, Management started to monitor, control and make decisions about its Health activity in a regionalized manner. Therefore, in the Health operating segment (note 33), the Company started to monitor the CGUs defined as Health Southeast and Health South and, in the case of the Dental operating segment (note 33), the Company continued monitoring the Dental CGU that, in this case, matches its own operating segment.

(In thousands of reais, unless otherwise stated)

See below the carrying amount of the goodwill allocated to each of the cash-generating units:

	2020	2019
Southeast Health	3,001,843	2,556,423
South Health	2,325,208	-
Dental plan	147,544	147,544
	5,474,595	**2,703,967**

The impairment testing at December 31, 2020 and 2019 takes into consideration, among other factors, the relationship between the value in use and the carrying amount when performing the review to identify indication of impairment.

At December 31, 2020, the value in use, according to a report issued by an independent firm hired by the Company and its subsidiaries, exceeds the carrying amount, indicating that there is no evidence of impairment of goodwill. In addition, the Company has been proceeding with the organic growth and new acquisitions.

Cash-generating unit from health activity

The impairment of the cash-generating unit of the health activity, divided into Health Southeast and Health South, was determined using the discounted cash flow method at present value.

For the year ended December 31, 2020, base date was September 30, 2020, with projection of ten years. Following is the average growth of net revenue the profit for the year for each regional unit:

	December 31			
	2020		2019	
	Average growth		Average growth	
CGU	**Net Revenue**	**Profit**	**Net Revenue**	**Profit**
Health Southeast	11.50%	13.70%	10.39%	11.51%
Health South	13.50%	15.80%	-	-

The pre-tax discount rate was 18.38% at December 31, 2020 (18.46% at December 31, 2019), and the cash flow for the period extrapolating five years considers a growth rate of 6.00% p.a., taking into account the long-term inflation outlook of 4.10%, plus 1.90% referring to the growth of revenues in the last projected period. As a result of the impairment analysis, an excess over the carrying amount was identified and, therefore, it is not necessary to recognize the impairment of this cash-generating unit.

As the base date for the impairment test was September 30, 2020, the companies acquired after this date were evaluated by their Purchase Price Allocation and no evidence of impairment was identified.

(In thousands of reais, unless otherwise stated)

Cash-generating unit from dental care activity

The impairment of the cash-generating unit of the dental activity was determined using the discounted cash flow method at present value.

For the year ended December 31, 2020, base date was September 30, 2020, with projection of ten years, considering a growth of 8.20% p.a. of net revenue and 4.50% p.a. of profit for the year (11.25% p.a. and 6.17% p.a. at December 31, 2019, respectively). The pre-tax discount rate was 19.54% at December 31, 2020 (19.96% at December 31, 2019), and the cash flow for the period extrapolating ten years considers a growth rate of 4.10% p.a. As a result of the impairment analysis, an excess over the carrying amount was identified and, therefore, it is not necessary to recognize the impairment of this cash-generating unit.

Main assumptions used in the calculation of value in use and sensitivity

The calculation of the value in use for both health and dental activities is more sensitive to the following assumptions:

• Gross margins

Gross margins are based on Company’s historical data. The gross margins for the cash-generating units of the health and dental activities were on average 32.73% and 68.20%, respectively. The margin for both activities has a moderate increase in the first four years after which there is a stabilization until the end of the projection.

• Discount rates

Discount rates represent the risk assessment in the current market, specific to each cash-generating unit, taking into account the time value of money and the individual risks of the related assets which were not included in the assumptions of the cash flow model. The supplementary health sector is mostly financed by equity, therefore, the cost of equity, calculated by the CAPM (weighted average cost of capital), was adopted as the discount rate.

Estimates for the calculation of the CAPM are obtained based on published indexes for the countries as well as indicators of the USA market practice.

• Macroeconomic indicators

The Company has considered the IGP-M, Cost Variation Index in Healthcare (IVCMH) and the CDI to prepare its indicators, as presented below:

Index	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IGP-M	5,12%	3,88%	4,10%	4,10%	4,10%	4,10%	4,10%	4,10%	4,10%	4,10%	4,10%
CDI[1]	2,15%	2,15%	4,54%	5,15%	5,15%	5,15%	5,15%	5,15%	5,15%	5,15%	5,15%
IVCMH[2]	8,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%

[1] Rates estimated by the Company’s management.

(In thousands of reais, unless otherwise stated)

• Growth rates used to extrapolate cash flows beyond the explicit five-year period

Management acknowledges that the growth rates used have considered, in addition to organic growth, the verticalization strategy in the Company's business plan.

19. Taxes and social charges payable

	Consolidated	
	December 31,	
	2020	2019
Service Tax (ISS)	392,279	271,381
Social security contribution	12,022	10,025
FGTS (Unemployment Compensation Fund)	5,194	4,387
Taxes on revenue (PIS and COFINS)	22,766	19,259
Union dues and social assistance contributions	120	750
Payment in installments of taxes and contributions	15,347	11,465
Others	3,330	2,066
Taxes payable	**451,058**	**319,333**
Income tax - employees	13,614	13,631
Income tax - third parties	7,392	5,623
Service tax	4,876	3,810
Withheld social security contribution	6,585	3,390
Withholding PIS/COFINS/CSLL	19,316	14,570
Taxes withheld payable	**51,783**	**41,024**
Current	**502,841**	**360,357**
Payment in installments of taxes, fines and fees - federal	44,961	32,393
Payment in installments of taxes, fines and fees - municip.	680	738
Payment in installments of taxes, fines and fees - others	16,728	28,903
Noncurrent	**62,369**	**62,034**
	565,210	**422,391**

20. Loans and financing

At December 31, 2020, main loan and financing agreements were as follows:

(In thousands of reais, unless otherwise stated)

						Consolidated	
						December 31,	
						2020	2019
Credit facility	**Financial institution**	**Index**	**Maturity**	**Amortization**	**Interest % p.a.**	**Amount**	**Amount**
BNDES	Banco Itaú	TLP	2020	Monthly	13.76%	-	31
BNDES	Banco Santander	TLP	2020	Monthly	13.76%	18	138
BNDES	Bradesco	TLP	2023	Monthly	6.42%	1,029	1,398
Working capital	Banco Itaú	CDI + 2.4% p.a.	2020 - 2024	Annual	12.92%	279,166	27,381
Working capital	Banco Itau	Prefixed	2024	Monthly	11.09%	3,088	-
Working capital	Banco Santander	CDI	2021 - 2023	Monthly	11.71%	4,055	10,011
Working capital	Banco Santander	Prefixed	2021	Monthly	11.71%	2,245	-
Working capital	Bradesco	CDI	2021 - 2023	Monthly	15.00%	4,956	6,367
Working capital	Bradesco	Prefixed	2024	Monthly	11.22%	4,461	-
Working capital	Citibank	85% CDI+1.995% p.a.	2020	Semiannual	2.17%	-	202,295
Working capital	Banco do Brasil	CDI + 2.3% p.a.	2020 - 2025	Monthly	2.70%	298,619	-
Working capital	Citibank	CDI + 2.6% p.a.	2020 - 2023	Annual	12.92%	260,230	-
Working capital	Caixa Economica Federal	Prefixed	2025	Annual	9.64%	2,000	-
Leasing	Banco de Lage	Prefixed	2020 - 2020	Monthly	12.28%	-	168
Leasing	Banco do Brasil	CDI	2023	Monthly	2.67%	574	804
Leasing	Banco Itaú	CDI	2020	Monthly	7.01%	-	50
Leasing	Banco Santander	CDI	2020 - 2023	Monthly	9.14%	1,689	1,202
Leasing	Bradesco	CDI	2020 - 2022	Monthly	15.94%	521	1,137
Leasing	HP Financial	CDI	2022	Monthly	14.10%	101	150
Promissory notes	Bradesco	CDI	2020 - 2022	Annual	6.00%	278,677	-
Coop.Credito	Uniprime	CDI+1.4% p.a.	2025	Monthly	9.66%	2076	-
Coop.Credito	Uniprime	Prefixed	2025	Monthly	13.00%	476	-
Others		CDI				24,759	4,710
						1,168,740	**255,842**
					Circulante	225,077	220,683
					Não circulante	943,663	35,159

The Company understands that the carrying amounts of loans and financing approximate their fair values and are classified as level 2.

We present the changes at December 31, 2020:

	Consolidated	
	December 31,	
	2020	2019
Balance at the beginning of the year	**255,842**	**279,245**
Balance acquired	48,061	65,206
Loans and financing	1,182,000	29,851
Transaction cost	(7,821)	-
Recognition of costs	1,698	-
Repayment	(324,826)	(122,600)
Interest paid	(24,447)	(14,257)
Present value adjustment	22	191
Interest	38,211	18,206
Balance at the end of the year	**1,168,740**	**255,842**

21. Debentures

At December 31, 2020 and 2019, the balance in the statement of financial position is as follows:

(In thousands of reais, unless otherwise stated)

								Consolidated	
								December 31,	
Company	**Security**	**Type**	**Number**	**Issue**	**Maturity**	**Average charges**	**Loans and finar**	**2020**	**2019**
BCBF PARTICIPAÇÕES S.A.	BCBF12)	2nd issue d)	300,000	23/02/2018	02/23/2021	CDI + 2.25% p.a.	300,000	60,801	184,182
BCBF PARTICIPAÇÕES S.A.	BCBF13)	3rd issue c)	900	10/01/2019	01/10/2023	CDI + 1.75% p.a.	900,000	-	921,509
BCBF PARTICIPAÇÕES S.A.	BCBF14)	4th issue a)	750,000	22/09/2020	09/22/2025	CDI + +2.65% p.a.	750,000	752,837	-
BCBF PARTICIPAÇÕES S.A.	BCBF15)	5 th issue a)	700,000	04/11/2020	11/04/2025	CDI + +2.65% p.a.	700,000	697,639	-
NOTREDAME INTERMEDICA SAÚDE S.A.	NDMI13)	3rd issue b)	800,000	01/08/2019	08/01/2024	100% CDI + 1.6% p.a.	800,000	808,386	816,406
								2,319,663	**1,922,097**
							Current	81,091	169,560
							Noncurrent	2,238,572	1,752,537

a) **Fifth public issue of BCBF Participações S.A.**

BCBF Participações S.A. (direct subsidiary of the Company) raised, on November 4, 2020, the amount of seven hundred million reais (R$ 700,000), by issuing seven hundred thousand (700) non-convertible debentures, with par value of R$ 1,000.00 and restricted placement efforts, based on CVM Instruction 476/2009, with the objective of reinforcing cash in the ordinary course of business, provided that the funds may also be allocated to capital contribution to its subsidiaries.

The total period of issue is 5 years from the date of issue and principal will be amortized annually as from the 3rd (third) year, on November 4, 2023, November 4, 2024, and on the maturity date on November 4, 2025.

Remuneration will be paid biannually, with the first payment on Tuesday, May 4, 2021 and on the maturity date on Tuesday, November 4, 2025. The inflation adjustment corresponds to a surcharge of CDI (accumulated variation of average rates of CDI) + spread of 2.65% p.a., on a 252 business days basis, calculated and disclosed daily by CETIP.

On November 26, 2020, in compliance with the provisions of section 12 of CVM Instruction No. 358/02, the Company informed its shareholders and the market in general that its subsidiary BCBF Participações S.A. successfully concluded its issue of debentures.

b) **Fourth public issue of BCBF Participações S.A.**

BCBF Participações S.A. (Company’s direct subsidiary) issued, on September 22, 2020, the amount of R$ 750,000 through 750 nonconvertible debentures at a par value of R$ 1,000, with restricted placement efforts, based on CVM Ruling 476/2009, with purposes of cash reinforcement in the normal course of business, and the resources may also be allocated to capital increases in subsidiaries.

The total period of issue is 5 years from the date of issue and principal will be amortized annually as from the 3rd year on September 22, 2023, September 22, 2024 and on the maturity date on September 22, 2025.

Remuneration will be paid biannually, with the first payment on March 22, 2021 and on the maturity date on September 22, 2025. The inflation adjustment corresponds to a surcharge of CDI (accumulated variation of average rates of CDI) + spread of 2.65% p.a., on a 252 business days basis, calculated and disclosed daily by B3.

At September 30, 2020, in compliance with the provisions of section 12 of Ruling 358/02 from the Securities and Exchange Commission of Brazil (CVM), the Company informed its shareholders and the market in general that its subsidiary BCBF Participações S.A. successfully concluded its issue of debentures.

c) **Third public issue of Notre Dame Intermédica Saúde S.A.**

Notre Dame Intermédica Saúde S.A. (BCBF's subsidiary) issued on August 1, 2019 the amount of R$ 800,000 through 800 nonconvertible debentures at a par value of R$ 1,000, with restricted placement efforts, based on CVM Ruling 476/2009, in order to restructure the Company's indebtedness profile, acquire companies, purchase new equipment, and improve working capital.

The total period of issue is 5 years from the date of issue, and remuneration will be paid in 3 annual installments, with the first payment in the 3rd year from the date of issue. As such, the first payment will be on August 1, 2022 and the last one on August 1, 2024. The inflation adjustment corresponds to a surcharge of CDI (accumulated variation of average rates of CDI) + spread of 1.60% p.a., on a 252 business days basis, calculated and disclosed daily by B3.

d) **Third public issue of BCBF Participações S.A.**

BCBF Participações S.A. (Company's direct subsidiary) issued, on January 10, 2019, the amount of R$ 900,000 through 900 nonconvertible debentures at a par value of R$ 1,000, with restricted placement efforts, based on CVM Ruling 476/2009; in order to restructure the Company's indebtedness profile, acquire companies, purchase new equipment, and improve working capital.

The total period of issue is 4 years from the date of issue and remuneration will be paid in 4 installments, with the first payment in the 30th (thirtieth) month counted from the date of issue, the first payment will be on July 10, 2021 and the last one on January 10, 2023. The inflation adjustment corresponds to a surcharge of CDI (accumulated variation of average rates of CDI) + spread of 1.75% p.a., on a 252 business days basis, calculated and disclosed daily by B3.

On January 10, 2020, in compliance with the provisions of Law 6,404/1976 and CVM Ruling 358/2002 from the Securities and Exchange Commission of Brazil (CVM), the Company informs its shareholders and the market in general that at this date its subsidiary BCBF Participações S.A. carried out the total early redemption of the third issue of simple, nonconvertible, unsecured debentures, with additional personal guarantee.

The total redemption amount was approximately R$ 932,000, comprising the total balance of the unit face value of the total debentures of this issue plus the corresponding remuneration until this date.

e) **Second public issue of BCBF Participações S.A.**

BCBF Participações S.A. (Company's direct subsidiary) issued, on February 23, 2018, the amount of R$ 300,000, through 300 nonconvertible debentures at a par value of R$ 1,000, with restricted placement efforts, in order to restructure the Company's indebtedness profile.

The total period of issue is 3 years from the date of issue, and remuneration will be paid biannually, with the first payment on August 23, 2018 and the last one on February 23,

(In thousands of reais, unless otherwise stated)

2021. The inflation adjustment corresponds to a surcharge of CDI (accumulated variation of average rates of CDI) + spread of 2.25% p.a., on a 252 business days basis, calculated and disclosed daily by B3.

Changes in debentures are as follows:

	BCBF	Intermédica	Consolidated
Balance at December 31, 2019	**1,105,691**	**816,406**	**1,922,097**
Raising for debenture issue	1,450,000	-	1,450,000
Funding Cost	(12,037)	-	(12,037)
Interest accrued	19,321	34,914	54,235
Recognition of costs	10,730	885	11,615
Repayment	(1,020,000)	-	(1,020,000)
Interest paid	(42,428)	(43,819)	(86,247)
Balance at December 31, 2020	**1,511,277**	**808,386**	**2,319,663**

The balance of debentures will be amortized as follows:

	Consolidated			
				December 31,
Year	Current	Noncurrent	2020	2019
12 months	81,091	-	81,091	169,560
13 to 24 months	-	-	-	281,767
25 to 36 months	-	743,779	743,779	713,512
37 to 48 months	-	988,338	988,338	490,933
49 to 60 months	-	506,455	506,455	266,325
	81,091	**2,238,572**	**2,319,663**	**1,922,097**

The Company understands that debentures are recorded at amounts that approximate their fair value and classified as level 2.

Covenants

Notre Dame Intermédica Saúde S.A. and BCBF Participações S.A. have covenants that may require early maturity or refinancing of debts if the Companies do not comply with these covenants.

Minimum and maximum indices and amounts required by these covenants at December 31, 2020 are as follows:

4th issue BCBF Participações S.A.

The relationship between net debt and adjusted EBITDA of the Company must be equal to or less than 3.0 during the term of the agreement and adjusted according to the contract clause. The Company is compliant with the covenants.

3rd issue Notre Dame Intermédica Saúde S.A.

The relationship between net debt and adjusted EBITDA of the Company must be equal to or less than 2.5 during the term of the agreement and adjusted according to the contract clause. The Company is compliant with the covenants.

(In thousands of reais, unless otherwise stated)

2nd issue BCBF Participações S.A.

The relationship between net debt and adjusted EBITDA of the Company must be equal to or less than 3.0 during the term of the agreement and adjusted according to the contract clause. The Company is compliant with the covenants.

Guarantees

BCBF Participações and Notre Dame Intermédica Saúde S.A. have sufficient funds to honor contractual commitments.

As collateral, the Original Guarantor gives bond in favor of the Debenture holders pursuant to the terms of the Debenture issue agreement.

Early redemption

The issue of the Notre Dame Intermédica Group may be redeemed in advance at the Company's discretion, as from the date specified in the issue agreement, upon a written communication to the Trustee and publication of a notice to the debenture holders.

22. Technical reserves of healthcare operations

		Consolidated	
		December 31,	
	Reference	2020	2019
Provision for events / unsettled claims reserve to be paid to SUS	a.	725,935	510,486
Provision for events / unsettled claims reserve to be paid to other service providers	b.	467,953	380,855
Incurred but not reported reserve (IBNR)	c.(i).	372,663	287,464
Unearned premiums / compensation reserve (UPCR)	c.(ii).	138,824	108,309
Reserve for waiver	c.(iii).	2,861	1,127
		1,708,236	**1,288,241**
	Current	1,176,699	945,405
	Noncurrent	531,537	342,836

a) Unsettled claims reserve to be paid to SUS

On June 3, 1998, the Federal Government enacted Law 9656, which provides, in its article 32, for the reimbursement to SUS of the expenses incurred on the service of healthcare plan users when using the public network. The Company's subsidiaries challenge the collection at the administrative and judicial levels due to various irregularities that impair its effectiveness, among which the lack of regulation on infra-constitutional matters. For these proceedings, subsidiary Notre Dame Intermédica Saúde S.A. makes judicial deposits to guarantee the alleged debt, as described in note 14.

(In thousands of reais, unless otherwise stated)

		December 31,
	2020	2019
Balance at the beginning of the year	**510,486**	**164,755**
Balance acquired	67,808	75,019
Notices received from SUS	68,877	56,535
SUS Events Recovery	88,776	199,335
Inflation adjustment	27,562	25,662
(-) Payments made	(37,574)	(10,820)
Balance at the end of the year	**725,935**	**510,486**

b) The unsettled claims reserve is as follows:

		Consolidated
		December 31,
	2020	2019
Balance at the beginning of the year	**380,855**	**330,524**
Balance acquired	87,719	48,029
Notices received from the accredited network, net of disallowance	7,473,654	6,080,278
Expense with own network classified in events	(2,146,149)	(1,738,896)
Payments made to accredited network	(5,328,126)	(4,339,080)
Balance at the end of the year	**467,953**	**380,855**

c) Changes in technical reserves:

	IBNR (i)	UPCR (ii)	Waiver (iii)
Balance at December 31, 2019	**287,464**	**108,309**	**1,127**
Balance acquired[1]	49,611	16,461	441
Changes in reserves for the year	35,588	14,054	1,293
Balance at December 31, 2020	**372,663**	**138,824**	**2,861**

[1] According to CPC 15 (R1) – Business Combinations, companies may make adjustments in the allocations of balances acquired, measured at fair value during the 12-month period, upon presentation of a report issued by an independent firm. Of the total presented in “Balance acquired", the amount of R$ 2,882 refers to the acquisitions made in 2019 of the São José operator, and the amount of R$ 63,631 refers to acquisitions in the period.

(i) Incurred but not reported reserve (IBNR), classified in current liabilities, is determined through an actuarial study (Actuarial Note) and aims to cover the estimated amount of payments of events that have already been incurred but not reported to the Operators.

(ii) Unearned Premiums/Consideration Reserve (UPCR), classified in current liabilities, are revenues related to coverage periods of subsequent months.

(iii) Reserve for remission, classified in current and noncurrent liabilities, are reserves to cover the exemption from consideration by beneficiaries, according to the agreement.

(In thousands of reais, unless otherwise stated)

23. Other liabilities

	Parent		Consolidated	
	December 31,		December 31,	
	2020	2019	2020	2019
Contractual obligations (a)		320,468	35,143	29,153
Third party deposits	-	-	21,790	27,355
Advances from customers	-	-	14,609	15,969
Other payables (c)	-	-	14,100	8,902
Advance for bank partnership	-	-	3,200	3,000
Rent payable	-	-	13,622	2,418
Supplemental Health Fee (b)	-	-	7,338	10,219
Payables for healthcare operations not related to healthcare plans	-	-	51,574	31,999
Total current	**-**	**320,468**	**161,376**	**129,015**
Contractual obligations (a)	391,769	-	802,618	454,779
Provisions for employee benefit plans	-	-	21,892	2,808
Advance for bank partnership	-	-	3,599	6,250
Supplemental Health Fee (b)	-	-	29,268	53,974
Others	-	-	28,102	18,470
Total noncurrent	**391,769**	**-**	**885,479**	**536,281**
	391,769	**320,468**	**1,046,855**	**665,296**

(a) Contractual obligations

These refer to contractual obligations on the acquisitions of companies, net of interest (PV adjustment), and related-party transactions with its subsidiaries, as shown below:

	Index	Maturity	Parent		Consolidated	
			December 31,		December 31,	
			2020	2019	2020	2019
Notre Dame Intermédica	-	05/23/2020	391,769	320,468	-	-
Family Hospital	CDI	05/01/2021	-	-	15,941	14,964
SAMCI	CDI	12/27/2021	-	-	11,939	11,208
Hospital Nova Vida	CDI	07/08/2022	-	-	23,055	21,643
Unimed ABC	-	09/22/2022	-	-	22,037	29,153
Hospital SBC	CDI	02/23/2023	-	-	28,717	30,966
Cruzeiro do Sul Group	95 % of CDI	02/22/2024	-	-	22,385	20,997
SAMED Group	CDI	01/25/2025	-	-	52,504	52,091
Green Line Group	CDI	01/01/2025	-	-	214,279	202,279
Hospital Intermédica Jacarepaguá	IPCA	04/05/2025	-	-	11,240	10,514
Mediplan Group	90 % of CDI	05/25/2025	-	-	36,575	34,472
Belo Dente	95 % of CDI	07/04/2025	-	-	12,299	13,935
Ghelfond Participações	105 % of CDI	11/28/2024	-	-	9,439	8,935
Ecoimagem	CDI	01/01/2025	-	-	10,184	11,356
São José Group	CDI	11/18/2025	-	-	22,800	21,419
Clinipam Group	CDI	02/07/2026	-	-	152,650	-
São Lucas Group	100% SELIC	01/26/2026	-	-	47,390	-
Ecole	CDI	04/13/2026	-	-	9,893	-
Hospital Camboriú	CDI	04/20/2026	-	-	11,930	-
Grupo Santa Mônica	CDI	08/24/2026	-	-	94,294	-
Hospital Santa Brigida	CDI	10/23/2026	-	-	10,846	-
Lifeday	CDI	12/01/2026	-	-	17,364	-
			391,769	**320,468**	**837,761**	**483,932**

(b) The balance recorded in this line item refers to the supplementary health rate paid quarterly related to the acquiree Green Line Sistema de Saúde S.A., according to RN 89/2005, where the number of beneficiaries is calculated according to the age bracket, of which R$ 28,428 are subject to installment payment with ANS and R$ 5,491 are under discussion.

(c) Refers to advances for judicial deposits of responsibility of the beneficiaries to be made by the company.

(In thousands of reais, unless otherwise stated)

(d) The balance refers to obligations with health service providers and medical teams. At December 31, 2020, the increase was mainly impacted by the acquisition of companies São Lucas Saúde, Clínica São Lucas and Hospital e Maternidade Santa Mônica.

24. Provision for lawsuits

In the ordinary course of their business, the Company and its subsidiaries are exposed to certain contingencies and risks. This provision is set up at estimated costs to resolve for ongoing labor, regulatory/civil and tax proceedings based on the opinion of the Company and its subsidiaries' legal advisors and considers lawsuits rated as a probable loss, i.e. above 50% of likelihood of an unfavorable outcome.

For which the likelihood of loss is assessed as probable, and, also, regardless of the prognosis of loss, all lawsuits that result in an obligation originated by law, as presented below:

						Consolidated
	December 31, 2019	Balance acquired	Provision/(reversal)	Payments	Inflation adjustment	December 31, 2020
Tax	412,897	9,374	(48,535)	-	(2,843)	370,893
Labor	212,334	3,032	16,347	(22,064)	16,259	225,908
Regulatory / civil	262,387	28,151	(13,650)	(38,619)	35,460	273,729
	887,618	**40,557**	**(45,838)**	**(60,683)**	**48,876**	**870,530**

						Consolidated
	December 31, 2018	Balance acquired	Provision/(reversal)	Payments	Inflation adjustment	December 31, 2019
Tax	130,137	285,768	(5,495)	-	2,487	412,897
Labor	160,518	29,100	32,847	(20,873)	10,742	212,334
Regulatory / civil	133,536	95,073	55,974	(38,608)	16,412	262,387
	424,191	**409,941**	**83,326**	**(59,481)**	**29,641**	**887,618**

Provision for lawsuits regarding:

Tax

- Subsidiary Notre Dame Intermédica Saúde challenges in court the ISS (city of São Paulo) levied on its billing from November 2001 to December 2002. The lower court awarded a favorable decision on this claim. In view of the decision accepting the appeal filed by the São Paulo city administration, motions to annul have been filed and await a decision.

- Subsidiary Notre Dame Intermédica Saúde argues in court against the right of ISS levied on the difference between the amounts received in the Health Plan activity and the ones transferred to third parties that provided the service. A final and unappealable decision favorable to the Company was handed down, determining the conversion into income of the amounts paid through judicial deposit. Considering the final decision on the lawsuit, the City started the internal procedures for payment of the determined amount.

- Subsidiary Notre Dame Intermédica Saúde challenges in court the ISS levied by the Campinas city administration on business conducted in that city, as well as the constitutionality of item 4.23 of the List of Services annexed to Supplementary Law 116/2003 and Municipal Law 11829.

- Subsidiary Notre Dame Intermédica Saúde is challenging in court an unjustified collection of tax debts referring to ISS tax credit for 2005. The court suspended the tax debt collection and the Company's subsidiary is awaiting a decision on the motions.

- Subsidiary Notre Dame Intermédica Saúde is challenging in court the application of FAP (an index applied to calculate the occupational accident insurance owed by employers) on the expected Occupational Accident Insurance (SAT)/Occupational Environmental Risk (RAT) contribution rate, and the Authority that jointly filed the lawsuit was requested to refrain from taking any actions in connection with the collection of amounts that are allegedly payable by virtue of this index, such as denying to renew the tax clearance certificate. Furthermore, the Petitioner's credit right recognition is required.

- Subsidiary Notre Dame Intermédica Saúde is challenging in court the tax notice related to differences in FGTS (Unemployment Compensation Fund) amounts paid, based on the assumption that an alleged employment relationship with third parties (legal entities) exists.

<u>Labor</u>

- The Company is involved in labor lawsuits in which the recognition of employment relationship and labor-related and/or termination amounts are discussed.

<u>Regulatory/Civil</u>

- The subsidiaries of the Notre Dame Intermédica Group are involved in lawsuits filed by beneficiaries of the Healthcare Plan who seek to obtain contractual coverage for hospitalizations, medical treatment, and release of surgeries in disagreement with the contractual conditions or the regulations of the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) that regulate the matter. In general, they are related to: grace period, procedures not foreseen in the List of Mandatory Coverage of the ANS or in disagreement with the Guidelines of Utilization - DUT, aesthetical procedures, geographic coverage, hospitalization outside the accredited network, etc.

- The subsidiaries of the Notre Dame Intermédica Group are involved in lawsuits filed by beneficiaries of the Healthcare Plan that discuss the amounts of the adjustments applied under the contracts. These lawsuits seek the declaration of nullity of the adjustment clause of the contracts that are regulated by ANS or require the application of an index different from the one stipulated in the contract.

- The subsidiaries of the Notre Dame Intermédica Group are involved in lawsuits filed by beneficiaries of the Healthcare Plan who seek the Notre Dame individual maintenance of the terminated beneficiary in the collective corporate contract. The plaintiffs seek to remain in the plan even not fulfilling the conditions of articles 30 and 31 of Law 9656/98, that is, to remain in the plan for a period longer than that established by law or the transfer to individual plan with the maintenance of the amount charged under the collective plan.

- The subsidiaries of the Notre Dame Intermédica Group are involved in lawsuits filed that seek to remain in the healthcare plan contracts that were terminated by the subsidiaries of the Notre Dame Intermédica Group due to default, commercial disagreement, end of effective period, etc. The plaintiffs seek to annul the clause that authorizes the rescission for maintenance of the contractual relationship.

(In thousands of reais, unless otherwise stated)

- The subsidiaries of the Notre Dame Intermédica Group are involved in lawsuits filed by beneficiaries of the Healthcare Plan that seek the recognition of the alleged poor medical and/dental practice by the Company's authorized professionals in the procedures provided to the beneficiaries, attributing them joint liability in the claims for indemnity for property damages, pain and suffering and/or aesthetical errors.

At December 31, 2020, the Company and its subsidiaries are involved in other regulatory/civil, labor and tax lawsuits in the total claimed amount of R$ 2,657,414 (R$ 1,278,067 at December 31, 2019), which, according to their legal counselor, present a possible likelihood of loss and, for this reason, were not provided for.

	Consolidado	
	31 de dezembro de	
	2020	**2019**
Tax	1,940,800	784,215
Labor	233,764	140,891
Regulatory / civil	482,850	352,961
	2,657,414	**1,278,067**

The main regulatory/civil, labor and tax lawsuits classified with a possible likelihood of loss are presented below:

<u>Tax</u>

- The subsidiaries of the Notre Dame Intermédica Group are plaintiffs in a lawsuit requesting urgency against the Federal Government (National Treasury) in the declaration of inexistence of tax relationship between the Plaintiffs and the Defendant regarding the requirements, due to options plans, of social security contributions on payroll and other contributions of third parties (Education Allowance, INCRA, SESC, SENAC and Sebrae).

- The subsidiaries of the Notre Dame Intermédica Group are involved in lawsuits challenging in court the tax assessment notice related to differences in FGTS (Unemployment Compensation Fund) amounts paid, based on the assumption that an alleged employment relationship with third parties (legal entities) exists.

- The subsidiaries of the Notre Dame Intermédica Group are involved in an administrative proceeding challenging the improper collection of the disallowance of the social security amount stated in the GFIP (Unemployment Compensation Fund Payment and Social Security Information Form) in the period from May 2012 to February 2017.

- The subsidiaries of the Notre Dame Intermédica Group are involved in an administrative proceeding arising from tax assessment notices for improper collection of Corporate Income Tax ("IRPJ") and Social Contribution on Net Income ("CSLL") for calendar year 2013.

Labor and Regulatory/Civil

- In general terms, the nature of these proceedings is the same as those detailed above. The Company has a monitoring system for all administrative and judicial proceedings in which it appears as "plaintiff" or "defendant" and, supported by the opinion of its legal counselors, classifies the lawsuits according to the likelihood of loss. Analyses on the tendency of the judicial decisions are performed periodically and, if necessary, the Company reclassifies the risks of such proceedings.

Currently a significant part of the regulatory/civil, labor and tax lawsuits are derived from the acquired companies where the Company has the right to offset any losses against future installments of the purchase price.

(In thousands of reais, unless otherwise stated)

25. Deferred purchase price

As per the debt acknowledgment agreement dated October 31, 2014, the Company assumed Bain Capital Brazil's obligation to pay the deferred purchase price portion of R$ 220,207 maturing on June 20, 2020. Since the amounts of the withheld portion may be used to settle any contingencies that may arise and, considering the existence of administrative and judicial proceedings still in progress, the amounts remain withheld, as shown below:

	December 31, 2018	Lawsuits adjustment	Inflation adjustment	December 31, 2019	Lawsuits adjustment	Inflation adjustment	December 31, 2020
Original amount of acquisition	254,240	-	-	254,240	-	-	254,240
Accrued interest according to contract (10% p.a.)	142,939	-	40,296	183,235	-	16,639	199,874
Original amount - adjusted	**397,179**	**-**	**40,296**	**437,475**	**-**	**16,639**	**454,114**
Interest to be accrued according to contract - (10% p.a.)	56,976	-	(40,296)	16,680	-	(16,639)	41
(-) Present value adjustment (CDI + 2.75%)	(59,604)	-	44,900	(14,704)	-	14,704	-
Original amount - present value	**394,551**	**-**	**44,900**	**439,451**	**-**	**14,704**	**454,155**
Provision for lawsuits (a)	(171,778)	(148,692)	-	(320,470)	(60,747)	-	(381,217)
Balance of deferred purchase price portion	**222,773**	**(148,692)**	**44,900**	**118,981**	**(60,747)**	**14,704**	**72,938**

(a) Contingencies to be reimbursed, in accordance with the contractual clauses set out in the share purchase and sale agreement and other covenants.

On June 19, 2020, the Company notified the sellers of the amounts subject to deduction with the portion withheld and reclassified the line item "Deferred purchase price" from Current to Noncurrent, as it understands that the agreement will not be terminated before the 12-month period. On August 21, 2020, the sellers filed a proceeding with the International Arbitration Committee of the International Chamber of Commerce (ICC) requesting payment of the deferred purchase price portions. In the Company's opinion, the total amount of losses incurred and outstanding contingencies under the responsibility of the sellers exceed the amount of portions withheld and, supported by its legal advisors, it will maintain the amounts retained.

26. Equity

a) Capital

At December 31, 2020, the Company's subscribed and paid-up capital amounted to R$ 5,646,453, comprising 609,787,507 registered common shares without par value (at December 31, 2019, the Company's subscribed and paid-up capital amounted to R$ 5,526,232, comprising 603,693,182 registered common shares without par value).

On September 11, 2020, through a minutes to Board of Directors' meeting, the Company approved a capital increase of R$ 120,221, due to the exercise of stock options under the Company's Stock Option Plan, through subscription of 6,094,325 new common shares, divided into 5 (five) groups, all registered, book-entry type and without par value:

Group I – 205,399 common shares, each with a par value R$ 2.146178
Group II – 1,052,669 common shares, each with a par value R$ 6.631690
Group III – 740,838 common shares, each with a par value R$ 9.271490
Group IV – 1,650,039 common shares, each with a par value R$ 16.50
Group V – 26,666 common shares, each with a par value R$ 23.94
Group IV – 2,367,881 common shares, each with a par value of R$ 32.25
Group IV – 50,833 common shares, each with a par value of R$ 33.50

Shareholding at December 31, 2020 is as follows: (i) Alkes II holds 11.29% of shares, represented by 68,818,754 common shares, (ii) management holds 3.49% of shares, represented by 21,302,637 common shares, and the (iii) other shareholders hold 85.22% of shares, represented by 519,666,116 common shares.

b) Transaction cost

Transaction costs, borne by the Company, incurred in the funding through the public offering of shares totaled R$ 113,913 at December 31, 2019 and were recognized as a capital reduction, in a separate account in equity, in accordance with CVM Ruling 649/10 and CPC 08 (R1).

c) Income reserves

(i) Legal reserve - mandatory, with the allocation of 5% of net profit for the year, less accumulated losses, until it reaches 20% of capital.

(ii) Statutory reserve – in accordance with the current Bylaws, the Company, after the allocation of the legal reserve, will allocate to the investment reserve, which summed up with the other profit reserves will not exceed the subscribed capital. The purpose of this reserve is to ensure funds to finance additional investments of fixed and working capital and the expansion of the Company's activities, irrespective of whether or not they are covered by the capital budget, duly approved by meeting.

(In thousands of reais, unless otherwise stated)

d) **Repurchase of shares**

From January 14 to 24, 2020, the Company, through its subsidiary Hospital Intermédica Jacarepaguá Ltda. (Jacarepaguá) purchased 3,365,870 Parent Company shares in the amount of R$ 245,122.

On February 7, 2020, Jacarepaguá assigned 3,365,870 shares as part of the payment for the acquisition of the Clinipam Group. The Company's commitment was to deliver a fixed amount in shares. The share price used for closing was R$72.00 and the transaction amount was R$ 242,343.

The variation between the purchase price on the repurchase and the transfer of shares was R$ 2,779 presented in line item “premium on the sale of equity interest”.

e) **Dividends paid and proposed**

The shareholders are guaranteed a mandatory minimum dividend corresponding to 25% of profit for the year adjusted as required by Company's bylaws. At December 31, 2020 and 2019, the Company paid dividends amounting to R$ 174,845 and R$ 100,601, respectively, and the amount corresponding to the prior year was paid on August 25, 2020, totaling R$ 100,569, the remaining balance of R$ 32 is available to shareholders. The proposal for allocation of profit for 2020 and 2019 includes:

		Consolidated
	December 31, 2020	**December 31, 2019**
Profit for the year	736,188	423,583
Proposal for allocation of profit for the year:	**(736,188)**	**(423,583)**
Legal reserve (limited to 20% of the capital)	(36,809)	(21,179)
Mandatory dividends (bylaws paragraph 29.III)	(174,845)	(100,601)
Retained earnings (bylaws paragraph 29.IV)	(524,534)	(301,803)
	-	-

27. Net operating revenue

		Consolidated
		December 31,
	2020	**2019**
Effective considerations of healthcare plan operations	10,424,104	7,962,196
Medical-hospital services	638,394	740,008
Other services rendered	66	986
(-) Expected disallowance loss of medical-hospital services	(8,025)	(9,509)
Changes in technical reserves of Operator’s healthcare plan operations	(1,293)	(230)
Revenues from services rendered	**11,053,246**	**8,693,451**
(-) Direct taxes on Operator's healthcare plan operations	(313,841)	(220,439)
(-) Direct taxes on medical-hospital services	(66,137)	(60,527)
(-) Direct taxes on other services rendered	-	(46)
Tax on services rendered	**(379,978)**	**(281,012)**
Net revenues from services rendered	**10,673,268**	**8,412,439**

(In thousands of reais, unless otherwise stated)

28. Cost of services rendered

	Consolidated	
	December 31,	
	2020	2019
Cost of services rendered[1]	(7,473,654)	(6,080,278)
(-) Co-participation	183,617	141,622
SUS	(68,877)	(56,535)
Depreciation and amortization	(122,452)	(53,980)
Depreciation of right of use	(45,939)	(35,218)
Changes in the Incurred But Not Reported Reserve (IBNR)	(35,354)	(20,078)
	(7,562,659)	**(6,104,467)**

[1] Refers to cost of events known and claims reported and costs not related to the Operator's healthcare plan.

29. Operating income (expenses)

a. Administrative expenses

	Parent		Consolidated	
	December 31,		December 31,	
	2020	2019	2020	2019
Personnel	(1,758)	(1,248)	(471,827)	(374,844)
Third-party services	(3,676)	(3,221)	(236,516)	(206,544)
Location and operation	(460)	(323)	(69,302)	(82,624)
Taxes	(182)	(563)	(9,378)	(10,328)
Publicity and advertising	(414)	(379)	(18,648)	(16,676)
Provision for contingencies	-	-	(29,786)	(33,618)
Depreciation and amortization	-	-	(161,848)	(141,957)
Charges, fees, fines and interest	(1,171)	(131)	(4,831)	(10,138)
Share-based payment plan	(48,741)	(44,267)	(48,741)	(44,267)
Depreciation of right of use	-	-	(13,644)	(14,568)
Others	-	(8)	(4,703)	(7,964)
	(56,402)	**(50,140)**	**(1,069,224)**	**(943,528)**

b. Selling expenses

	Consolidated	
	December 31,	
	2020	2019
Compensation - own personnel	(8,262)	(10,313)
Recognition of deferred selling expenses	(294,068)	(231,051)
Commissions and selling	(251,023)	(182,381)
	(553,353)	**(423,745)**

(In thousands of reais, unless otherwise stated)

c. Impairment of receivables

	Consolidated	
	December 31,	
	2020	2019
Recognition of impairment on receivables	(15,232)	14,109
Write-off of effective losses of plan related credits in the period	(94,274)	(80,513)
Other losses related and not related to the plan	(1,586)	(841)
	(111,092)	**(67,245)**

30. Finance income (costs)

	Parent		Consolidated	
	December 31,		December 31,	
	2020	2019	2020	2019
Financial investments income[1]	2,095	4,013	70,996	86,775
Interest received	-	241	35,024	25,716
Monetary restatement gain	3,595	1,320	23,360	13,314
Other income	-	-	6,880	14,210
Derivative financial instruments - NDF - Non-Deliverable Forwar	-	-	6,973	-
Fair value adjustment	-	-	394	991
Foreign exchange gains	-	-	524	725
Discounts obtained	-	2	3,335	4,788
Present value adjustment	-	-	-	18,091
	5,690	**5,576**	**147,486**	**164,610**
Interest on debentures	-	-	(54,235)	(122,375)
Finance costs debentures	-	-	(11,615)	(4,548)
Infation adjustment loss	-	-	(61,552)	(53,212)
Fines and interest	(113)	-	(3,396)	(22,632)
Foreign exchange losses	-	-	(997)	(68)
Bank fees	(3)	(70)	(19,725)	(12,716)
Fair value adjustment	-	-	-	(474)
Discounts granted	-	-	(6,827)	(6,741)
Interest on loans and financing	-	-	(38,211)	(18,206)
Present value adjustment	-	-	(15,671)	(9,874)
Present value adjustment - deferred portion[2]	(14,704)	(44,900)	(14,704)	(44,900)
Interest on lease	-	-	(43,959)	(38,622)
Borrowing costs	-	-	(1,698)	(16,155)
Derivative financial instruments - NDF - Non-Deliverable Forwar	-	-	(2,840)	-
Other expenses	(297)	(26)	(8,093)	(1,634)
	(15,117)	**(44,996)**	**(283,523)**	**(352,157)**
Finance income (costs), net	**(9,427)**	**(39,420)**	**(136,037)**	**(187,547)**

[1] The amount of R$ 2,095 in the parent company and R$ 13,664 in the consolidated refers to short-term investments income with a corresponding entry in cash and cash equivalents, and R$ 57,332 refers to financial investments presented in note 8.
[2] This balance refers to the finance cost arising from the inflation adjustment of the deferred purchase price portion (see note 25).

31. Share-based payment plan

1st Share-based payment plan

On October 16, 2014, the Special General Meeting ("SGM") approved the creation and regulation of the first Stock Option Plan of the Company, currently Notre Dame Intermédica

Participações S.A. (Stock Option Plan). It also approved the creation of the Company's authorized capital of 99,185,196 new common shares which, with the reverse split of common shares approved at the SGM held on March 27, 2018, are equivalent to 46,214,801 new common shares (a factor of 2.14617813 for each common share). Therefore, the Board of Directors was authorized to increase Company's capital regardless of amendments to bylaws, limited to authorized capital to cover the granting of the Plan, pursuant to paragraph 8 of Article 5 of the Company's Bylaws.

The Company granted 45,345,999 stock options, considering the reverse split mentioned, for the first Stock Option Program, which is distributed in Time-Vesting (representing 50% of shares granted) and Performance-Vesting (representing 50% of options granted). The beneficiary must comply with time-vesting of services for 3 to 5 years, depending on the grant agreement, and performance-vesting (representing 50% of options granted), as well as a liquidity event such as IPO in April 2018, to exercise the options. After compliance with vesting conditions, the exercise of the options could occur from the date of each anniversary of the grant.

On December 27, 2018, most participants exercised vested options and the Company, as authorized by Article 5, paragraph 8, of Company's Bylaws, increased capital within the limit of the authorized capital, in the amount of R$ 75,809, through the subscription of new common shares, all registered, book-entry and with no par value, totaling 28,502,586 shares.

At December 31, 2020, all beneficiaries had exercised their options.

2nd Share-based payment plan

On February 20, 2018, the Company's shareholders, gathered in a SGM approved the Company's Second Stock Option Plan, intended to grant share call options to directors, board members, employees, consultants and individual advisors, current and future, of the Company or its subsidiaries that are chosen at the sole discretion of the Board of Directors. The Second Stock Option Plan establishes the limit of 11,498,002 options (5,357,431, considering reverse split of 2.14617813 for each common shares as approved at the SGM held on March 27, 2018) representing a total maximum dilution of 1.15% to the Company's shareholders, considering the Company's total capital at December 31, 2017.

As of April 20, 2018, the Company entered into a grant agreement with the Second Plan Participants for a total of 4,988,581 stock options at the price of the Initial Public Offering.

The options under the Second Option Plan may be exercised according to the criteria established by the Company's Board of Directors based on the time (time-vesting) up to 3 years and performance (vesting per performance) stipulated in the Grant Agreements.

At December 31, 2020, all beneficiaries had exercised their options.

3rd Share-based payment plan

On March 28, 2019, the Company's shareholders, gathered in an Annual General Meeting (AGM) approved the Company's Third Stock Option Plan, intended to grant stock options to directors, board members, employees, consultants and individual advisors, current and future, of the Company or its subsidiaries that are chosen at the sole discretion of the Board of Directors. The Company entered into a grant agreement with the Third Plan Participants for a total of 7,334,301 stock options, distributed into Time-Vesting (50% of granted shares) and

Performance-Vesting (50% of granted options). The beneficiary shall comply with the time-vesting of 3 to 5 years of time of service, depending on the grant contract, and with the performance-vesting (representing 50% of granted options).

On October 2, 2019, most of the participants exercised the stock options that were vested, and the Company (I) in accordance with the provisions of the Company's Bylaws, in its Article 5, paragraph 8, increased the capital, within the limit of authorized capital, in the amount of R$ 55,308, through the subscription of common shares, all of them registered, book-entry and with no par value, totaling 9,909,392 shares.

<u>3rd Share-based payment plan Amended – 2020</u>

On March 25, 2020, the Company's shareholders, gathered in an AGM amended the Company's Third Stock Option Plan, intended to grant stock options to directors, board members, employees, consultants and individual advisors, current and future, of the Company or its subsidiaries that are chosen at the sole discretion of the Board of Directors.

Each option of the Third Stock Option Plan will grant the right to acquire one share issued by the Company. The Third Stock Option Plan provides the global limit of 12,000,000 shares issued by the Company.

On April 2, 2020, Management granted 4,360,000 new stock options to the executives selected under the program, of which 118,000 stock options were cancelled and 4,242,000 are still valid. In accordance with Technical Pronouncement CPC 10 (R1), the Company engaged independent consultants to prepare this Report on fair value estimate of the Company's stock options at the above-mentioned grant date, aiming at providing assistance to Management in the accounting recognition of options, using the binominal pricing model. Stock options have annual vesting, with 50% depending on the passage of time and 50% depending on the achievement of certain performance metrics over the next 3 years.

<u>Restricted Stock Units payment plan</u>

On December 15, 2017, through the First Amendment to the Restricted Stock Option, the Company established the immediate settlement of all the Restricted Stock Units (anticipating the vesting of the remaining 2/3 (two thirds), and changed the method of payment of the benefit by settling all Restricted Stock Units in cash (instead of the delivery of common shares of the Company's issue, as originally established in the Restricted Stock Unit Agreement). Consequently, the Company considered that all the 4,659,445 Restricted Stock Units were vested and the Executive was paid the amount of R$ 43,200, from the capital reserve, equivalent to the amount of 4,659,445 of Restricted Stock Units vested, which corresponded to 4,659,445 of common shares issued by the Company at the price per share of R$ 9.27.

Concurrently with the settlement in cash, the Executive subscribed for and paid up capital at the Company in an amount equivalent to the settlement of the shares – R$ 43,200, through the issue of 4,659,445 common shares. The parties entered into a contract that granted the Company the right to repurchase part of these subscribed and paid-up shares, in the proportion equivalent to 2/3 of the Restricted Stock Units that were vested in advance at the moment of the advance and settlement in cash of the Restricted Stock Units originally granted to the executive. This call option varies over time, from 2/3 (two thirds) to zero, following the same period (vesting period) that was originally described in the Restricted Stock Unit Agreement signed by and between the Company and the Executive. Consequently, the Executive cannot sell any of the shares that were not fully vested at the moment of the advance and immediate settlement of all the Restricted Stock Units.

Changes in grants and stock options plan of the shares are as follows:

	Time-vesting			Performance-vesting			Share-based payment plan Total		
	Number of shares	Fair value per share (R$)	Shares value	Number of shares	Fair value per share (R$)	Shares value	Number of shares	Shares value	Cost
Tranche 1	-					-	**-**	**-**	**41,864**
Tranche 2	-					-	**-**	**-**	**1,971**
Tranche 3	64	2.3100	148	-	-	-	**64**	**148**	**7,601**
Tranche 4	856	6.8600	5,872	856	6.8600	5,872	**1,712**	**11,744**	**29,510**
Tranche 5	2,399	7.0800	16,985	2,399	7.0800	16,985	**4,798**	**33,970**	**48,577**
Tranche 6	2,121	10.9359	23,195	2,121	10.9359	23,195	**4,242**	**46,390**	**19,781**
	5,440		**46,200**	**5,376**		**46,052**	**10,816**	**92,252**	**149,304**

Changes in shares of the plan (shares and amounts in thousands) are as follows:

	Number of shares	Shares value	Cost
Balance at December 31, 2018	**15,578**	**72,104**	**56,296**
New grants	7,334	51,414	-
Options exercised	(10,176)	(44,628)	-
Cost in the year	-	-	44,267
Balance at December 31, 2019	**12,736**	**78,890**	**100,563**
New grants	4,360	46,390	-
Options exercised	(6,280)	(33,028)	-
Cost in the year	-	-	48,741
Balance at December 31, 2020	**10,816**	**92,252**	**149,304**

At December 31, 2020, the recorded amount of R$ 48,741 (R$ 44,267 at December 31, 2019) refers to the transaction cost incurred as a result of the Share-based Payment plan.

32. Earnings per share

Basic earnings per share are calculated by dividing profit for the years ended December 31, 2020 and 2019 attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are calculated by dividing profit for the year attributable to common shareholders by the weighted average number of common shares available in the period plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive common shares.

(In thousands of reais, unless otherwise stated)

a) Basic earnings per share

		Parent		Consolidated
		December 31,		30 de setembro de
	2020	2019	2020	2019
Profit for the year	**736,188**	**423,583**	**735,745**	**423,583**
Number of outstanding shares (-) Treasury shares	609,479	603,385	609,479	603,385
Earnings per share	**1.2079**	**0.7020**	**1.2072**	**0.7020**
Weighted average number of shares during the year	605,099	534,686	605,099	534,686
Basic earnings per share	**1.2166**	**0.7922**	**1.2159**	**0.7922**

b) Diluted earnings per share

		Parent		Consolidated
		December 31,		30 de setembro de
	2020	2019	2020	2019
Weighted average number of shares during the year	605,099	534,686	605,099	534,686
Increase in the number of shares under the share-based payment plan, if all options granted are exercised.	14,043	18,879	14,043	18,879
Weighted average number of shares during plans - diluted	619,142	553,565	619,142	553,565
Diluted earnings per share	**1.1890**	**0.7652**	**1.1883**	**0.7652**

(In thousands of reais, unless otherwise stated)

33. Operating segments

The Company and its subsidiaries, for the purpose of calculating the recoverable value of assets, divided their activities into CGU Health (which comprises Health Southeast and Health South) and CGU Dentalcare, according to Note 18b). The following table shows the statement of profit or loss per Health and Dental care segments:

								December 31
				2020				**2019**
	Health	**Dental**	**Other segments**	**Consolidated**	**Health**	**Dental**	**Other segments**	**Consolidated**
Net operating revenue	10,372,504	300,764	-	10,673,268	8,152,223	260,216	-	8,412,439
Cost of services rendered	(7,486,739)	(75,920)	-	(7,562,659)	(6,020,443)	(84,024)	-	(6,104,467)
Gross profit	**2,885,765**	**224,844**	-	**3,110,609**	**2,131,780**	**176,192**	-	**2,307,972**
Administrative expenses	(951,101)	(59,118)	(59,005)	(1,069,224)	(834,194)	(57,363)	(51,971)	(943,528)
Selling expenses	(532,119)	(21,234)	-	(553,353)	(408,830)	(14,915)	-	(423,745)
Impairment of receivables	(104,625)	(6,467)	-	(111,092)	(69,471)	2,226	-	(67,245)
Other income and expenses, net	4,125	441	(302)	4,264	35,859	(38)	(2,551)	33,270
Profit (loss) before finance income (costs) and taxes	**1,302,045**	**138,466**	**(59,307)**	**1,381,204**	**855,144**	**106,102**	**(54,522)**	**906,724**
Finance income (costs)	(123,998)	89	(12,128)	(136,037)	(127,300)	705	(60,952)	(187,547)
Profit (loss) before taxes	**1,178,047**	**138,555**	**(71,435)**	**1,245,167**	**727,844**	**106,807**	**(115,474)**	**719,177**
Income tax and social contribution	(514,743)	6,545	(1,224)	(509,422)	(288,159)	(7,435)	-	(295,594)
Profit (loss) for the year	**663,304**	**145,100**	**(72,659)**	**735,745**	**439,685**	**99,372**	**(115,474)**	**423,583**

Amounts allocated to other segments in line item “Administrative expenses” refer basically to the recognition of stock option plan expenses.

(In thousands of reais, unless otherwise stated)

						December 31
			2020			2019
	Health	**Dental**	**Consolidated**	**Health**	**Dental**	**Consolidated**
Known or reported events	(7,393,560)	(80,094)	(7,473,654)	(5,992,427)	(87,851)	(6,080,278)
(-) Co-participation	180,283	3,334	183,617	137,535	4,087	141,622
SUS	(68,877)	-	(68,877)	(56,535)	-	(56,535)
Depreciation and amortization	(122,452)	-	(122,452)	(53,980)	-	(53,980)
Depreciation of right of use	(45,939)	-	(45,939)	(35,218)	-	(35,218)
Changes in the Incurred But Not Reported Reserve (IBNR)	(36,194)	840	(35,354)	(19,818)	(260)	(20,078)
	(7,486,739)	**(75,920)**	**(7,562,659)**	**(6,020,443)**	**(84,024)**	**(6,104,467)**

34. Related parties

Parent company

On March 22, 2014, Bain Capital Brazil Participações S.A. (company merged into Intermédica, Interodonto and Notre Dame in November 2014) entered into a share purchase and sale agreement and other covenants with the sellers of Holdings PSBB2 and PSBB3 (companies merged into Bain Capital Brazil Participações S.A. in September 2014) and its subsidiaries Intermédica, Interodonto and Notre Dame Seguradora. As provided for in the agreement, the sellers undertake to indemnify the buyer Notre Dame Intermédica Participações S.A. for the contingencies incurred and disbursed that were not reflected in the initial transaction.

The Company signed a private instrument of transfer of indemnity with Notre Dame Intermédica, undertaking to indemnify Notre Dame Intermédica for disbursements arising from lawsuits that are the responsibility of the Company. The indemnity shall be paid within 6 years and 30 days from the date the share purchase and sale agreement and other covenants was signed. The amount recorded in line item "Other current liabilities" on December 31, 2020 was R$ 391,769 (R$ 320,468 on December 31, 2019).

On December 30, 2020, the Company received as reimbursement the amount of R $ 6,191 from Bain Capital, referring to expenses incurred in the primary and secondary offering process of the Company's shares.

The Company has stock option plans. On December 31, 2020, expenses related to key management personnel recognized in profit or loss amounted to R$ 48,741 (R$ 44,267 on December 31, 2019).

Consolidated

The compensation of the subsidiaries' key management personnel, comprising employees with authority and responsibility for planning, directing and controlling the activities, comprises compensation and short-term bonuses, and the amount recorded on December 31, 2020 was R$ 71,527 (R$ 63,526 on December 31, 2019).

The variable compensation through stock options is not included in the global compensation approved in the meeting.

(In thousands of reais, unless otherwise stated)

35. Commitments

The Company has real estate lease, consultancy and maintenance agreements that do not have requirements to be accounted for on the accrual basis until they become effective; in addition, these agreements are not included in the requirements of IFRS 16.

	Consolidated	
		December 31,
	2020	2019
Up to one year	114,305	110,171
More than one year and less than five years	457,195	436,207
More than five years	114,298	108,684
	685,798	**655,062**

36. Insurance coverage

The subsidiaries' policy regarding insurance takes into consideration primarily the concentration of risks and their materiality. Insurance is taken out at amounts deemed sufficient by management, considering the nature of the Company's activities.

Items	Type of coverage	Insured amount
Buildings, facilities, machinery, furniture, fixtures and inventories	Fire (including due to riots, strikes and lock-out) Thunderbolts. Explosion of any kind and falling aircrafts, electrical damage, equipment leased and assigned to third parties, RD, mobile and fixed equipment, fall of glass, fixed expenses (6 months), losses/rent payments (6 months), qualified theft/robbery of goods, windstorm, impact of vehicles up to smoke, collapse, electronic equipment, portable objects (national territory), theft of medicines.	366,757
D&O	Civil liability - officers, managers and directors	1,985,557
Civil liability	Civil liability - operations	38,049
Vehicle fleet	Comprehensive, property damage, bodily injury, mobile equipment	100% % FIPE table per vehicle
Employees	Group life insurance	Variable according to salary range and maximum limit R$ 48,132
Guarantee insurance	Insurance on contracts with customers	R$ 270,181

37. Additional information

<u>Intention to purchase and sell Bio Saúde Serviços Médicos Ltda.</u>

On August 12, 2020, continuing its expansion plan, the Company through its subsidiary Notre Dame Intermédica Saúde S.A., entered into a share purchase and sale agreement and other covenants in the amount of R$ 79,000 for the acquisition of Bio Saúde Serviços Médicos Ltda., a healthcare operator based in the state of São Paulo, mainly in the city of São Paulo.

On September 17, 2020, the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) approved the acquisition of Bio Saúde Serviços Médicos Ltda., through Official Letter nº 92/2020/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE.

The completion of the transaction is subject to compliance with certain contractual conditions and approvals of the Brazilian Antitrust Authority (CADE).

Intention to purchase and sell Medisanitas Brasil Group shares

On August 25, 2020, continuing its expansion plan, the Company through its subsidiary Notre Dame Intermédica Saúde S.A., entered into a share purchase and sale agreement and other covenants in the amount of R$ 1,000,000 for the acquisition of Medisanitas Brasil Group, comprised by companies: OSI Brasil Participações Ltda., OSI Investimentos Brasil Ltda., Medisanitas Brasil Assistência Integral à Saúde S.A., Com Vc Drogaria Ltda., Minas Saúde Investimentos e Participações Ltda., Serviços Operativos Sanitas Ltda., Centro Oftalmológico Keralty Ltda., Centro Clínico Keralty Venda Nova Ltda., Centro Médico Keralty Ltda. and Hospital Keralty Ltda. Medisanitas Brasil Group concentrates the Brazilian operations of the Colombian corporate group Keralty (specialists in integrated health care with operations in Brazil, Venezuela, Colombia, Peru, Mexico, United States, Europe, Indonesia and the Philippines. Since its entrance in Brazil in 2011, Keralty has been consolidating in an outstanding position in the domestic supplementary health care (especially in the state of Minas Gerais).

On December 4, 2020, the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) approved the acquisition Medisanitas Brasil Group, through Official Letter nº 137/2020/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE.

The completion of the transaction is subject to compliance with certain contractual conditions and approvals of the Brazilian Antitrust Authority (CADE).

Intention to purchase and sell Serpram Group shares

On October 26, 2020, in furtherance of its expansion plan, the Company, through its subsidiary Notre Dame Intermédica Saúde S.A., entered into a share purchase and sale agreement and other covenants in the amount of R$ 170,000 for the acquisition of the Serpram Group, which comprises two hospitals, IMESA - Instituto de Medicina Especializada Alfenas S.A. and Hospital Varginha S.A., and a healthcare operator, Serpram - Serviço de Prestação de Assistência Médico - Hospitalar S.A., with operations in the state of Minas Gerais.

On December 4, 2020, the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) approved the acquisition Medisanitas Brasil Group, through Official Letter nº 137/2020/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE.

The completion of the transaction is subject to compliance with certain contractual conditions and approvals of the Brazilian Antitrust Authority (CADE).

Intention to purchase and sell Serpram Group shares.

On October 26, 2020, in furtherance of its expansion plan, the Company, through its subsidiary Notre Dame Intermédica Saúde S.A., entered into a share purchase and sale agreement and other covenants in the amount of R$ 170,000 for the acquisition of the Serpram Group, which comprises two hospitals, IMESA - Instituto de Medicina Especializada Alfenas S.A. and Hospital Varginha S.A., and a healthcare operator, Serpram - Serviço de Prestação de Assistência Médico - Hospitalar S.A., with operations in the state of Minas Gerais.

On December 11, 2020, the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) approved the acquisition of Serpram Group, through Official Letter nº 145/2020/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE.

The completion of the transaction is subject to compliance with certain contractual conditions and approvals of the Brazilian Antitrust Authority (CADE).

Intention to purchase and sell Lifecenter Sistema de Saúde S.A.'s shares.

On December 8, 2020, the Company entered into a definitive agreement for purchase and sale of shares and other covenants for the acquisition of Lifecenter Sistema de Saúde S.A. (Hospital Lifecenter).

The Company will indirectly hold all the shares of Hospital Lifecenter. The acquisition price is R$ 240.0 million, equivalent to approximately R$ 1.2 million per bed, to be paid in cash, discounted of net debt and with a portion being withheld for contingencies.

The completion of the transaction will be subject to prior approval of CADE.

The Company clarifies that the transaction will not be subject and, therefore, will not be submitted to the approval of its shareholders, as provided for in article 256 of Law No. 6404/76, nor will it give rise, under the terms of the Circular Letter/CVM/SEP/No. 02/2018, the right to exit for its shareholders, considering that the transaction was carried out through Notre Dame Intermédica Saúde S.A., a closely-held company and indirect subsidiary of the Company.

38. Events after the reporting period

On January 8, 2021, the Company received a non-binding proposal from the Board of Directors of Hapvida Participações e Investimentos S.A. for business combination between the two companies.

On February 15, 2021, in addition to the material fact of January 8, 2021, it announced the discussions on commercial and governance matters related to the potential combination of its businesses ("Operation"), howevex'r, to date, no binding document related to the Operation has been signed.

On February 27, 2021, Hapvida Participações e Investimentos S.A (Hapvida), and Notre Dame Intermédica Participações S.A. (GNDI) entered into an Association Agreement and Other Covenants ("Agreement"), through which the terms and conditions for the implementation of the business combination of Hapvida and GNDI were established.

The Boards of Directors of Hapvida and GNDI authorized on this date the execution of the Agreement and ratified the execution of the Protocol and Justification of the Merger of Shares and Merger of the Company ("Protocol"), with a description of the terms and conditions applicable to the Transaction approved the Management Proposal and other documents to be sent for decision and approval of the Transaction by the Companies' shareholders at special general meetings called to be held on March 29, 2021.

Main aspects of the Transaction:

a) The agreement provides for the business combination of the companies through the merger of GNDI shares into HapvidaCo ("Merger of Shares"), with the consequent issue of new common and preferred shares redeemable from HapvidaCo and delivery of such securities to GNDI shareholders. Immediately after the merger of shares, there will be (i) the redemption of the preferred shares, with payments to GNDI shareholders, as holders of the redeemable preferred shares of HapvidaCo, up to the second-to-last business day of the month immediately following the Closing Date of the Transaction, in local currency; and (ii) immediately thereafter, the merger of HapvidaCo into Hapvida. As a result of the merger of shares and subsequent merger of company, GNDI will become a wholly-owned subsidiary of Hapvida, with the consequent migration of the GNDI shareholding base to Hapvida. Hapvida will continue to be a publicly-held company, listed on *Novo Mercado* of B3 ("Combined Company").

b) The business combination between the companies is based on strategic fundamentals such as the possibility of (i) integration of the wide range of products, hospital structures, resources and health solutions to the benefit of its customers; (ii) reduction in the operating costs by sharing best practices and optimizing the processes of the combined company; (iii) taking advantage of potential synergies arising from the geographic complementarity of the two companies' operations; (iv) consolidation of the shareholding bases of GNDI and Hapvida, with an increase in the liquidity of the combined company's securities; and (v) the potential share price appreciation of the Combined Company in B3.

As a result of the Transaction, the combined company will have two co-CEOs, Irlau Machado Filho and Jorge Pinheiro.

c) The companies' managements estimate that the costs for consummation of the transaction will be approximately R$ 116.0 million, which include costs with financial advisory services, assessments of legal counsel and other advisory for the implementation of the Transaction, publications and other related expenses.

d) The Transaction is conditioned on obtaining the approval of the companies' shareholders at their respective general meetings, of the Brazilian Antitrust Authority (CADE) and the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS).

e) Subject to the terms and conditions provided for in the Agreement and the Protocol, with the consummation of the Merger of Shares followed by the Merger of the Company, GNDI shareholders will receive, in substitution for each GNDI common share, (i) 5.2490 Hapvida common shares ("Exchange Ratio"); and (ii) R$ 6.45 adjusted on a *pro rate die* basis based on the variation of the CDI from the date of approval of the Transaction, by the shareholders of Hapvida and GNDI, up to the Transaction Closing Date, subject to the adjustments provided for in the Agreement and the Protocol ("Cash Installment").

   Based on the Exchange Ratio and Cash Installment, considering the assumptions and disregarding any adjustments provided for in the Agreement and the Protocol, on this date, the shareholders of Hapvida and GNDI would become holders of, respectively, 53.6% and 46.4% of the shares of the Combined Company, already considering the payment, to the GNDI shareholders, of the Cash Installment (discounting the Extraordinary Dividends).

Subject to the consummation of the Transaction and in addition to the distribution of mandatory minimum dividends, according to the parameters and adjustments defined by the parties in the Agreement, GNDI may distribute dividends to its shareholders in the total amount of up to R$ 4 billion ("Extraordinary Dividends"), subject to the following conditions: (i) the effectiveness of the declaration of Extraordinary Dividends will be conditioned to the consummation of the

(In thousands of reais, unless otherwise stated)

Transaction; (ii) Extraordinary Dividends will be declared in favor of shareholders based on the GNDI shareholding position on the Closing Date, unless otherwise decided by the Boards of Directors of Hapvida and GNDI; (iii) the Extraordinary Dividends will be paid up to the second-to-last business day of the month immediately following the Closing Date; and (iv) the Extraordinary Dividends will be deducted from the amount to be paid in the Cash Installment.

Aprovação da aquisição do Lifecenter Sistema de Saúde S.A.

On December 8, 2020, the Company entered into a definitive agreement for purchase and sale of shares and other covenants for the acquisition of Lifecenter Sistema de Saúde S.A. (Hospital Lifecenter).

The Company will indirectly hold all the shares of Hospital Lifecenter. The acquisition price is R$ 240.0 million, equivalent to approximately R$ 1.2 million per bed, to be paid in cash, discounted of net debt and with a portion being withheld for contingencies.

On December 23, 2020, the Brazilian Antitrust Authority (CADE), through concentration act 08700.006411/2020-85, approved the acquisition of Climepe Total Ltda.

On January 20, 2021, the Company entered into an agreement for purchase and sale of shares and other covenants. The final acquisition amount is R$175,698.

Cash installment	115,698
Contingent installment	40,000
Portion withheld	20,000
Total consideration	**175,698**

Aprovação da aquisição da Climepe Total Ltda.

On August 4, 2020, continuing its expansion plan, the Company, through its subsidiary Notre Dame Intermédica Saúde S.A., entered into a share purchase and sale agreement and other covenants in the amount of R$ 168,000 for the acquisition of Climepe Total Ltda., a healthcare operator based in Poços de Caldas, state of Minas Gerais, and operating in this region.

On September 17, 2020, the Brazilian Regulatory Agency for Private Health Insurance and Plans (ANS) approved the acquisition of Climepe Total Ltda., through Official Letter 91/2020/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE.

On November 27, 2020, the Brazilian Antitrust Authority (CADE), through concentration act 08700.004121/2020-05, approved the acquisition of Climepe Total Ltda.

On March 8, 2021, in addition to the material fact of August 4, 2020, the Company entered into agreement for the purchase and sale of units of interest. The acquisition value of R$ 185,485 was then paid in full.

Debêntures – pagamento de principal e juros

On February 1, 2021, subsidiary Notre Dame Intermédica Saúde S.A. paid interest related to the 3rd issue of non-convertible debentures, issued on August 1, 2019. The total amount of interest paid was R$ 13,911.

On February 23, 2021, subsidiary BCBF Participações S.A. fully settled the single non-convertible debentures issued on October 23, 2018. The total amount paid was R$ 61,225, corresponding to the nominal unit balance of all debentures of this issue plus the corresponding remuneration until this date.

On February 5, 2021, subsidiary BCBF Participações S.A. settled the loan with Banco Bradesco through a promissory note. The total amount paid was R$ 93,555, corresponding to the amortization of the principal amount plus the corresponding remuneration until this date.

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