Individual and Consolidated Financial Statements

Hospital Mater Dei S.A.

December 31, 2023
with Independent Auditor's Report

Hospital Mater Dei S.A.

Individual and consolidated financial statements

December 31, 2023

Contents

Independent auditor’s report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Hospital Mater Dei S.A.
Belo Horizonte - MG

Opinion

We have audited the individual and consolidated financial statements of Hospital Mater Dei S.A. (the “Company”), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as of December 31, 2023, and its individual and consolidated financial performance and 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 *Auditor’s responsibilities for the audit of the individual and consolidated financial statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements provided for in the Code of Ethics for Professional Accountants and in the professional standards issued by Brazil's National Association of State Boards of Accountancy, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the 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 audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment testing of assets with indefinite useful life

As disclosed in Note 15, the Company has significant nonfinancial assets, mainly represented by intangible assets, including goodwill and trademarks arising from business combinations. These assets are tested annually to assess events or changes in economic and operational circumstances that may indicate deterioration or impairment, and intangible assets with indefinite useful lives, including goodwill, must be tested for impairment annually, regardless of any indications of deterioration. The impairment assessment of these assets based on value in use, including the definition of Cash Generating Units (CGU), has a high degree of subjectivity and is based on several assumptions whose realization is affected by market projections and uncertain economic scenarios. More specifically, the significant assumptions used to determine value in use refer mainly to the projections of bed occupancy rate, adjustments to hospital services, and discount rate.

Due to the relevance of the balances, the level of uncertainty and the high degree of judgment inherent in determining the corresponding recoverable amounts, especially with regard to the significant assumptions mentioned above, we considered this matter a key audit matter.

How our audit addressed this matter

Our audit procedures included, but were not limited to:

(a) Analyzing the executive board’s definition of CGUs;
(b) Analyzing the executive board’s assessment of the existence of impairment loss indicators in its CGUs, through analyzes of the economic scenario and of the performance of each UGC in the year;
(c) Obtaining the discounted cash flows of each UGC that had been tested by the executive board and, by involving our corporate finance specialists, evaluating the methodology and assumptions adopted. We compared the discounted cash flow projections of the CGUs to the budgets approved by the Board of Directors. We discussed with the executive board and also assessed whether the assumptions were defined and applied according to the characteristics of each CGU, as well as any potential audit evidence to the contrary. We challenged the key assumptions adopted for cash flow projections, including bed occupancy rate, adjustments to hospital services and discount rate, by assessing internal and external evidence, including industry information;
(d) Checking the completeness and mathematical calculations of discounted cash flow projections;
(e) Assessing the sensitivity of the impact on discounted cash flows resulting from possible and reasonable changes in key assumptions; and
(f) Assessing the sufficiency of the disclosures in the notes to the individual and consolidated financial statements relating to the recoverable amount of nonfinancial assets.

Based on the outcome of the audit procedures, we considered that the recoverable amounts of nonfinancial assets measured by the executive board, as well as the respective disclosures in Notes 4.9, 4.11 and 15, are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2023 as a whole.

Recognition of revenue from contracts with customers

As disclosed in Note 4.16, the Company's revenues arise from the provision of hospital services, including from the use of medicines and hospital materials. Revenue is recognized to the extent that economic benefits are likely to flow to the Company and when it can be measured reliably.

Revenue is recognized when control and all rights and rewards arising from the provision of the Company's services flow to the customer at the time the hospital services are provided, for an amount that reflects the consideration to which the Company expects to be entitled in exchange for the transfer of goods or services to the customers. Revenues from contracts with customers are measured at the amount of the consideration received and receivable, net of rebates, discounts, taxes and corresponding charges, and of the provision for disallowances (variable component).

Due to the relevance of the amounts involved and the characteristics of the revenue recognition process, including unbilled revenues and estimates related to the measurement of disallowances, as well as the impact that any changes in assumptions and estimates used would have on the individual and consolidated financial statements, we considered this matter a key audit matter.

How our audit addressed this matter

Our audit procedures included, but were not limited to:

(a) Obtaining an understanding of internal controls related to the processes used to determine and monitor the amount and quantity of hospital procedures and the timing of revenue recognition;
(b) Performing documentation analysis procedures, on a sampling basis, up to the level of subsequent settlement for the balance of billed customers;
(c) Assessing revenue recognition based on percentage of completion, through documentation tests for a selected sample;
(d) Analyzing revenues using aggregated and disaggregated data to identify relationships or changes that disagree with our expectations based on our knowledge of the Company and of the industry in which it operates;
(e) Analyzing the assumptions used to determine the percentages of loss on disallowances, including analysis of historical disallowance losses;
(f) Recalculating the provisions for disallowances, based on the customer position as of December 31, 2023 and percentages of losses on disallowances earned;
(g) Analyzing the risk of not accounting for revenue within the appropriate period based on the average number of days patients spend in the hospital; and
(h) Assessing the adequacy of the disclosures made by the Company about this matter in the financial statements.

Based on the outcome of the audit procedures, which is consistent with the executive board's assessment, we considered that the revenue recognition policies and the disallowance loss estimates of the Company that have been adopted by the executive board, as well as the respective disclosures in Notes 4.16 and 22, are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2023 as a whole.

Other matters

Audit of corresponding figures

The Company's financial statements for the year ended December 31, 2022, presented for comparison purposes, were audited by another independent auditor who issued a report on March 15, 2023 containing an unmodified opinion.

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2023, prepared under the responsibility of the Company's executive board, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if this statements are reconciled to the financial statements and accounting records, as applicable, and if its form and content comply with the criteria defined by 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 the 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 comprise 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.

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

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

In preparing the individual and consolidated financial statements, the executive board 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 the executive board 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 the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of the executive board'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 future 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 planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also 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.

Belo Horizonte, March 27, 2024.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/O

Rogério Xavier Magalhães
Accountant CRC MG-080613/O

Hospital Mater Dei S.A.

Statements of financial position
December 31, 2023 and 2022
(In thousands of reais – R$)

		Individual		Consolidated	
	Note	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Assets					
Current assets					
Cash and cash equivalents	8	**202,280**	204,215	**227,302**	246,414
Short-term investments	8	**81,787**	117,447	**91,831**	131,884
Trade accounts receivable	9	**420,710**	334,185	**798,581**	609,347
Inventories	10	**32,601**	36,886	**63,165**	64,286
Derivative financial instruments	6.2	**1,054**	-	**1,054**	-
Accounts receivable - construction	11	**38,143**	35,769	**38,143**	35,769
Assets related to construction to be executed		**-**	23,528	**-**	23,528
Other current assets		**45,954**	44,813	**38,097**	48,920
Total current assets		**822,529**	796,843	**1,258,173**	1,160,148
Noncurrent assets					
Accounts receivable - construction	11	**305,142**	279,841	**305,142**	279,841
Judicial deposits	20	**43,767**	52,214	**48,138**	56,071
Deferred income and social contribution taxes	26	**-**	29,844	**58,127**	69,551
Derivative financial instruments	6.2	**9,800**	-	**9,800**	-
Investments	13	**1,990,450**	1,911,488	**18,812**	43,626
Rights of use	12	**573,195**	541,459	**753,232**	719,828
Property and equipment	14	**397,306**	318,805	**764,594**	666,011
Intangible assets	15	**24,444**	18,426	**1,853,209**	1,844,301
Other noncurrent assets	20	**-**	-	**102,224**	93,787
Total noncurrent assets		**3,344,104**	3,152,077	**3,913,278**	3,773,016
Total assets		**4,166,633**	3,948,920	**5,171,451**	4,933,164

		Individual		Consolidated	
	Note	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Liabilities and equity					
Current liabilities					
Trade accounts payable	16	**101,476**	89,882	**148,701**	139,178
Loans, financing and debentures	17	**36,306**	35,530	**52,205**	52,973
Leases	12	**57,217**	54,267	**81,228**	76,228
Payroll and related charges		**40,851**	38,955	**74,904**	70,504
Taxes and contributions payable		**10,627**	6,617	**37,288**	27,316
Taxes paid in installments	18	**6,438**	5,599	**6,644**	5,861
Acquisition of companies payable	19	**-**	-	**36,931**	28,161
Dividends payable	21	**28,418**	24,582	**36,221**	34,792
Other current liabilities		**8,662**	4,218	**11,453**	8,420
Total current liabilities		**289,995**	259,650	**485,575**	443,433
Noncurrent liabilities					
Loans, financing and debentures	17	**1,136,774**	1,083,557	**1,202,660**	1,150,207
Derivative financial instruments	6.2	**-**	2,620	**-**	2,620
Leases	12	**577,380**	522,914	**762,274**	701,049
Share redemption liabilities	13	**347,681**	311,989	**422,171**	378,586
Taxes paid in installments	18	**3,893**	8,933	**4,695**	9,735
Deferred income and social contribution taxes	26	**18,838**	-	**99,715**	84,867
Acquisition of companies payable	19	**-**	-	**174,778**	196,865
Provision for contingencies	20	**130,396**	135,854	**255,417**	254,591
Other noncurrent liabilities		**6,535**	5,912	**9,942**	8,589
Total noncurrent liabilities		**2,221,497**	2,071,779	**2,931,652**	2,787,109
Equity	21				
Capital		**1,301,019**	1,301,019	**1,301,019**	1,301,019
Capital reserve		**376,142**	390,648	**376,142**	390,648
Income reserve		**397,054**	306,120	**397,054**	306,120
Treasury shares		**(1,962)**	(1,962)	**(1,962)**	(1,962)
Equity adjustments		**(417,112)**	(378,334)	**(417,112)**	(378,334)
Equity - controlling interests		**1,655,141**	1,617,491	**1,655,141**	1,617,491
Noncontrolling interests		**-**	-	**99,083**	85,131
Total equity		**1,655,141**	1,617,491	**1,754,224**	1,702,622
Total liabilities and equity		**4,166,633**	3,948,920	**5,171,451**	4,933,164

See accompanying notes.

Hospital Mater Dei S.A.

Statements of profit or loss
Years ended December 31, 2023 and 2022
(In thousands of reais – R$)

		Individual		Consolidated	
	Note	2023	2022	2023	2022
Revenue from hospital services	22	**1,322,147**	1,051,758	**2,187,665**	1,763,132
Cost of services rendered	23	**(833,267)**	(648,745)	**(1,475,816)**	(1,139,945)
Gross profit		**488,880**	403,013	**711,849**	623,187
General and administrative expenses	23	**(194,639)**	(180,338)	**(296,288)**	(269,092)
Equity pickup	13	**26,417**	38,025	**2,655**	(285)
Other operating income/(expenses), net	24	**5,716**	(16,404)	**5,393**	(15,908)
Operating income (expenses)		**(162,506)**	(158,717)	**(288,240)**	(285,285)
Income before finance income and costs		**326,374**	244,296	**423,609**	337,902
Finance income	25	**54,322**	86,952	**59,459**	90,426
Finance costs	25	**(215,619)**	(193,030)	**(274,275)**	(242,494)
Finance income (costs), net		**(161,297)**	(106,078)	**(214,816)**	(152,069)
Income before income and social contribution taxes		**165,077**	138,218	**208,793**	185,834
Income and social contribution taxes	26	**(45,423)**	(34,713)	**(67,546)**	(63,147)
Net income for the year		**119,654**	103,505	**141,247**	122,687
Net income attributable to:					
Controlling shareholders		**119,654**	103,505	**119,654**	103,505
Noncontrolling shareholders		**-**	-	**21,593**	19,182
		119,654	103,505	**141,247**	122,687
Net earnings per share:					
Basic earnings per share – in reais (R$)		**0.31**	0.27	**-**	-
Diluted earnings per share (in reais)		**0.30**	0.25	**-**	-

See accompanying notes.

Hospital Mater Dei S.A.

Statements of comprehensive income
Years ended December 31, 2023 and 2022
(In thousands of reais – R$)

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Net income for the year	**119,654**	103,505	**141,247**	122,687
Cash flow hedge	**12,513**	381	**12,513**	381
Deferred taxes - cash flow hedge	**(4,254)**	(129)	**(4,254)**	(129)
Total comprehensive income for the year	**127,913**	103,757	**149,506**	122,939
Comprehensive income attributable to:				
Controlling shareholders	**127,913**	103,757	**127,913**	103,757
Noncontrolling shareholders	**-**	-	**21,593**	19,182

See accompanying notes.

Hospital Mater Dei S.A.

Statements of changes in equity
Years ended December 31, 2023 and 2022
(In thousands of reais – R$)

	Capital		Capital reserve			Income reserve								
	Paid-up capital	Share issue costs	Goodwill reserve	Share-based payment	Special goodwill reserve - reflex	Legal reserve	Reinvestment reserve	Retained profits reserve	Retained earnings/(accumulated losses)	Treasury shares	Equity adjustments	Total equity of controlling shareholders	Noncontrolling interests	Equity - Consolidated
At December 31, 2021	1,355,182	(54,163)	370,382	8,562	-	31,603	51,758	156,364	-	-	(279,962)	1,639,726	43,439	1,683,165
Fair value of redemption liabilities (Note 13)	-	-	-	-	-	-	-	-	-	-	(98,624)	(98,624)	-	(98,624)
Stock option plan	-	-	-	11,704	-	-	-	-	-	-	-	11,704	-	11,704
Transactions with non-controlling shareholders (Note 12)	-	-	-	-	-	-	-	-	(12,528)	-	-	(12,528)	-	(12,528)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(1,962)	-	(1,962)	-	(1,962)
Net income for the year	-	-	-	-	-	-	-	-	103,505	-	-	103,505	19,182	122,687
Other comprehensive income					-									
Cash flow hedge, net of taxes	-	-	-	-	-	-	-	-	-	-	252	252	-	252
Set-up of income reserves	-	-	-	-	-	5,175	-	61,220	(66,395)		-	-	-	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(24,582)	-	-	(24,582)		(24,582)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	22,510	22,510
At December 31, 2022	1,355,182	(54,163)	370,382	20,266	-	36,778	51,758	217,584	-	(1,962)	(378,334)	1,617,491	85,131	1,702,622
Fair value of redemption liabilities (Note 13)	-	-	-	-	-	-	-	-	-	-	(43,585)	(43,585)	-	(43,585)
Stock option plan	-	-	-	11,704	-	-	-	-	-	-	-	11,704	-	11,704
Net income for the year	-	-	-	-	-	-	-	-	119,654	-	-	119,654	21,593	141,247
Set-up of income reserves	-	-	-	-	-	5,983	-	85,253	(91,236)	-	-	-	-	-
Allocation of prior year's profit	-	-	-	-	-	-	61,220	(61,220)	-	-	-	-	-	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(28,418)	-	-	(28,418)	-	(28,418)
Effect of A3Data downstream merger (Note 3)	-	-	-	-	(26,210)	-	-	-	-	-	-	(26,210)	-	(26,210)
Cash flow hedge, net of taxes	-	-	-	-	-	-	-	-	-	-	8,259	8,259	-	8,259
Non-controlling interests	-	-	-	-	-	-	-	(302)	-	-	(3,452)	(3,754)	(7,641)	(11,395)
At December 31, 2023	1,355,182	(54,163)	370,382	31,970	(26,210)	42,761	112,978	241,315	-	(1,962)	(417,112)	1,655,141	99,083	1,754,224

See accompanying notes.

Hospital Mater Dei S.A.

Statements of cash flows
Years ended December 31, 2023 and 2022
(In thousands of reais – R$)

	Individual		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cash flows from operations				
Net income for the year	**119,654**	103,505	**141,247**	122,687
Adjustments to reconcile net income for the year to net cash				
Depreciation and amortization	**60,483**	51,238	**102,002**	90,072
Losses on write-off of property and equipment and intangible assets	**2,435**	5,016	**2,126**	6,801
Set-up (reversal) of allowance for doubtful accounts	**14,429**	9,552	**17,921**	10,988
Set-up (Reversal) of provision for disallowances	**28,752**	29,008	**48,011**	37,815
Set-up (reversal) of provision for contingencies	**(4,182)**	9,423	**(834)**	10,404
Provision for share-based payment	**11,704**	11,704	**11,704**	11,704
Equity pickup	**(26,417)**	(38,025)	**(2,655)**	285
Gains from derivatives	**7,380**	10,340	**7,380**	10,340
Short-term investment yield	**(29,547)**	(68,591)	**(31,073)**	(70,607)
Other finance income	**(22,352)**		**(25,963)**	
Finance costs	**193,102**	179,665	**248,931**	226,663
Provision for deferred income and social contribution taxes	**44,002**	33,820	**21,773**	26,668
	399,443	336,655	**540,570**	483,820
Changes in operating assets and liabilities:				
Accounts receivable	**(131,740)**	(113,447)	**(257,119)**	(194,911)
Inventories	**4,285**	(11,950)	**1,121**	(18,131)
Other assets	**13,928**	(11,277)	**14,259**	(19,889)
Judicial deposits	**7,171**	(18,129)	**6,531**	(17,826)
Trade accounts payable	**16,861**	17,867	**4,404**	(3,777)
Payroll and related charges	**1,896**	15,770	**4,375**	16,248
Taxes and contributions payable	**4,196**	4,803	**44,991**	51,355
Taxes paid in installments	**(5,851)**	(6,036)	**(6,005)**	(6,141)
Other liabilities	**4,766**	(10,416)	**(6,699)**	(19,281)
	(84,488)	(132,815)	**(194,142)**	(212,353)
Income and social contribution taxes paid	**(186)**	(94)	**(35,092)**	(31,458)
Interest paid	**(133,040)**	(133,629)	**(154,127)**	(141,687)
Net cash flows from operating activities	**181,729**	70,117	**157,209**	98,322
Cash flows from investing activities				
Acquisition of property and equipment	**(113,766)**	(166,328)	**(154,466)**	(199,972)
Acquisition of intangible assets	**(12,534)**	(13,909)	**(13,602)**	(15,956)
Assets and reimbursements related to construction to be executed	**(28,287)**	(130,255)	**(28,287)**	(130,255)
Capital contribution and future capital contribution (FCC) in subsidiaries and associates	**(101,188)**	(726,531)	**-**	-
Acquisition of subsidiaries and associates	**-**	(1,719)	**(41,785)**	(640,181)
Cash acquired in business combinations	**-**	-	**388**	23,868
Short-term investments, net of redemptions	**65,207**	229,511	**73,084**	218,041
Net cash flows used in investing activities	**(190,568)**	(809,231)	**(164,668)**	(744,455)
Cash flows from financing activities				
Loans and financing raised	**70,965**	52,686	**82,484**	106,201
Payments of loans and financing	**(15,576)**	(43,157)	**(29,344)**	(118,478)
Payments of leases	**(15,562)**	(4,590)	**(31,870)**	(28,045)
Settlement of derivatives	**(8,341)**	(6,359)	**(8,341)**	(6,359)
Capital increase	**-**	-	**-**	-
Treasury shares	**-**	(1,962)	**-**	(1,962)
Dividends paid	**(24,582)**	(34,418)	**(24,582)**	(59,010)
Net cash from (used in) financing activities	**6,904**	(37,800)	**(11,653)**	(107,653)
Decrease in cash and cash equivalents	**(1,935)**	(776,914)	**(19,112)**	(753,786)
Cash and cash equivalents at beginning of year	**204,215**	981,129	**246,414**	1,000,200
Cash and cash equivalents at end of year	**202,280**	204,215	**227,302**	246,414
Decrease in cash and cash equivalents	**(1,935)**	(776,914)	**(19,112)**	(753,786)

See accompanying notes.

Hospital Mater Dei S.A.

Statements of value added
Years ended December 31, 2023 and 2022
(In thousands of reais – R$)

	Individual		Consolidated	
	2023	2022	2023	2022
Revenues				
Gross revenue from hospital services	**1,487,370**	1,180,133	**2,482,873**	1,977,229
Deductions from revenue	**(69,015)**	(52,105)	**(141,100)**	(90,659)
Allowance for doubtful accounts	**(14,429)**	(18,592)	**(17,921)**	(22,342)
Other income/(expenses)	**3,249**	6,426	**6,939**	10,918
	1,407,175	1,115,862	**2,330,791**	1,875,146
Bought-in inputs				
Cost of services rendered	**(514,478)**	(416,600)	**(893,061)**	(720,200)
Third-party services, energy and other	**(90,017)**	(65,302)	**(160,996)**	(115,037)
Gross value added	**802,680**	633,960	**1,276,734**	1,039,909
Other operating income/(expenses)	**16,896**	(4,238)	**16,375**	(6,258)
Depreciation and amortization	**(60,483)**	(51,238)	**(102,002)**	(90,072)
Net value added produced	**759,093**	578,484	**1,191,107**	943,579
Value added received in transfer				
Equity pickup	**26,417**	38,025	**2,655**	(285)
Finance income	**54,322**	86,952	**59,459**	90,426
Total value added to be distributed	**839,832**	703,461	**1,253,221**	1,033,720
Distribution of value added				
Personnel				
Salaries and wages	**234,719**	200,064	**393,738**	318,508
Social charges	**17,021**	12,438	**29,269**	20,931
Accrued vacation pay and 13th monthly salary, and related charges	**46,363**	33,300	**83,941**	63,179
	298,103	245,802	**506,948**	402,618
Taxes, charges and contributions				
Social Security Tax (INSS)	**53,867**	42,901	**92,100**	71,826
Federal	**100,560**	78,290	**158,660**	133,692
State/municipal	**41,071**	32,693	**62,994**	51,109
	195,498	153,885	**313,754**	256,627
Debt remuneration				
Rent	**10,968**	7,239	**17,007**	9,272
Interest and foreign exchange differences	**215,619**	193,030	**274,275**	242,494
	226,587	200,269	**291,282**	251,766
Equity remuneration				
Dividends	**28,418**	24,582	**28,418**	24,914
Retained profits for the year	**91,226**	78,923	**112,819**	97,795
	119,644	103,505	**141,237**	122,709
Value added distributed	**839,832**	703,461	**1,253,221**	1,033,720

See accompanying notes.

1. Operations

1.1 Operations

Hospital Mater Dei S.A. (“Mater Dei” or the "Company") is a publicly-held corporation listed in the Novo Mercado da B3 S.A. – Brasil, Bolsa, Balcão segment, under ticker code “MATD3”, with main office in Belo Horizonte, state of Minas Gerais. Mater Dei was founded in 1980 and has over 40 years of experience in the healthcare sector. The Company has built a strong position in the market in which it operates in, consolidating its well-known brand, "Mater Dei", and making its name a benchmark for the highest quality.

The Company and its subsidiaries ("Group" or "Mater Dei Network") operate a total of nine hospitals and have a capacity of approximately 2,500 hospital beds in their units located in the Belo Horizonte Metropolitan Area ("RMBH") and in the cities of Uberlândia, Belém, Goiânia, Salvador, and Feira de Santana.

The Company’s first hospital unit, in Belo Horizonte, was opened in 1980. In 2000, Mater Dei inaugurated Block II of the Santo Agostinho Unit. Fourteen years later, the second unit was inaugurated, also in Belo Horizonte, named Mater Dei Contorno, and in 2019, the Betim-Contagem unit was opened. Since then, with a view to expanding beyond RMBH, the Company began the construction of its first unit outside the state of Minas Gerais in Salvador - state of Bahia, which was opened in 2022. In 2021, the Company carried out its IPO, which enabled Mater Dei to continue expanding, mainly through acquisitions. Additionally, the Company performed 5 acquisitions of hospital units in the states of Minas Gerais, Bahia, Pará, and Goiás, having increased the number of available beds by more than twice.

In addition to the hospital units, the Company holds interests in A3Data Consultoria S.A., which specializes in data and artificial intelligence, focusing on the cultural and analytical transformation of companies. With established methods and business vision, this company’s projects have a significant impact on leading organizations in their industries, aimed at increasing revenue, reducing costs, and improving customer satisfaction.

The quantitative data on the Company’s operations mentioned in this Note were not within the scope of the independent auditor’s review.

1.2 Basis of preparation

The individual and consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Financial Accounting Standards Board (CPC) and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and present all relevant information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

The Company considered the guidance from OCPC 07 in preparing this financial information. These financial statements evidence all significant information that is consistent with the information used to manage the Company's operations.

The annual financial statements were prepared under the historical cost convention, adjusted to reflect certain financial assets and liabilities (including derivative instruments) measured at fair value.

The preparation of these financial statements requires the use of certain significant accounting estimates, as well as use of judgment by the Company’s management in the process of applying the accounting policies. The areas involving a higher level of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) Statement of value added

Presentation of the statement of value added (SVA) is required by Brazilian corporation law and by the accounting practices adopted in Brazil applicable to listed companies. The SVA was prepared in accordance with the criteria defined in CPC 09 - Statements of Value Added. The IFRSs do not require such presentation. Accordingly, under IFRS, this statement is presented as supplementary information without prejudice to the financial statements as a whole.

1.3 Approval of financial statements

These financial statements were approved by the Board of Directors on March 27, 2024.

(In thousands of reais, unless otherwise stated)

2. Acquisition of companies

2.1. Acquisition of companies in 2022

Company acquired	Hospital Santa Genoveva Ltda (a)	CDI (b)	Cardio (c)	Hospital Premium (d)	Hospital EMEC (e)	Hospital Santa Clara (f)
Date of acquisition	02/18/2022	03/01/2022	03/01/2022	03/03/2022	04/18/2022	09/01/2022
Interests acquired	94.82%	100.00%	100.00%	95.50%	98.07%	75.00%
Consideration:						
Cash payment	162,314	75,100	1,500	94,332	188,085	152,292
Installment payment (present value)	4,307	1,849	-	147,790	19,330	26,700
Total consideration	166,621	76,949	1,500	242,122	207,415	178,992
Assets acquired at fair value						
Cash and cash equivalents	972	1,077	85	57,305	10,804	10,149
Trade accounts receivable	20,575	473	8	2,357	28,855	17,698
Inventories	2,262	144	2	2,569	3,204	2,600
Other current assets	1,770	29	-	68	992	1,474
Judicial deposits	351	-	-	14	161	427
Other noncurrent assets	16,695	-	-	-	-	1,533
Investments	513	-	-	-	-	-
Rights of use	5,411	-	-	-	750	-
Property and equipment	63,721	14,864	504	62,036	60,427	75,973
Intangible assets	28,834	2,345	-	30,041	18,253	17,949
	141,104	18,932	599	154,390	123,446	127,803
Liabilities assumed at fair value						
Trade accounts payable	18,354	242	3	2,752	6,003	4,778
Loans and financing	57,334	4,247	-	54,192	-	4,926
Leases	5,411	-	-	-	896	
Payroll and related charges	5,264	579	5	1,397	2,131	7,676
Provision for contingencies	19,639	-	-	5,392	12,137	19,941
Taxes and contributions payable	1,849	82	-	725	468	5,165
Deferred liabilities - surplus value	15,223	3,132	-	16,462	12,089	13,440
Other liabilities	968	6	7	1,246	2,522	80
	124,042	8,288	15	82,166	36,246	56,006
Net amount of assets acquired and liabilities assumed at fair value	17,062	10,644	584	72,224	87,200	71,797
Noncontrolling interests	(884)	-	-	(3,250)	(1,683)	(17,949)
Indemnification assets in favor of the Company, net of deferred taxes (i)	12,290	-	-	3,399	7,856	9,871
Initial goodwill paid	138,153	66,305	916	169,749	114,042	115,273
Total consideration	166,621	76,949	1,500	242,122	207,415	178,992
Appreciation (depreciation) identified:						
Property and equipment	26,791	7,108	-	23,769	28,201	38,022
Trademarks	28,204	2,104	-	30,041	18,104	17,923
Contingencies	(10,222)	-	-	(5,392)	(10,748)	(16,416)
	44,773	9,212	-	48,418	35,557	39,529

(i) Indemnification assets were recorded under Other noncurrent assets.

The Company engaged specialists to assess and measure the net assets of acquirees at fair value on transaction date.

All consideration amounts are recorded under Acquisition of companies payable.

(a) Hospital Santa Genoveva Ltda. (“HSG”)

On February 18, 2022, the Company concluded the acquisition of 94.82% of the capital of HSG, located in Uberlândia – state of Minas Gerais, by means of subsidiary RMDS Participações S.A. (“RMDS”). Total consideration amounted to R$ 166,621, of which R$ 162,314 were paid in cash and the remaining amount will be paid on March 18, 2024, adjusted by reference to the Extended Consumer Price Index (IPCA).

Additional acquisitions from noncontrolling shareholders:

After the acquisition, in 2022, RMDS acquired additional 1.59% in HSG from non-controlling shareholders for R$ 3,305, equivalent to 5 units of interest. On March 29, 2023, RMDS acquired another 7 units of interest equivalent to 2.79% from non-controlling shareholders for R$ 4,576. This amount was fully settled on referred to date. As such, as at December 31, 2023, RMDS held 99.2% of Santa Genoveva capital.

(b) Centro Tomografia Computadorizada Uberlândia Ltda. (“CDI”)

On March 01, 2022, the Company acquired 100% of the capital of CDI, located in Uberlândia – Minas Gerais, by means of HSG. Consideration amounted to R$ 76,949, of which R$ 73,000 were paid in cash and R$ 2,000 will be paid in two equal installments of R$ 1,000, adjusted by the IPCA, on March 31, 2023 and 2024. The consideration amount was adjusted by the variation in working capital and indebtedness of CDI, from the date of execution of the sale and purchase agreement to the effective closing date, which generated an additional amount payable of R$ 2,100, settled on August 10, 2022. The amount paid on March 31, 2023 was of R$ 780 due to offset of contingencies provided for in the agreement.

(c) Clínica de Diagnóstico Cardiovasculares de Uberlândia Ltda. (“Cardio”)

On February 23, 2022, the Company concluded the acquisition of 100% of the capital of Clínica de Diagnóstico Cardiovasculares de Uberlândia Ltda., located in Uberlândia – Minas Gerais, by means of HSG. The consideration amount was of R$ 1,500, paid in cash.

(d) Instituto de Cirurgia Plástica e Oftalmologia Ltda. (“Premium”)

On March 03, 2022, the Company concluded the acquisition of 95.50% of the capital of Instituto de Cirurgia Plástica e Oftalmologia Ltda, located in Goiânia – state of Goiás, by means of subsidiary RMDS. The consideration amount was of R$242,122, of which R$ 94,332 paid in cash and R$ 147,790 in installments, considering the additional portion (“earn-out portion”) measured for R$ 20,715 on the date of acquisition. Payment is described below. The consideration amount was adjusted for the variation in working capital and indebtedness of Premium, from the date of execution of the sale and purchase agreement to the effective closing date, which generated an additional amount of R$ 1,328 receivable from the sellers. Referred to amount was discounted from the installments payable referring to the acquisition.

(In thousands of reais, unless otherwise stated)

The installment amount corresponds to four equal annual installments of R$ 23,875 and a last installment of R$ 47,750, as detailed below. The first installment of R$ 24,145 was settled on March 03, 2023 and the second installment of R$ 25,481 on March 04, 2024. These installments were adjusted for the IPCA. At acquisition date, the Company measured accounts payable at fair value by applying the Interbank Deposit Certificate (CDI) rate at present value.

Installment	Maturity	Nominal amount	Present value
1st	03/03/2023	23,875	22,530
2nd	03/03/2024	23,875	21,604
3rd	03/03/2025	23,875	20,773
4th	03/03/2026	23,875	19,997
Last installment	03/03/2027	47,750	38,498
		143,250	123,402
Retention (i)	-	5,000	5,000
Earn-out portion (ii)	03/15/2027	24,417	20,715
Total		172,667	149,117

(i) This refers to the amount retained until the date of settlement and write-off of the trade notes pledged in the real estate property of Premium, for the net amount of any expenses and taxes levied thereon.
(ii) Additional portion measured based on projected income of Hospital Premium, estimated at R$ 20,715 at the date of settlement.

The sellers may be entitled to an additional installment, equivalent to the earn-out, after the end of the fifth full fiscal year subsequent to the closing date, to be settled within fifteen (15) business days after disclosure of Premium profit or loss by the Company. In case profit is recorded, the last installment will be deducted from the amount. The earn-out installment will be calculated based on a formula applied on EBITDA generated in the fifth year by Premium. The earn-out installment measured based on projected income of Hospital Premium was estimated at R$ 20,715 at the date of acquisition. As at December 31, 2023, the adjusted amount is of R$ 29,781.

Additional acquisitions from noncontrolling shareholders:

On May 30, 2022, RMDS acquired an additional portion of 3% of the capital of Premium from a non-controlling shareholder. As such, RMDS held 98.5% of the capital of Premium as at December 31, 2022. The consideration amount was of R$ 7,500, of which R$ 1,000 were paid in cash. The other installments will be paid as follows: eight monthly installments of R$ 231, totaling R$ 1,850 which were fully settled, the last of which on February 07, 2023; four annual interim installments of R$ 750, totaling R$ 3,000, the first one paid on March 03, 2023 and the second one paid on March 04, 2024; and a final installment of R$ 1,500. In addition, the amount of R$ 150 was retained until the settlement and write-off of the hospital’s trade notes pledged, for the net amount of any expenses and taxes on relief, settled on March 09, 2023.

(e) EMEC Empreendimentos Médicos Cirúrgicos Ltda. (“EMEC”)

On April 18, 2022, the Company acquired 98.07% of the capital of EMEC, located in Feira de Santana – state of Bahia, by means of subsidiary RMDS. The consideration amount was of R$ 207,415, of which R$ 182,600 were paid in cash. The consideration was adjusted for the variation in working capital and indebtedness of EMEC, from the date of execution of the sale and purchase agreement to the effective closing date, which generated an additional amount payable of R$ 5,485, which was paid on September 12, 2022. The installment portion is conditioned to the contingency guarantees and will be paid to the extent that the proceedings are ended.

Additional acquisitions from noncontrolling shareholders:

On July 22, 2022, RMDS acquired an additional portion of 0.24% of the capital of EMEC equivalent to 107,900 units of interest. Accordingly, as at December 31, 2022, the Company held 98.31% of the capital of EMEC. The additional acquisition was of R$ 447.

(f) Hospital e Maternidade Santa Clara S.A. (“HSC”)

On September 01, 2022, the Company acquired 75% of the capital of HSC, located in Uberlândia – state of Minas Gerais, by means of subsidiary RMDS. The consideration amount was of R$ 178,650, of which R$ 151,950 were paid in cash and R$ 26,700 will be paid in installments. The consideration amount was adjusted for the variation in working capital and indebtedness, from the date of execution of the sale and purchase agreement to the effective closing date, which generated an additional amount payable of R$ 365, settled in March 2023.

Non-controlling interests in HSC and share sale and purchase options:

As mentioned in Note 11, the Company and HSC shareholders entered into an agreement whereby, in the period in which the option to sell the remaining shares of Hospital Santa Clara may be exercised or upon occurrence of any advanced sale option, the shareholders who are doctors may sell 100%, not less than 100%, of their shares to Mater Dei. The sale option may be exercised by the doctors in the following periods:

- From August 01, 2025 to August 31, 2025;
- From February 16, 2026 to March 31, 2026.

As of April 01, 2026, Mater Dei may exercise its purchase option. In case Mater Dei exercises its purchase option, the shareholders who are doctors must sell, and Mater Dei must buy, 100% of their purchase options.

The option price will be established as presented below, for both purchase and sell options.
Price of Options = $[(GOR\ LTM\ x\ 1.7) - Net\ debt] * Option\ Percentage$

(In thousands of reais, unless otherwise stated)

Where:
(i) GOR LTM: refers to gross operating revenue, less non-operating revenues, computed in the last full twelve (12) months prior to the date of the event, according to Hospital Santa Clara accounting records and in accordance with the accounting standards applicable;
(ii) Net Debt: refers to the amount of debt less cash amounts;
(iii) Option Percentage: refers to the percentage of share options in capital, divided by the total number of shares of Hospital Santa Clara.

The initial fair value of the redemption liabilities relating to these shares recorded at transaction date was of R$ 64,157.

2.2. Acquisition of companies in 2023

The agreement referring to purchase and sale of Centro Saúde Norte ("CSN"), acquired by the Company in October 2021, established that CSN shall purchase 100% of the units of interest of Porto Dias Saúde Ltda. Accordingly, after approval by the Brazil's National Health Agency (ANS), on July 24, 2023, all units of interest of Porto Dias Saúde Ltda. were purchased. The acquisition amounted to R$ 3,700, paid by CSN on August 02, 2023. Porto Dias Saúde, located in Belém - state of Pará, is a healthcare plan operator create mainly to provide services to employees of Porto Dias Group. Currently, Porto Dias Saúde has approximately 1,400 members, including employees and external customers.

	July 24, 2023
Percentage acquired	100%
Total consideration	3,700
Net amount of assets acquired and liabilities assumed at fair value originally calculated	1,367
Adjusted goodwill calculated	**2,333**
Surplus value on customer portfolio	624

The Company engaged specialists to assess and measure the net assets of acquirees at fair value on transaction date.

(In thousands of reais, unless otherwise stated)

3. RMDS partial spin-off and A3Data downstream merger

On May 31, 2023, the partial spin-off of RMDS was conducted and RMDS net assets were merged into A3 Data by means of a downstream merger, in which A3Data merged its investment in RMDS, together with goodwill and surplus value computed on the date of acquisition.

The spin-off report was issued by an independent advisory firm using the book value valuation model, based on the trial balance prepared on April 30, 2023. The spun-off assets amounted to R$41,059, as follows:

	Spun-off and merged amount at 05/31/2023
Interests held in A3 Data Consultoria S.A.	9,657
Customer portfolio	1,881
(-) Deferred income tax	(639)
Customer portfolio, net of tax effects	1,242
Goodwill on equity interests	30,160
Total	**41,059**

Upon RMDS partial spin-off, A3Data shares held by RMDS were transferred to the Company. As such, the Company holds direct investments in A3Data, corresponding to 50.1% of capital.

In compliance with CVM Normative Instruction No. 78 of 2022, A3Data set up provision for goodwill in the goodwill reserve and recorded deferred tax assets corresponding to 34% of the goodwill amount, resulting from temporary differences for future use of goodwill and surplus value for tax purposes. This operation resulted in a full provision amounting to R$31,347 recorded under special goodwill reserve, corresponding to RMDS interests in A3Data. A3Data recorded deferred tax assets amounting to R$10,254, comprising a net provision of R$ 21,093. Additionally, the Company recorded R$ 5,117 referring to non-controlling interests in referred to tax benefit.

The net effect of the spin-off and merger described above, recorded in a special goodwill reserve in Company equity amounted to R$ 26,210.

(In thousands of reais, unless otherwise stated)

4. *Material accounting policy information*

Significant accounting policies adopted in the preparation of these financial statements are described below. These policies have been consistently applied in all years presented, unless otherwise stated.

4.1 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the main economic environment in which the Company operates ("functional currency"). The financial statements are presented in Brazilian Reais (R$), which is the functional and presentation currency of Mater Dei Network.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the transaction or valuation dates, on which the items are remeasured.

Exchange gains and losses related to loans and financial liabilities are presented in the statement of profit or loss as finance income or finance costs.

4.2. Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. In the year ended December 31, 2023, the Company held interests in the following direct and indirect subsidiaries and joint ventures:

Direct investees	Influence	12/31/2023 Interest %	12/31/2022 Interest %
RMDS Participações S.A. ("RMDS")	Subsidiary	100%	100%
Centro Saúde Norte S.A. ("CSN")	Subsidiary	70%	70%
RMDSSG Participações S.A. ("RMDSSG")	Subsidiary	100%	100%
GPDMater Participações Ltda. ("GPDMater")	Joint venture	70%	70%
A3Data Consultoria S.A. ("A3Data")	Joint venture	50.1%	-

(In thousands of reais, unless otherwise stated)

Indirect investees	Influence	12/31/2023 Interest %	12/31/2022 Interest %
Hospital Porto Dias Ltda. (“HPD”) (i)	Subsidiary	**70%**	70%
Porto Dias Diagnóstico Ltda. (“PDD”) (i)	Subsidiary	**70%**	70%
Medical Comercial Ltda. (“Medical”) (i)	Subsidiary	**70%**	70%
Medicina Desportiva e Diagnóstico por Imagem Ltda. (“Medicina”) (i)	Subsidiary	**70%**	70%
Porto Dias Saúde Ltda. (“PDS”) (i)	Subsidiary	**70%**	-
Hospital Santa Genoveva Ltda. (“HSG”)	Subsidiary	**99.2%**	96.41%
Centro de Tomografia Computadoriza de Uberlândia Ltda. (“CDI”)	Subsidiary	**100%**	100%
Clínica de Diagnóstico Cardiovasculares de Uberlândia Ltda. (“Cardio”)	Subsidiary	**100%**	100%
Instituto de Cirurgia Plástica e Oftalmologia Ltda. (“Premium”)	Subsidiary	**98.50%**	98.50%
EMEC Empreendimentos Médico Cirúrgicos Ltda. (“EMEC”)	Subsidiary	**98.34%**	98.34%
Hospital e Maternidade Santa Clara Ltda. (“HSC”)	Subsidiary	**75%**	75%
Serviço Hospitalar de Oxigenoterapia Hiperbárica Santa Genoveva Ltda. (“Hiperbárica”)	Joint venture	**50%**	50%
Centru - Centro De Tratamento Urológico Ltda. (“Centru”)	Joint venture	**50%**	50%
A3Data Consultoria S.A. (“A3Data”)	Joint venture	**-**	50.1%

(i) HPD, PDD, Medical, Medicina and PDS are wholly-owned subsidiaries (100%) of CSN. As such, the interest percentage indicated above reflect the Company’s interests by means of the 70% interest held in CSN.

(a) Subsidiaries

Subsidiaries are all entities over which Mater Dei has control. The subsidiaries are fully consolidated from the date on which control is transferred to the Company. Consolidation is discontinued from the date on which the Company ceases to have control.

The identifiable assets acquired, and liabilities and contingent liabilities assumed upon acquisition of subsidiaries in a business combination are initially measured at fair value on the acquisition date The Company recognizes noncontrolling interests in the acquiree and does not recognize its proportionate noncontrolling interests in the fair value of net assets of the acquiree. Noncontrolling interests are measured upon acquisition. Acquisition-related costs are posted to the statement of profit or loss as incurred.

Goodwill resulting from a business combination, classified as having an indefinite useful life, is stated at cost on the business combination date, net of accumulated impairment losses, if any. In accordance with ICPC 09 (R1), goodwill and surplus value are classified under Investments in the individual statement of financial position and reclassified to Intangible assets in the consolidated financial statements.

Transactions, balances and unrealized gains in transactions between consolidated companies are eliminated. Unrealized losses are also eliminated, unless the operation provides evidence of impairment of the transferred assets. The subsidiaries’ accounting policies are changed, when necessary, to ensure consistency with the policies adopted by Mater Dei.

(b) Transactions with noncontrolling shareholders

The Company treats transactions with non-controlling shareholders as transactions with owners of Mater Dei assets. For non-controlling interests purchased, the difference between any consideration paid and the portion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses arising from sales to non-controlling shareholders are also recorded directly in equity.

(c) Loss of control in subsidiaries

When the Group ceases to have control, any interest retained in the entity is remeasured at fair value and changes in book value are recorded in P&L. Amounts previously recorded under other comprehensive income are reclassified to P&L.

(d) Associates and joint ventures

Associates are all entities over which the Group has significant influence, but not control.

Joint arrangements are all entities over which the Group has control that is shared with one or more parties. Investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments in associates are accounted for under the equity method and initially recorded at cost. The Group's investment in subsidiaries includes goodwill identified upon acquisition, net of any accumulated impairment losses.

The Group's participation in the profits or losses of its associates is recognized in the statement of profit or loss and the Group's participation in changes in reserves is recognized in the Group's reserves. When the Group's participation in the losses of an associate is equal to or higher than the carrying amount of the investment, including any other receivables, the Group does not recognize additional losses unless the Group has incurred in obligations or made payments on behalf of the associate or joint venture.

Unrealized gains from operations between the Group and its associates are eliminated in proportion to the Group's participation. Unrealized losses are also eliminated, unless the operation provides evidence of impairment of the transferred assets. The accounting policies of associates are changed, when necessary, to ensure consistency with the policies adopted by the Group.

If equity interests are reduced but significant influence is retained, only a proportion of the amounts previously recorded in other comprehensive income will be reclassified to P&L, when appropriate.

Gains and losses arising from dilution, in interests held in associates, are recorded in the statement of profit or loss.

4.3. Cash and cash equivalents

Cash and cash equivalents comprise cash, bank deposits and other highly liquid short-term investments originally maturing within three months, subject to a low risk of change in value.

4.4. Financial assets

4.4.1. Classification

Mater Dei Network's financial assets are classified into the following categories:

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

Classification depends on the entity's business model for managing financial assets and the contractual terms of cash flows.

For financial assets measured at fair value, gains and losses will be recorded in P&L or other comprehensive income.

4.4.2 Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trading date, i.e., on the date when the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and Mater Dei Network has substantially transferred all the risks and rewards of ownership.

4.4.3 Measurement

Upon initial recognition, Mater Dei Network measures financial assets at fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of that financial asset. Transaction costs of financial assets at fair value through profit or loss are recorded as expenses in profit or loss.

4.4.4. Impairment

Mater Dei Network assesses, on a prospective basis, the expected credit losses associated with debt notes recorded at amortized cost. The impairment methodology applied depends on whether or not there has been a significant increase in credit risk.

For trade accounts receivable , Mater Dei Network applies the simplified approach as permitted by IFRS 9/CPC 48 and, therefore, recognizes expected losses over the useful life of receivables from their initial recognition.

4.4.5. Offset of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has the legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously. The legal right shall not be contingent on future events and shall apply in the ordinary course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4.5. Derivative financial instruments

Initially, derivative financial instruments are recognized at fair value on the date on which a derivative agreement is entered into, and are subsequently remeasured at fair value.

4.6. Hedging transactions

At inception of a hedging relationship, the Company formally designs and documents the hedging relationship to which management intends to apply hedge accounting and the risk management objective and strategy to perform the hedge. Changes in hedge amounts referring to market value, net of deferred income and social contribution tax effects, are classified under Other comprehensive income in equity.

4.7. Trade accounts receivable

Trade accounts receivable correspond to amounts receivable for the provision of services in the ordinary course of business. The Company and its subsidiaries maintain trade accounts receivable in order to collect contractual cash flows. Therefore, these accounts are initially recognized at fair value and subsequently measured at amortized cost less allowance for doubtful accounts and provisions for disallowances.

(a) Disallowances

Mater Dei is exposed to losses due to disallowances of accounts receivable. Disallowances consist of losses on transactions, which were challenged by operators, insurance companies, autonomous government entities, self-managed entities and healthcare plan administrators that allege that such accounts are not due, in full or in part. Provisions for these items represent estimated future losses based on historical experience. Provisions for disallowance are recorded as a reduction of revenue.

Historically, actual losses have been consistent with estimated provisions. However, future adverse changes in relation to the history of disallowances may have a significant impact on the financial statements.

4.8. Inventories

Inventories comprise hospital materials and drugs, which are measured at average acquisition cost not exceeding market value. Given the nature of inventories, management writes off expired or obsolete items.

4.9. Intangible assets

(a) Software use licenses

Software use licenses are capitalized based on their acquisition costs and further expenses incurred to prepare them for use. These costs are amortized over the estimated useful life of the software use licenses, which range from one to five years.

Software use licenses' maintenance costs are recognized as expenses, when incurred. Development costs directly attributable to the project and to the tests of identifiable and exclusive software use license products, controlled by Mater Dei Network, are recognized as intangible assets.

Costs directly attributable, capitalized as a portion of the software product, include costs with employees allocated to software development, implementation and improvement. Costs also include financing costs incurred during the software development period, if applicable.

4.10. Property and equipment

Property and equipment items are measured at historical cost less accumulated depreciation. Historical cost includes expenses directly attributable to acquisition. Historical cost also includes financing costs related to the acquisition of qualifying assets, if applicable.

Subsequent costs are included in the book value of the asset or recognized as a separate item, as appropriate, only when future economic benefits associated with the item are likely to flow and the cost of the item can be reliably measured. All other repair and maintenance costs are charged against P&L for the year, as incurred.

Land is not depreciated. Depreciation of other assets is calculated on a straight-line basis considering costs and their residual value over their estimated useful lives. As at December 31, 2023, depreciation is as follows:

	Years
Real properties	25
Leasehold improvements	25
Hospital equipment and appliances	10
Furniture, fixtures and IT equipment	5 to 10
Other	5 to 22

Residual values and useful life of the assets are reviewed and adjusted, as appropriate, at year-end.

The book value of an asset is immediately reduced to its recoverable amount when such book value exceeds its estimated recoverable amount (Note 4.11).

Disposal gains and losses are calculated by comparison of results with book value, and recognized under “Other operating income (expenses), net” in the statement of profit or loss.

4.11. Impairment of nonfinancial assets

Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recovered. Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use.

For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units - CGU).

Nonfinancial assets that have been adjusted for impairment are reviewed subsequently for possible reversal of the impairment at the statement of financial position date.

4.12. Trade accounts payable

Trade accounts payable are liabilities payable through goods or services acquired from suppliers under the ordinary course of business, classified under current liabilities if their payment falls due within one year. Otherwise, trade accounts payable are stated as noncurrent liabilities under Other noncurrent liabilities.

Current and noncurrent accounts payable are stated at known or determinable amounts plus, when applicable, the corresponding charges incurred up to the statement of financial position date.

4.13. Loans, financing and debentures

Loans, financing and debentures are initially recognized at fair value, net of transaction costs and subsequently stated at amortized cost. Any difference between the amounts raised (net of transaction costs) and the total payable is recognized in the statement of profit or loss over the period in which the loans are outstanding, under the effective interest method.

4.14. Provisions for contingencies

Provisions for legal contingencies of a tax, civil and labor nature are recorded when: (i) the Company has a present or constructive obligation arising from past events; (ii) an outflow of resources is likely to be required to settle the obligation; and (iii) the amount involved may be reliably estimated.

Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of the Company's external legal advisors.

Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as the applicable statute of limitations, outcomes of tax audits, or additional exposures that may be identified based on new issues or court decisions.

4.15. Current and deferred income and social contribution taxes

Income and social contribution tax expenses for the period include current and deferred taxes. Income taxes are recognized in the statement of profit or loss, except to the extent that they are related to items directly recognized in equity or comprehensive income. In this case, the tax is also recognized in equity or comprehensive income.

Current income and social contribution taxes are stated net in liabilities when there are amounts payable, or in assets when the amounts paid in advance exceed the total due at the reporting date.

Deferred income and social contribution taxes are recognized using the liability method on temporary differences between the tax bases of assets and liabilities and their book values in the financial statements.

Deferred income and social contribution tax assets are only recognized to the extent that future taxable profit is likely to be available, against which the temporary differences may be used.

Deferred income and social contribution taxes are recorded on temporary differences, except when the timing of the reversal of temporary differences is controlled by the Company and its subsidiaries and provided that the temporary differences are not likely to be reversed in the foreseeable future.

Deferred income and social contribution tax assets and liabilities are presented net in the statement of financial position when there is a legal right and the intention to offset these amounts when calculating current taxes, generally related to the same legal entity and the same tax authority.

4.16. Revenue recognition

(a) Revenue from services provided

CPC 48 – Revenue from Contracts with Customers establishes a five-step model for accounting for revenues from contracts with customers. The revenues of Mater Dei Network derive from provision of hospital services, including use of medications and hospital materials. Revenue is recognized to the extent that economic benefits are likely to flow to Mater Dei Network and when the amounts may be reliably measured i.e., upon provision of medical services.

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer. Revenues from contracts with customers are measured at fair value of the consideration received, less rebates, discounts, taxes and related charges and provision for disallowances (variable component), in addition to the fact that control and all rights and rewards deriving from the services provided by Mater Dei Network flow to the customer upon provision of hospital services.

Mater Dei Network measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal, and concluded that it has been operating as a principal in all revenue agreements, since Mater Dei Network usually controls the products or services before transferring them to the customer.

(b) Financing components

Mater Dei Network does not plan to enter into agreements that provide for a long period between the transfer of goods or services to the customer and the respective payment made by the customer. As such, Mater Dei Network does not adjust transaction prices based on the time value of money.

(c) Finance income

Financial income is recognized according to the time elapsed, using the effective interest rate method.

Interest income from financial assets at fair value through profit or loss is included in net fair value gains (losses) arising from these assets. Interest income from financial assets at amortized cost and financial assets at fair value through profit or loss is calculated using the effective interest rate method and is recorded in the statement of profit or loss as part of finance income.

Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that are subsequently subject to credit loss. In the case of financial assets subject to credit loss, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of provision for losses).

4.17. Leases

(a) Leases payable and rights of use

The Company and its subsidiaries recognize liabilities assumed matched against the respective right-0f-use assets for all lease agreements, unless the agreement features are not within the scope of the standard (Note 12).

Leases are recognized as a right-of-use asset and a corresponding liability on the date on which the leased asset becomes available for use by Mater Dei Network. Each lease payment is allocated between liabilities and finance costs. Finance costs are recorded in P&L over the lease period. Right-of-use assets are amortized over the lower of the assets' useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at present value.

Mater Network is subject to potential future increases in variable lease payments based on an index or rate, which are only included in lease liabilities when effectively materialized. When adjustments to lease payments based on an index or rate do not materialize, the lease liability is remeasured and adjusted against the right-of-use asset.

(b) Leases receivable

Revenue from operating leases, in which Mater Dei Network figures as lessor, is recognized on a straight-line basis over the lease period. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and expensed over the lease period on the same basis as lease revenue.

4.18. Payment of dividends

Payment of dividends to Company shareholders is recognized under liabilities in the financial statements at year end, based on the Company's Articles of Incorporation. Any amount in excess of mandatory minimum dividend is accrued on the date when so approved by the shareholders at a General Meeting.

4.19. New or revised pronouncements applied for the first time in 2023

The standards presented below came into effect in 2023. The Company analyzed such standards and concluded that they had no impact on the financial statements, unless indicated otherwise. The Group decided not to early adopt any other standard, interpretation or amendment issued that is not already in effect.

- **Definition of Accounting Estimates** - The amendments to IAS 8 (equivalent to CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors) clarify the distinction between changes in accounting estimates, changes in accounting policies and correction of errors. Referred to amendments also clarify how entities use measurement techniques and inputs to prepare accounting estimates. These amendments had no impact on Company financial statements.
- **Disclosure of Accounting Policies** - The amendments to IAS 1 (equivalent to CPC 26 (R1) - Presentation of Financial Statements) and IFRS Practice Statement 2 provide guidance and examples to assist entities in applying materiality judgments to the disclosures of accounting policies. The amendments aim to assist entities in providing more useful disclosures of accounting policies, replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies, and adding guidance on how entities apply the concept of materiality when making decisions about disclosures of accounting policies. These amendments had an impact on the disclosure of accounting policies but not on the measurement, recognition or presentation of items in Company financial statements.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction -** The amendments to IAS 12 Income Taxes (equivalent to CPC 32 - Income Taxes) narrow the scope of the initial recognition exception, so that it no longer applies to transactions that generate equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. These amendments had no impact on Company financial statements.

4.20. Standards issued but not yet effective

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

- **Amendments to IFRS 16:** Lease Liability in a Sale and Leaseback - In September 2022, the IASB issued amendments to IFRS 16 (equivalent to CPC 06 – Leases) to specify the requirements that a seller/lessor uses in measuring the lease liability deriving from a sale and leaseback, in order to ensure that the seller/lessor recognizes no gain or loss relating to the right of use that this seller/lessor retains. These amendments are effective for annual reporting periods beginning on or after January 01, 2024. The Company analyzed the amendments and concluded that they had no impact on Company financial statements.
- **Amendments to IAS 1** - Classification of Liabilities as Current or Noncurrent. In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 through 76 of IAS 1 (equivalent to CPC 26 (R1) - Presentation of financial statements) to specify the requirement for classifying liabilities as current or noncurrent. Additionally, a disclosure requirement was introduced when a liability deriving from a loan agreement is classified as noncurrent and the

entity's right to defer settlement is dependent upon compliance with future covenants within twelve months. These amendments are effective as of January 01, 2024 and should be applied retrospectively. The Company is currently assessing the impact that such amendments will have on current practice and whether the existing loan agreements will require renegotiation.

- **Amendments to IAS 7 and IFRS 7 -** In May, 2023, the IASB issued amendments to IAS 7 (equivalent to CPC 03 (R2) – Statements of Cash Flows) and to IFRS 7 (equivalent to CPC 40 (R1) - Financial Instruments: disclosure) to clarify the features of supplier financing arrangements and require additional disclosures of these arrangements. The disclosure requirements set out in the amendments aim at assisting the users of financial statements in understanding the impacts of supplier financing arrangements on an entity's obligations, cash flows and exposure to liquidity risk. These amendments will come into effect on January 01, 2024. The Company is currently assessing the impact that such amendments will have on current practice and whether the existing loan agreements will require renegotiation.

5. Significant accounting judgments and estimates

Accounting estimates and judgments are continuously assessed based on historical experience and other factors, including expectations relating to future events, considered reasonable under the circumstances.

5.1. Significant accounting estimates and assumptions

Based on assumptions, the Company and its subsidiaries prepare future estimates. By definition, accounting estimates are rarely identical to actual results. Estimates and assumptions subject to significant risk and likely to cause a significant adjustment to the book values of assets and liabilities for the next year are presented as follows.

(a) Impairment of financial assets

Provisions for impairment of financial assets are based on assumptions on default risk and expected loss rates. Management uses judgment to establish these assumptions and select the data for calculating impairment, based on the Company's history, current market conditions and future estimates at the end of each year.
Additionally, management assesses, on an ongoing basis, the recoverability of indemnification assets relating to liabilities assumed in business combinations. A substantial portion of these amounts are guaranteed by means of retention of acquisition price installments or by amounts payable to the indemnifying party, which may be offset against indemnification amounts receivable. For portions that are not guaranteed, management continuously assesses these counterparties' credit quality and, considering that these are minor amounts, estimates that the Company will not incur in significant losses upon their realization.

(b) Disallowances of accounts receivable

Accounts receivable balances contain a variable component relating to disallowances, which derive from customers who question hospital bills and allege that such bills are not due, in full or in part. Provisions for disallowances are recorded based on historical experience, which involves the exercise of a certain level of judgment to establish the period after which the negotiations render the recovery of disallowances unlikely.

(c) Provision for contingencies

The Company and its subsidiaries are party to various legal and administrative proceedings, and are subject to other contingent risks. Provisions set up represent probable losses based on management's assessment of the likelihood of an unfavorable outcome, which includes the analysis of available evidence, among which the Company's external legal advisors. The outcome of these proceedings may differ from management's expectations.

(d) Incremental lease rate

The incremental rate on a lessee's loan is the interest rate that the lessee would have to pay for borrowing funds to acquire an asset similar to the asset subject to the lease agreement for a similar period and under a similar guarantee i.e., the funds necessary for obtaining an asset whose value is similar to the right-of-use asset in a similar economic environment.

The incremental lease rate is used for calculating present value of the lease liabilities upon first-time recording of the agreement.

Obtaining this rate involves a high level of judgment and should be based on the lessee's credit risk, the lease term, the nature and quality of the guarantees given and the economic environment in which the transaction occurs. In general, the rate calculation process uses readily observable information based on which the adjustments necessary are performed in order to determine the incremental lease rate.

(e) Fair value of redemption liabilities

As mentioned in Note 12, the Company is party to a share purchase and sale agreement with non-controlling shareholders of Centro Saúde Norte S.A. Estimating fair value of these agreements required a high level of judgment due to the need to estimate future results such as revenue and EBITDA, as well as projected cash flows, share price, EBITDA multiples, growth rates and discount rate. The Company is also party to a share purchase and sale agreement with non-controlling shareholders of HSC. The fair value of this agreement involves estimates of this hospital's future revenues, in addition to decision of the various holders of these shares.

(f) Fair value of accounts payable for acquisition of companies

Upon initial recognition of the obligations payable for acquisition of companies, the Company measured fair value of the rates contracted that were lower than those practiced in the market. Measurement was based on the obligations' cash flow, using rates observable in the market, which were brought to present value.

(g) Fair value of hedge accounting

The Company uses financial instruments such as interest rate swap contracts to hedge against interest rate variation risk. These derivative instruments are initially recorded at fair value and subsequently remeasured at fair value.

Derivatives are recorded in assets when fair value is positive and in liabilities when fair value is negative. For hedge accounting purposes, hedging instruments are classified as:

(i) Fair value hedge, when intended to hedge against exposure to changes in fair value of an asset or liability recognized or of a firm commitment;
(ii) Cash flow hedge, when intended to hedge against exposure to variations in cash flows that may be attributed to a specific risk associated with an asset or liability recognized or with a planned transaction that is highly likely, or to currency risk in an unrecognized firm commitment; or
(iii) Hedge of a net investment in a foreign operation.

At the inception of the hedging relationship, the Company formally designates and documents the hedging relationship to which management intends to apply hedge accounting and the risk management subject and strategy to perform the hedge. Changes in hedge amounts classified under Other comprehensive income in equity are presented in Note 21.

(h) Impairment of property and equipment and intangible assets

Assets not subject to amortization relating to goodwill and trademark are allocated to the Group's cash-generating unit (CGU), which forms part of a single operating segment. The recoverable of this CGU is calculated based on value in use. These calculations consider projected cash flows before income and social contribution taxes, based on financial budgets approved by management and internal long-term projections. The Company uses a discount rate (WACC) and the growth rate expected by the sector according to the studies conducted by management.

Management uses judgment to establish these assumptions and select the data for calculating impairment, based on the Company's history, current market conditions and future estimates at the end of each year.

5.2 Significant judgment in applying accounting policies

(a) Recognition of revenue from hospital services

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer. The net revenue amount takes into consideration the deduction of rebates, discounts, corresponding taxes, and estimated disallowances, which are common in the provision of hospital services.

(b) Retention of risks and rewards in non-controlling interests

Management understands that the non-controlling shareholders have preserved their right to the risks and rewards associated with their interests in the entity's capital, despite execution of the agreement referring to purchase and sale of shares and units of interest with the non-controlling shareholders of Centro Saúde Norte S.A. and Hospital Santa Clara Ltda. As such, non-controlling interests were presented in consolidated equity (Note 12).

(c) Uncertainty over Income Tax Treatments (IFRIC 23 / ICPC 22)

The Group adopts certain tax positions in calculating income and social contribution taxes and management believes that such positions are in accordance with the legislation currently in force. Additionally, based on the assessment of the Company's internal legal department, supported by the opinion of external legal advisors, these positions are likely to be accepted in final decisions by higher courts. However, the final outcome is uncertain and depends on factors not controlled by the Group, such as changes in case law and amendments to tax laws and regulations, which may lead the tax authorities to disagree with one or more of these procedures.

6. Financial risk management

6.1 Financial risk factors

Due to the nature of its activities, Mater Dei Network is subject to various financial risks such as interest rate risk, credit risk and liquidity risk. The Company and its subsidiaries use derivative financial instruments (swaps for cash flow hedging purposes) to hedge against risk exposures.

Risk is managed by the board of directors of Mater Dei Network, with a view to identifying, assessing and protecting against potential financial risks in cooperation with the operating units.

The nature and extent of the risks deriving from financial instruments and the approach adopted by Mater Dei Network for managing exposure are as follows:

(i) Currency risk

Currency risk occurs when future commercial transactions, recorded assets or liabilities are held in a currency other than the entity's functional currency.

As at December 31, 2023, the Company recorded no financing agreements subject to currency risk.

(ii) Interest rate risk

The main interest rate risk derives from long-term loans, financing and debentures at floating rates, which expose Mater Dei Network to cash flow risk associated with interest rates. Major debt agreements are pegged to the Interbank Deposit Certificate (CDI) rate and Long-term Interest Rate (TJLP) and to inflation variation by reference to the Extended Consumer Price Index (IPCA).

(iii) Credit risk

Credit risk derives from cash and cash equivalents, contractual cash flows from financial assets measured at amortized cost, at fair value through profit or loss, favorable derivative financial instruments, deposits in banks and other financial institutions, as well as exposure to customer credit, including outstanding accounts receivable and amounts receivable as indemnification from seller shareholders in connection with business conditions, in case no cash was retained in the transaction.

The Company and its subsidiaries operate only with first-tier banks and financial institutions. The board of directors assesses the customer's creditworthiness, considering their financial position, past experience and other factors. In the event of an imminent risk of not realizing these assets, Mater Dei Network records provisions to bring them to their recoverable amount.

Management expects no loss deriving from customer default above the amounts accrued pursuant to Company policy.

Impairment of financial assets

Financial assets subject to the expected credit loss model are as follows:

. trade accounts receivable deriving from hospital services;
. financial assets measured at amortized cost; and
. indemnification assets classified under Other noncurrent assets.

Trade accounts receivable and contract assets.

A significant portion of Mater Dei Network's gross operating revenue derives from amounts paid by operating companies, insurance companies, autonomous government entities, self-managed entities and healthcare plan administrators.

(In thousands of reais, unless otherwise stated)

Mater Dei adopts the simplified approach set out in IFRS 9/CPC 48 for measuring expected credit losses and records a provision for lifetime expected losses for all trade accounts receivable and contract assets.

In order to measure expected credit losses, trade accounts receivable and contract assets were grouped based on shared characteristics relating to credit risk and days of default. Contract assets refer to unbilled services in progress that basically present the same risk characteristics of trade accounts receivable for the same types of agreements. As such, Mater Dei Network concluded that the expected loss rates for trade accounts receivable represent a reasonable approximation for the loss rates of contract assets.

For provision calculation purposes, Mater Dei segregates trade accounts receivable into (i) disallowance appeals, which refer to amounts disallowed by customers, for which Mater Dei files an appeal claiming receipt; and (ii) customer receivables, which are receivables deriving from private services provided to patients.

As a criterion for recording allowance for doubtful accounts, analyses are conducted based on historical data, which are monitored in order to define the provisioning criterion.

Impairment losses on trade accounts receivable and contract assets are presented as net impairment losses in net income. Subsequent recovery of amounts previously written off are credited in the same account.

(iv) Liquidity risk

The executive board monitors the continuous projections for liquidity requirements of the Company and its subsidiaries to ensure that they have sufficient cash to meet their operating needs. These projections take into consideration Mater Dei Network's debt financing plans and compliance with clauses.
The table below analyzes the aging list of financial liabilities, corresponding to the period remaining from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Individual	Within 1 year	1 – 2 years	2 – 5 years	Above 5 years
At December 31, 2023				
Trade accounts payable	**101,476**	**-**	**-**	**-**
Loans, financing and debentures	**128,651**	**255,981**	**910,590**	**325,496**
Leases	**63,941**	**67,437**	**135,170**	**1,565,984**
Tax installment payments	**9,006**	**6,976**	**5,823**	**-**
Dividends payable	**28,418**	**-**	**-**	**-**

(In thousands of reais, unless otherwise stated)

At December 31, 2022				
Trade accounts payable	89,882	-	-	-
Loans, financing and debentures	146,161	251,130	588,663	644,387
Leases	54,009	54,468	123,213	1,492,906
Tax installment payments	7,401	7,039	7,877	-
Dividends payable	24,582	-	-	-

Consolidated	Within 1 year	1 – 2 years	3 – 5 years	Above 5 years
At December 31, 2023				
Trade accounts payable	**148,701**	**-**	**-**	**-**
Loans, financing and debentures	**149,653**	**305,864**	**928,152**	**325,496**
Leases	**90,279**	**116,907**	**228,862**	**2,020,698**
Tax installment payments	**9,144**	**7,122**	**5,940**	**642**
Acquisition of companies payable	**39,163**	**97,363**	**142,898**	**7,345**
Dividends payable	**36,221**	**-**	**-**	**-**
At December 31, 2022				
Trade accounts payable	139,178	-	-	-
Loans, financing and debentures	171,205	295,822	625,779	684,387
Leases	79,939	101,750	213,527	1,923,214
Tax installment payments	7,426	7,191	8,797	-
Acquisition of companies payable	50,574	52,137	78,180	218,100
Dividends payable	29,371	-	-	-

(v) Sensitivity analysis

(a) Exposure to interest rate risk

The sensitivity analysis of loans, financing and debentures subject to floating financial charges such as CDI, TJLP and IPCA, which described the risks that may result in material losses for Mater Dei Network, in a more probable scenario (base scenario), as assessed by management is presented below.

For conducting the sensitivity analysis, estimated assumptions used for the probable scenario were the macroeconomic indicators estimated for December 31, 2024, informed by the Central Bank of Brazil published on March 22, 2024. Debts pegged to floating rates were considered for this sensitivity analysis as the risk variable. As such, in the probable scenario, Mater Dei estimates annual rates TJLP at 6.53%, average CDI at 9.5% and IPCA at 3.75%. The possible scenario presents an increase of 25% and the remote scenario an increase of 50% in referred to rates.

(In thousands of reais, unless otherwise stated)

Individual	December 31, 2023			
	Carrying amount	Probable scenario	+ 25%	+ 50%
Debt variation				
Loan - TJLP	66,417	66,072	67,150	68,229
Loan - IPCA	396,397	392,948	396,631	400,315
Debentures - CDI	713,789	698,443	715,031	731,619
Changes in derivative financial instruments (net position) - CDI	(10,854)	(10,621)	(10,873)	(11,126)
	1,165,749	1,146,842	1,167,939	1,189,037
Changes in short-term investments				
CDI	(282,995)	(277,960)	(284,561)	(291,163)
Net exposure	882,754	868,882	883,378	897,874
TJLP variation		(345)	733	1,812
IPCA variation		(3,449)	235	3,919
CDI variation		(9,006)	729	10,463
Effect of exposure - (gains) losses		(12,800)	1,697	16,194

(In thousands of reais, unless otherwise stated)

Consolidated				**December 31, 2023**
	Carrying amount	**Probable scenario**	**+ 25%**	**+ 50%**
Debt variation				
Loan - TJLP	**66,568**	**66,222**	**67,303**	**68,384**
Loan - IPCA	**396,397**	**392,948**	**396,631**	**400,315**
Acquisition of companies - CDI	**153,669**	**150,365**	**153,936**	**157,508**
Acquisition of companies - IPCA	**58,040**	**57,535**	**58,075**	**58,614**
Loans and debentures - CDI	**795,364**	**778,264**	**796,747**	**815,231**
Changes in derivative financial instruments (short position) - CDI	**(10,854)**	**(10,621)**	**(10,873)**	**(11,126)**
	1,459,184	**1,434,713**	**1,461,819**	**1,488,926**
Changes in short-term investments CDI	**(313,496)**	**(306,755)**	**(314,041)**	**(321,326)**
Net exposure	**1,145,688**	**1,127,958**	**1,147,778**	**1,167,600**
TJLP variation		**(346)**	**735**	**1,816**
IPCA variation		**(3,954)**	**270**	**4,493**
CDI variation		**(6,823)**	**7,693**	**22,212**
Effect of exposure in P&L - (gains) losses		**(11,123)**	**8,698**	**28,521**

Individual				**December 31, 2022**
	Carrying amount	**Probable scenario**	**+ 25%**	**+ 50%**
Debt variation				
Loan - TJLP	82,205	82,692	84,216	85,739
Loan - IPCA	324,966	325,323	330,122	334,921
Debentures - CDI	716,165	709,719	732,341	754,964
Changes in derivative financial instruments (short position) - CDI	2,620	2,596	2,679	2,762
	1,125,956	1,120,330	1,149,358	1,178,386
Changes in short-term investments CDI	(202,245)	(200,425)	(206,813)	(213,202)
Net exposure	923,711	919,905	942,545	965,184
TJLP variation		487	2,011	3,534
IPCA variation		357	5,156	9,955
CDI variation		(4,649)	11,667	27,984
Effect of exposure - (gains) losses		(3,805)	18,834	41,473

(In thousands of reais, unless otherwise stated)

Consolidated	December 31, 2022			
	Carrying amount	Probable scenario	+ 25%	+ 50%
Debt variation				
Loan - TJLP	83,780	84,276	85,829	87,382
Loan - IPCA	324,966	325,323	330,122	334,921
Acquisition of companies - IPCA	225,026	225,610	228,938	232,265
Loans and debentures - CDI	798,682	791,494	816,722	841,951
Changes in derivative financial instruments (short position) - CDI	2,620	2,596	2,679	2,762
	1,435,074	1,429,299	1,464,290	1,499,281
Changes in short-term investments CDI	(231,000)	(228,921)	(236,217)	(243,514)
Net exposure	1,204,074	1,200,378	1,228,073	1,255,767
TJLP variation		496	2,049	3,602
IPCA variation		605	8,732	16,858
CDI variation		(5,133)	12,882	30,897
Effect of exposure in P&L - (gains) losses		(4,032)	23,663	51,357

6.2. Derivative financial instruments

a) Hedge accounting

In the third quarter of 2022, the Company engaged a derivative financial instrument (swap) amounting to R$ 268,564 to hedge against fluctuation in interest rates of the financing taken out from BNB, having replaced IPCA + 1.0264% p.a. considering default bonuses) for CDI less 4.94% p.a. For the additional disbursement dated July 25, 2022, amounting to R$52,686, an additional swap contract was entered into, which replaced IPCA + 1.0264% p.a. (considered the default bonus) for CDI less 4.50% p.a.

On July 20, 2023, a swap contract was entered into referring to the additional portion of the Company's financing from BNB received in 2023 amounting to R$ 70,699, which replaced IPCA + 1.0264% p.a. (considered the default bonus) for CDI less 4.05% p.a.

	Individual and consolidated 12/31/2023	Individual and consolidated 12/31/2022
Swap contract	**10,854**	(2,620)
Total	**10,854**	(2,620)

Changes in financial instruments in the years ended December 31, 2023 and 2022 are as follows:

(In thousands of reais, unless otherwise stated)

	2023	2022
Opening balance - (Liabilities)	**(2,620)**	-
Adjustments to fair value - equity	**12,513**	381
Gains/(losses) - P&L	**(7,380)**	(10,169)
(Receipts)/payments	**8,341**	7,168
Closing balance - assets/(liabilities)	**10,854**	(2,620)
Current	**1,054**	(2,620)
Noncurrent	**9,800**	-

Asset and liability exposure:

	December 31, 2023			
Transaction	**Index/rate**	**Type of hedge**	**Asset/ (liability) balance**	**Gain (loss) - P&L**
BNB loan	IPCA + 1.0264% p.a.	Hedge accounting	42,730	
Bank	CDI - 4.94% p.a.	Hedge accounting	(41,809)	
BNB loan	IPCA + 1.0264% p.a.	Hedge accounting	219,022	
Bank	CDI - 4.5% p.a.	Hedge accounting	(208,086)	
			11,857	**(6,054)**
BNB loan	IPCA + 1.0264% p.a.	Hedge accounting	56,763	
Bank	CDI - 4.05% p.a.	Hedge accounting	(57,766)	
			(1,003)	**(903)**

(In thousands of reais, unless otherwise stated)

(b) Non-cash transactions

Certain transactions had no impact on cash and therefore are not reflected in the statement of cash flows.

	Individual		Consolidated	
	2023	2022	2023	2022
Receipt of construction reimbursement (offset)	**37,667**	35,497	**37,667**	35,497
Payment of leases (offset)	**(37,667)**	(35,497)	**(37,667)**	(35,497)
Investment write-off due to merger	**-**	(10,697)	**-**	-
Acquisition of real properties in installments	**-**	-	**(8,936)**	-
Lease remeasurement	**30,042**	36,342	**41,895**	53,873
New lease agreements	**(22,831)**	(140,288)	**(23,186)**	(140,288)
Goodwill on acquisition of interests in investee	**-**	-	**-**	(6,350)
Provisioned mandatory minimum dividends	**28,418**	24,582	**36,221**	34,917

6.3. Capital management

The Company's and its subsidiaries' objectives in managing capital are to safeguard their ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, as well as to maintain an optimal target capital structure to reduce this cost.

In line with other companies in this industry, management monitors capital based on the financial leverage ratio. This ratio corresponds to net debt expressed as a percentage of total capital. Debt corresponds to total loans, financing and debentures (including short and long-term loans, as presented in the statement of financial position) less cash and cash equivalents. Total capital is calculated by adding equity, as per the statement of financial position, to net debt.

As at December 31, 2023 and 2022, financial leverage ratios are summarized as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Loans, financing and debentures	**1,173,080**	1,119,087	**1,254,865**	1,203,180
Derivatives	**(10,854)**	-	**(10,854)**	-
(-) Cash and cash equivalents	**(202,280)**	(204,215)	**(227,302)**	(246,414)
(-) Short-term investments	**(81,787)**	(117,447)	**(91,831)**	(131,884)
Net financial debt	**878,159**	797,425	**924,878**	824,882
Total equity	**1,655,141**	1,617,491	**1,754,224**	1,702,622
	2,533,300	2,414,916	**2,679,102**	2,527,504
Financial leverage ratio (%)	**34.7**	33.0	**34.5**	32.6

(In thousands of reais, unless otherwise stated)

(i) Covenants

BNDES and BNB agreements

Financing agreements entered into with financial institutions Brazilian Development Bank (BNDES) and BNB, for construction of Betim and Contagem Hospital Units and the new Salvador Unit, are subject to covenants referring to (i) performing corporate operations involving Company spin-off, merger or take-over, and (ii) leasing, assigning, selling, transferring, providing any liens or encumbrances on the assets acquired in connection with the Project subject to this financing and/or given in guarantee for this purpose, without prior approval by the banks, under penalty of early maturity of the debt. As at December 31, 2023, the Company was in compliance with all covenant requirements.

1st Issue of debentures

The indenture for the 1st issue of Company's junior debentures has a covenant defined as financial ratio, which establishes the non-automatic early maturity of the debentures in the event of non-compliance. This financial ratio will be calculated by management on a quarterly basis and monitored by the trustee based on the Company's audited or reviewed financial information of the past twelve months, as of the year ended December 31, 2021.

The financial ratio is calculated by dividing net debt by annualized EBITDA lower than or equal to (i) 3.5 (three point five) until the end of the quarter ended June 30, 2025; and (ii) 3.00 (three integers) as of the quarter ended September 30, 2025.

Net debt	924,878
EBITDA - 12 months	525,611
Net Debt/EBITDA	1.8
Covenant	< 3.5

As at December 31, 2023 and 2022, the Company was in compliance with all covenant requirements.

6.4. Fair value estimate

In measuring fair value of assets or liabilities, Mater Dei Network uses observable market data, as much as possible. Fair values are classified at different levels in a hierarchy based on the information (inputs) used in valuation techniques.

The table below classifies assets and liabilities recorded at fair value according to the valuation technique. The different tiers were defined as follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: information, in addition to quoted prices, included in Level 1 that is adopted by the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - information for assets and liabilities that is not based on market data (i.e., non-observable assumptions).

In the years ended December 31, 2023 and 2022, no amounts were transferred between financial assets and liabilities or between hierarchy levels. Detailed information on short-term investments, loans, financing and debentures of Mater Dei Network is provided in Notes 8 and 17, respectively, classified into level 2 - quoted (unadjusted) prices in active markets.

(In thousands of reais, unless otherwise stated)

	Individual			
Assets	**Carrying amount 2023**	**Fair value 2023**	**Carrying amount 2022**	**Fair value 2022**
Financial assets at amortized cost				
Cash and cash equivalents	**202,280**	**202,280**	204,215	204,215
Trade accounts receivable	**420,710**	**420,710**	334,185	334,185
Accounts receivable - construction	**343,285**	**343,285**	315,610	315,610
Financial assets at fair value through profit or loss				
Short-term investments	**81,787**	**81,787**	117,447	117,447
Derivative financial instruments - hedge accounting	**10,854**	**10,854**	-	-
Total assets	**1,058,916**	**1,058,916**	971,457	971,457
Liabilities				
Financial liabilities at amortized cost				
Trade accounts payable	**101,476**	**101,476**	89,882	89,882
Taxes and contributions payable	**8,709**	**8,709**	6,617	6,617
Taxes paid in installments	**10,331**	**10,331**	14,532	14,532
Dividends payable	**28,418**	**28,418**	24,582	24,582
Loans, financing and debentures	**1,173,080**	**1,173,080**	1,119,087	1,119,087
Leases	**634,597**	**634,597**	577,181	577,181
Financial liabilities at fair value				
Share redemption liabilities	**347,681**	**347,681**	311,989	311,989
Derivative financial instruments - hedge accounting	**-**	**-**	2,620	2,620
Total liabilities	**2,304,292**	**2,304,292**	2,146,490	2,146,490

	Consolidated			
Assets	**Carrying amount 2023**	**Fair value 2023**	**Carrying amount 2022**	**Fair value 2022**
Financial assets at amortized cost				
Cash and cash equivalents	**227,302**	**227,302**	246,414	246,414
Trade accounts receivable	**798,581**	**798,581**	609,347	609,347
Accounts receivable - construction	**343,285**	**343,285**	315,610	315,610
Indemnification assets (under Other noncurrent assets)	**95,773**	**95,773**	93,787	93,787
Financial assets at fair value through profit or loss				
Short-term investments	**91,831**	**91,831**	131,884	131,884
Derivative financial instruments - hedge accounting	**10,854**	**10,854**	-	-
Total assets	**1,567,626**	**1,567,626**	1,397,042	1,397,042
Liabilities				
Financial liabilities at amortized cost				
Trade accounts payable	**148,701**	**148,673**	139,178	139,178
Taxes and contributions payable	**37,288**	**37,288**	27,316	27,316
Taxes paid in installments	**11,339**	**11,339**	15,596	15,596
Dividends payable	**36,221**	**36,221**	34,792	34,792
Loans, financing and debentures	**1,254,865**	**1,254,865**	1,203,180	1,203,180
Leases	**843,502**	**843,502**	777,277	777,277
Acquisition of companies payable	**211,709**	**211,709**	225,026	225,026
Financial liabilities at fair value				
Redemption liabilities	**422,171**	**347,681**	311,989	311,989
Derivative financial instruments - hedge accounting	**-**	**-**	2,620	2,620
Total liabilities	**2,965,796**	**2,965,796**	2,803,571	2,803,571

(In thousands of reais, unless otherwise stated)

7. Segment information

Mater Dei operates solely in the Hospital segment. Analysis of the hospital segment comprises information disaggregated by hospital without however constituting different operating segments. This analysis is conducted by the executive board and the Board of Directors, who are responsible for operating decisions. Mater Dei Network has no revenue from foreign customers.

8. Cash and cash equivalents and short-term investments

(a) Cash and cash equivalents

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Cash and banks	**1,072**	1,970	**5,637**	15,414
Short-term investments	**201,208**	202,245	**221,665**	231,000
	202,280	204,215	**227,302**	246,414

Short-term investments classified as cash equivalents substantially refer to investments in highly-liquid Bank Deposit Certificates (CDB). In 2023, yield rates ranged from 85% to 105% of Interbank Deposit Certificates (CDI).

(b) Short-term investments

The Company invests in funds and CDB, which do not qualify as cash equivalents, as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Investment funds	**58,126**	117,447	**68,170**	131,884
CDB - BNB	**23,661**	-	**23,661**	-
	81,787	117,447	**91,831**	131,884

Investments funds aim at providing valuation of shares by investing shareholders' funds in financial assets with investment-grade rating such as government securities, debentures, CDB, financial bills and other highly-liquid private bonds subject to low risk. The funds are applied in diversified investment funds. In 2023, yield rates ranged from 82% to 98% of the CDI.

(In thousands of reais, unless otherwise stated)

9. Trade accounts receivable

Trade accounts receivable and respective allowance for losses are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Private individuals	**35,166**	28,212	**62,385**	52,412
Healthcare plans and insurance companies	**517,928**	399,607	**845,630**	611,451
Contract assets - unbilled revenue	**65,034**	60,603	**163,410**	152,396
	618,128	488,422	**1,071,425**	816,259
Provision for disallowances	**(114,501)**	(85,749)	**(149,728)**	(101,717)
Allowance for doubtful accounts	**(82,917)**	(68,488)	**(123,116)**	(105,195)
	(197,418)	(154,237)	**(272,844)**	(206,912)
	420,710	334,185	**798,581**	609,347

Book value approximates fair value of trade and other accounts receivable. As at December 31, 2023 and 2022, the aging list of accounts receivable is as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Falling due	**268,519**	238,794	**544,217**	449,277
Overdue within 30 days	**45,912**	47,453	**97,699**	86,483
Overdue from 31 to 180 days	**86,232**	41,299	**155,683**	80,612
Overdue from 181 to 360 days	**38,630**	19,850	**57,973**	21,887
Overdue for more than 360 days	**178,835**	141,026	**215,853**	178,000
	618,128	488,422	**1,071,425**	816,259

Changes in provision for disallowances for the years ended December 31, 2023 and 2022 are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**(85,749)**	(56,741)	**(101,717)**	(62,069)
Balance acquired from subsidiary	**-**	-	**-**	(1,833)
Provisions	**(51,584)**	(42,161)	**(98,237)**	(79,128)
Reversals	**22,832**	13,153	**50,226**	41,313
Closing balance	**(114,501)**	(85,749)	**(149,728)**	(101,717)

(In thousands of reais, unless otherwise stated)

As at December 31, 2023 and 2022, changes in allowance for doubtful accounts are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**(68,488)**	(58,936)	**(105,195)**	(70,416)
Balance acquired from subsidiary	**-**	-	**-**	(23,791)
Additions	**(15,328)**	(27,482)	**(20,105)**	(31,353)
Reversals	**899**	17,930	**2,184**	20,365
Closing balance	**(82,917)**	(68,488)	**(123,116)**	(105,195)

10. Inventories

	Individual		Consolidated	
	2023	2022	2023	2022
Drugs and medications	**14,152**	14,181	**25,648**	24,130
Orthoses, prostheses and special materials	**5,287**	4,198	**12,001**	8,637
Hospital materials	**7,928**	6,533	**15,146**	13,375
Materials held by third parties	**-**	1,702	**-**	3,059
Maintenance materials	**779**	2,723	**2,356**	3,042
Consumables	**2,258**	2,849	**3,933**	5,286
Catering, kitchen and food	**589**	1,902	**1,381**	2,150
Other inventories	**1,608**	2,798	**2,700**	4,607
	32,601	36,886	**63,165**	64,286

Cost of materials and drugs recorded in P&L for the year amounted to R$ 374,597 (R$ 293,037 in December 2022) - individual financial statements and R$ 524,759 - consolidated financial statements (R$ 426,534 in December 2022) (Note 23).

(In thousands of reais, unless otherwise stated)

11. Accounts receivable - construction

As at December 31, 2020, as part of the asset split-up process, the Company and its subsidiary JSS Empreendimentos e Administração Ltda ("JSS") entered into an agreement whereby the Company undertook to finalize the construction of the facilities of the units located in Salvador, state of Bahia (Hospital Mater Dei Salvador and Centro Médico Mater Dei) in accordance with the special characteristics required for activity performance.

Hospital Mater Dei was solely responsible for construction execution, in compliance with all specific rules and legislation relating to construction, and for obtaining and providing JSS with all construction-related licenses, authorizations and permits, including the fire department inspection certificate and occupancy permit. Hospital Mater Dei Salvador was opened on May 01, 2022 and Centro Médico Mater Dei on February 01, 2023.

For executing construction work, the Company will receive corresponding compensation from JSS for full reimbursement of construction costs. Pursuant to the agreement, JSS will reimburse the Company within 12 years, which is the same period of each tranche of the financing obtained by the Company for building the respective facilities. The agreement provides for remuneration of 4.1% p.a. and began on January 02, 2021. The reimbursement is obtained through offset against the balance payable for leasing real properties from JSS.

The balance of and changes in accounts receivable from construction in the year (individual and consolidated) are as follows:

	2023	2022
Opening balance	**315,610**	167,400
Additions	**51,815**	172,534
Remuneration	**13,527**	11,173
Payment (offset against leases)	**(37,667)**	(35,497)
Closing balance	**343,285**	315,610
Current	**38,143**	35,769
Noncurrent	**305,142**	279,841

(In thousands of reais, unless otherwise stated)

12. Leases

As at December 31, 2020, the Company and JSS entered into agreements for the lease of the real properties of three operating units (Hospital Mater Dei Santo Agostinho, Hospital Mater Dei Contorno and Hospital Mater Dei Betim Contagem) and other real properties for administrative, assistance and laboratory use.

The agreements have a 30-year term and may be renewed. The annual lease of the three real properties of the operating units amounts to R$40,000. For the other real properties, the annual lease is of R$1,143 referring to the buildings where part of the administrative team works. The lease amounts are subject to adjustment by reference to the IPCA and may be reviewed every five years to align with the changes in market prices.

On May 01, 2022, the lease agreement referring to the Salvador hospital unit opened on the same date came into effect. In February, 2022, the lease agreement referring to the Salvador Medical Center opened on the same date came into effect. This agreement is subject to a fixed amount and will be increased over three years. The lease referring to the Salvador unit commences at R$5,155 in the first year and the Centro Médico unit at R$845 in the first year, reaching R$19,000 in the third year for both units.

The Betim/Contagem unit, subject to the lease agreements, is given in guarantee for the loans and financing taken out by the Company from BNDES amounting to R$66,417 on December 31, 2023 (R$82,205 on December 31, 2022).

In addition to aforementioned units, Porto Dias Group has lease agreements referring to hospital unit real properties. The agreements were entered into on October 31, 2021 and have a 30-year term. The monthly consideration amount is R$2,214, subject to adjustment every 12 months by reference to the IPCA.

(a) Rights of use

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Right-of-use assets				
Hospital and IT equipment	**-**	126	**1,690**	2,356
Real property leases	**573,195**	541,333	**751,542**	717,472
	573,195	541,459	**753,232**	719,828

(In thousands of reais, unless otherwise stated)

Changes in the years ended December 31, 2023 and 2022 are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**541,459**	384,208	**719,828**	548,519
Balance acquired from subsidiary	**-**	-	**-**	6,161
Additions of new agreements (i)	**22,831**	140,288	**23,187**	140,288
Agreement remeasurement	**30,042**	36,343	**41,875**	53,877
Amortization	**(21,137)**	(19,380)	**(31,658)**	(29,017)
Closing balance	**573,195**	541,459	**753,232**	719,828

(i) Additions mainly refer to lease of the Salvador unit (2022) and Centro Médico (2023).

(b) Lease liabilities

As at December 31, 2023 and 2022, lease liabilities are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Within 1 year	**63,941**	54,009	**90,245**	79,773
2-3 years	**67,437**	54,468	**116,261**	101,134
3-5 years	**135,170**	123,213	**228,247**	212,934
Above 5 years	**1,565,984**	1,492,906	**2,017,744**	1,920,427
Undiscounted amounts	**1,832,532**	1,724,596	**2,452,497**	2,314,268
Embedded interest	**(1,197,935)**	(1,147,415)	**(1,608,995)**	(1,536,991)
Total liabilities	**634,597**	577,181	**843,502**	777,277
Current	**57,217**	54,267	**81,228**	76,228
Noncurrent	**577,380**	522,914	**762,274**	701,049

Changes in the years ended December 31, 2023 and 2022 are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**577,181**	398,634	**777,277**	579,308
Balance acquired from subsidiary	**-**	-	**-**	6,307
Additions of new agreements	**22,831**	140,288	**23,187**	140,288
Agreement remeasurement	**30,042**	36,343	**41,875**	53,871
Accrued interest charges	**61,573**	51,627	**83,379**	72,633
Interest paid	**(11,194)**	(31,895)	**(20,072)**	(33,467)
Payments	**(45,836)**	(17,816)	**(62,144)**	(41,663)
Closing balance	**634,597**	577,181	**843,502**	777,277

(In thousands of reais, unless otherwise stated)

(c) Estimated discount rates

The assumption adopted by the Company and its subsidiaries to estimate the discount rate for real property lease agreements was the interest rate for financing the acquisition of an asset similar to the asset subject to the lease agreement for a similar period and under a similar guarantee, and the funds required to obtain an asset of an amount similar to the right-of-use asset in a similar economic environment. The estimated annual discount rate for real properties ranged from 10.31% to 11.03%.

Additional information

In accordance with CVM/SNC/SEP Memorandum Circular No. 02/2019, with a view to informing investors, we present the comparative balances by applying the estimated inflation rate informed by the Focus Bulletin published by the Central Bank of Brasil on February 02, 2024 on the payment flow of lease liabilities, with an impact on right-of-use assets, finance costs and amortization expenses.

	Individual				Consolidated			
	12/31/2023		12/31/2022		12/31/2023		12/31/2022	
	W/o inflation	W/ inflation	W/o inflation	W/ inflation	W/o inflation	W/ inflation	W/o inflation	W/ inflation
Rights of use, net	**573,195**	**823,652**	541,459	697,799	**753,232**	**1,086,231**	719,828	881,156
Lease liabilities	**634,597**	**882,231**	577,181	800,389	**843,502**	**1,161,024**	777,277	1,006,193
Amortization expenses	**21,137**	**30,446**	19,380	22,693	**31,658**	**44,842**	29,017	30,381
Finance costs	**61,573**	**85,210**	51,627	70,619	**83,379**	**114,305**	72,713	86,960

13. Investments

Individual

The investment balance is represented by the percentage of interests held by the Company in the investees' equity and goodwill computed upon acquisition of such investments.

	2023	2022
Investments	**934,338**	855,376
Goodwill on acquisition of investments	**1,056,112**	1,056,112
	1,990,450	1,911,488

(In thousands of reais, unless otherwise stated)

Changes in investments are as follows:

Description	Balance 12/31/2022	FCC	Dividends	Special goodwill reserve - impact (i)	Partial spin-off (i)	Equity pickup	Realization of surplus value	Other (ii)	Balance at 12/31/2023
RMDS	672,767	**101,188**	**-**	**-**	**(41,059)**	**(18,391)**	**-**	**(10,908)**	**703,597**
CSN	179,494	**-**	**(11,009)**	**-**	**-**	**46,355**	**(1,864)**	**-**	**212,976**
GPDMater	3,080	**-**	**-**	**-**	**-**	**.**	**-**	**-**	**3,080**
A3 Data	-	**-**	**(79)**	**(26,210)**	**41,059**	**317**	**-**	**(437)**	**14,650**
Other	35	**-**	**-**	**-**	**-**	**.**	**-**	**-**	**35**
	855,376	**101,188**	**(11,088)**	**(26,210)**	**-**	**28,281**	**(1,864)**	**(11,345)**	**934,338**

(i) This presents detailed information on the partial spin-off of RMDS and downstream merger of A3Data (Note 3);
(ii) This refers to transaction with non-controlling shareholders. As at December 31, 2023, the amount of R$11,345 is mainly comprised of: R$1,967 referring to goodwill arising from the amount paid for seven units of interest of HSG in March 2023; amounts referring to losses on contributions in subsidiaries, of which R$470 in HSG, R$150 in Premium and R$260 in EMEC; R$7,893 generated by adjustment to fair value of HSC redemption liabilities.

Description	Balance 12/31/2021	Capital increase/acquisition	Remeasurement of investment	FCC	Write-off of investment	Interest on equity and dividends	Equity pickup	Realization of surplus value	Other	Balance at 12/31/2022
SPE Bueno	6,596	-	-	4,763	(10,697)	-	(662)	-	-	-
RMDS	24,304	702,863	-	29,488	-	-	(4,817)	-	(79,071)	672,767
CSN	101,357	-	45,806	-	-	(11,173)	46,595	(3,091)	-	179,494
			-							
GPDMater	-	3,080		-	-	-	-	-	-	3,080
Other	35	-	-	-	-	-	-	-	-	35
	132,292	705,943	45,806	34,251	(10,697)	(11,173)	41,116	(3,091)	(79,071)	855,376

(In thousands of reais, unless otherwise stated)

Significant information on subsidiaries at December 31, 2023 is as follows:

Investee	Assets	Liabilities	Equity	P&L for the year
RMDS	988,725	285,128	703,597	(18,391)
CSN	512,701	286,854	225,847	66,221
	1,501,426	571,982	929,444	47,830

Consolidated

Balance of and changes in investments in associates and joint ventures are as follows:

Description	Balance at 12/31/2022	Dividends	Special goodwill reserve - impact	Equity pickup	Realization o surplus valu	Other	Balance at 12/31/2023
A3Data	39,540	(493)	(26,210)	2,348	(218)	(316)	14,651
Hiperbárica	779	(450)	-	556	-	-	885
Centru	(11)	-	-	(31)	-	-	(42)
GPDMater	3,080	-	-	-	-	-	3,080
Other	238	-	-	-	-	-	238
	43,626	(943)	(26,210)	2,873	(218)	(316)	18,812

Description	Balance at 12/31/2021	Balance acquired from investee	Acquisition of companies	Dividends	Equity pickup	Realization of surplus value	Other	Balance at 12/31/2022
A3Data	40,109	-	-	(115)	47	(653)	152	39,540
Hiperbárica	-	435	-	-	344	-	-	779
Centru	-	12	-	-	(23)	-	-	(11)
GPDMater	-	-	3,080	-	-	-	-	3,080
Other	35	231	-	-	-	-	(28)	238
	40,144	678	3,080	(115)	368	(653)	124	43,626

(In thousands of reais, unless otherwise stated)

(a) Share redemption liabilities

Share purchase and sale agreements entered into between the Company and non-controlling shareholders are accounted for based on CPC 39 – Financial Instruments - Presentation.

	Individual	Consolidated		
	CSN	CSN	HSC	Total
Balances at December 31, 2021	279,962	279,962	-	279,962
Additions of new agreements	-	-	64,157	64,157
Changes in fair value	32,027	32,027	2,440	34,467
Balances at December 31, 2022	**311,989**	**311,989**	**66,597**	**378,586**
Changes in fair value	**35,692**	**35,692**	**7,893**	**43,585**
Balances at December 31, 2023	**347,681**	**347,681**	**74,490**	**422,171**

Porto Dias Group

On October 31, 2021, the Company and the non-controlling shareholders of Porto Dias Group entered into an agreement for the purchase and sale of the remaining shares held by these shareholders.

According to this agreement, the sale option may be exercised by the non-controlling shareholders from the 5th to the 10th fiscal year subsequent to agreement execution date and the purchase option may be exercised by the parent company from the 8th to the 10th fiscal year subsequent to agreement execution date. Should the options not be exercised by neither of the parties in the period provided for in the agreement, these options will automatically be cancelled. In the event of exercise, the options may be paid in shares issued by the Company or in cash, at the sole discretion of the Company.

The Company has no control over the non-controlling shareholders' power to exercise the sale option and, in the event of this exercise, the Company will acquire the portion of its own consolidated equity belonging to the non-controlling shareholders. Fair value of the agreement was computed based on present value of the estimated price variables considering budget and growth assumptions for the expected exercise period, discounted at a risk-free rate of 11.44% p.a.

Hospital Santa Clara

On September 01, 2022, the Company and the non-controlling shareholders of Hospital Santa Clara entered into an agreement for the purchase and sale of the remaining shares held by these shareholders.

In the period in which the option to sell the remaining shares of Hospital Santa Clara may be exercised or upon occurrence of any advanced sale option, the shareholders who are doctors may sell 100%, not less than 100%, of their shares to Mater Dei. The sale option may be exercised by the doctors in the following periods:

(i) From August 01, 2025 to August 31, 2025;
(ii) From February 16, 2026 to March 31, 2026.

As such, as of April 01, 2026, Mater Dei may exercise its purchase option. In case Mater Dei exercises its purchase option, the shareholders who are doctors must sell, and Mater Dei must buy, 100% of their purchase options.

Fair value of the agreement was computed based on present value of the estimated price variables considering budget and growth assumptions for the expected exercise period, discounted at a risk-free rate of 11.85% p.a.

(In thousands of reais, unless otherwise stated)

14. Property and equipment

Individual

	Individual			
	12/31/2023			12/31/2022
	Cost	Accumulated depreciation	Net amount	Net amount
Leasehold improvements	**133,144**	**(491)**	**132,653**	45,638
Hospital equipment and appliances	**295,677**	**(121,630)**	**174,047**	180,992
Furniture, fixtures and IT equipment	**49,310**	**(29,583)**	**19,727**	21,432
Advances to suppliers	**42,544**	**-**	**42,544**	43,473
Other	**30,707**	**(2,372)**	**28,335**	27,270
	551,382	**(154,076)**	**397,306**	318,805

Changes in property and equipment are as follows:

	12/31/2022	Acquisitions	Write-offs	Depreciation	Transfers (a)	12/31/2023
Leasehold improvements	45,638	**84,385**	**-**	**(307)**	**2,937**	**132,653**
Appliances, surgery medical equipment and machinery	180,992	**5,195**	**(1,757)**	**(26,821)**	**16,438**	**174,047**
Furniture, fixtures and equipment	21,432	**3,522**	**(618)**	**(4,572)**	**(37)**	**19,727**
Advances	43,473	**14,816**	**-**	**-**	**(15,745)**	**42,544**
Other	27,270	**5,848**	**-**	**(1,190)**	**(3,593)**	**28,335**
	318,805	**113,766**	**(2,375)**	**(32,890)**	**-**	**397,306**

	12/31/2021	Acquisitions	Write-offs	Depreciation	Transfers (a)	12/31/2022
Leasehold improvements	5,732	40,016	-	(110)	-	45,638
Appliances, surgery medical equipment and machinery	90,455	29,496	(1,926)	(21,745)	84,712	180,992
Furniture, fixtures and equipment	16,978	6,124	(115)	(4,603)	3,048	21,432
Advances	65,077	90,400	-	-	(112,004)	43,473
Other	5,250	292	(1,596)	(920)	24,244	27,270
	183,492	166,328	(3,637)	(27,378)	-	318,805

(a) Transfers refer to advances to suppliers for acquisition of property and equipment. When property and equipment become available to Mater Dei, such items are allocated to the appropriate groups.

(In thousands of reais, unless otherwise stated)

Consolidated

	Consolidated			
	12/31/2023			12/31/2022
	Cost	Accumulated depreciation	Net amount	Net amount
Land	**52,659**	**-**	**52,659**	41,647
Real properties	**239,770**	**(61,827)**	**177,943**	181,886
Leasehold improvements	**143,718**	**(554)**	**143,164**	48,508
Hospital equipment and appliances	**516,812**	**(252,809)**	**264,003**	269,925
Furniture, fixtures and IT equipment	**93,924**	**(57,777)**	**36,147**	36,559
Advances to suppliers	**54,993**	**-**	**54,993**	53,770
Other	**39,612**	**(3,927)**	**35,685**	33,716
	1,141,488	**(376,894)**	**764,594**	666,011

	12/31/2022	Acquisitions	Write-offs	Depreciation	Transfers (a)	12/31/2023
Land	41,647	**11,012**	**-**	**-**	**-**	**52,659**
Real properties	181,886	**8,975**	**(11)**	**(13,598)**	**691**	**177,943**
Improvements	48,508	**89,948**	**-**	**(349)**	**5,057**	**143,164**
Hospital equipment and appliances	269,925	**10,587**	**(994)**	**(38,626)**	**23,111**	**264,003**
Furniture, fixtures and IT equipment	36,559	**8,458**	**(1,061)**	**(8,791)**	**982**	**36,147**
Advances to suppliers	53,770	**23,866**	**-**	**-**	**(22,643)**	**54,993**
Other	33,716	**10,556**	**-**	**(1,389)**	**(7,198)**	**35,685**
	666,011	**163,402**	**(2,066)**	**(62,753)**	**-**	**764,594**

	12/31/2021	Balance acquired from subsidiary	Acquisitions	Write-offs	Depreciation	Transfers (a)	12/31/2022
Land	20,578	21,169	-	-	-	(100)	41,647
Real properties	-	191,524	3,297	(1,238)	(11,797)	100	181,886
Leasehold improvements	5,732	-	42,908	-	(132)	-	48,508
Hospital equipment and appliances	128,815	52,279	40,058	(2,230)	(33,709)	84,712	269,925
Furniture, fixtures and IT equipment	23,608	11,327	8,248	(251)	(9,419)	3,046	36,559
Advances to suppliers	65,077	74	100,675	(52)	-	(112,004)	53,770
Other	6,167	1,124	4,777	(1,651)	(947)	24,246	33,716
	249,977	277,497	199,963	(5,422)	(56,004)	-	666,011

(a) Transfers refer to advances to suppliers for acquisition of property and equipment. When property and equipment become available to Mater Dei, such items are allocated to the appropriate groups.

(In thousands of reais, unless otherwise stated)

15. Intangible assets

Individual

	12/31/2022	Acquisitions	Write-offs	Amortization	12/31/2023
Software use rights	18,426	**12,534**	**(60)**	**(6,456)**	**24,444**
	18,426	**12,534**	**(60)**	**(6,456)**	**22,444**

	12/31/2021	Acquisitions	Write-offs	Amortization	12/31/2022
Software use rights	10,376	13,909	(1,379)	(4,480)	18,426
	10,376	13,909	(1,379)	(4,480)	18,426

Consolidated

Consolidated	12/31/2022	Business combination	Acquisitions	Write-offs	Amortization	12/31/2023
Goodwill on acquisition of companies	1,660,552	**2,333**	**-**	**-**	**-**	**1,662,885**
Trademarks	161,826	**-**	**-**	**-**	**-**	**161,826**
Customer portfolio	-	**624**	**-**	**-**	**-**	**624**
Software use rights	21,923	**-**	**13,602**	**(60)**	**(7,591)**	**27,874**
	1,844,301	**2,957**	**13,602**	**(60)**	**(7,591)**	**1,853,209**

Consolidated	12/31/2021	Merged subsidiary balance	Remeasurement	Acquisitions	Write-offs	Amortization	12/31/2022
Goodwill on acquisition of companies	1,100,912	-	(44,799)	604,439	-	-	1,660,552
Trademarks	65,443	-	-	96,383	-	-	161,826
Software use rights	11,345	1,040	-	15,956	(1,379)	(5,066)	21,896
Other	27	-	-	-	-	-	27
	1,177,727	1,040	(44,799)	716,778	(1,379)	(5,066)	1,844,301

(In thousands of reais, unless otherwise stated)

Goodwill and surplus value upon acquisition of companies

Goodwill and surplus value upon acquisition of companies are as follows:

Investee	Goodwill 2023	Surplus value 2023	Goodwill 2022	Surplus value 2022
CSN	**1,056,113**	**45,810**	1,056,113	45,810
HSG	**138,153**	**26,744**	138,153	26,744
Premium	**169,749**	**28,689**	169,749	28,689
EMEC	**114,042**	**17,760**	114,042	17,760
CDI	**66,305**	**2,104**	66,305	2,104
Cardio	**916**	**-**	916	-
HSC	**115,274**	**13,442**	115,274	13,442
PDS	**2,333**	**-**	-	-
	1,662,885	**134,459**	1,660,552	134,459

Tests on goodwill to check whether the recoverable amount requires adjustment

Assets not subject to amortization relating to goodwill and trademark are allocated to each cash-generating unit (CGU), to wit Porto Dias Group, EMEC, Premium, HSG+CDI and HSC, which form part of the Group's single operating segment. The recoverable of these CGUs was calculated based on value in use. These calculations consider projected cash flows using the assumptions described below before income and social contribution taxes, based on financial budgets approved by management. The amounts referring to cash flows after the period described below were extrapolated based on estimated growth rates.

As at December 31, 2023, key assumptions used for calculating value in use were as follows:

Assumptions	Porto Dias	EMEC	Premium	HSG + CDI	HSC
Annual discount rate (pre-tax)	9.7% p.a.	9.7% p.a.	9.7% p.a.	9.7% p.a.	9.7% p.a.
Projection period	8 years	8 years	8 years	8 years	8 years
Annual perpetuity growth	5.5% p.a.	5.5% p.a.	5.5% p.a.	5.5% p.a.	5.5% p.a.
Tested amount (carrying amount)	1,230,779	220,430	292,475	313,288	176,833

For the projection period, management used assumptions based on studies for opening new hospital and hospital beds, in addition to business maturity timing and revenue increase perspectives.

For the annual perpetuity growth, management considered Gross Domestic Product (GDP) and long-term IPCA. The increase above inflation occurs due to the health sector profile, aging of the population, increase in number of beneficiaries, among other factors that have a direct impact on the healthcare industry.

(In thousands of reais, unless otherwise stated)

The Company also conducted a sensitivity analysis considering an increase or decrease of 1.00% in discount rates and operating margin in the long-term model and identified no need to adjust the recoverable amount.

16. Trade accounts payable

	Individual		Consolidated	
	2023	2022	2023	2022
Orthoses, prostheses and special materials	**49,379**	41,866	**59,359**	48,794
Drugs and medications	**25,282**	20,505	**34,403**	37,588
Medical and hospital material	**3,943**	3,963	**7,992**	10,488
Permanent assets	**9,144**	7,957	**20,011**	9,462
Diagnosis materials	**1,201**	1,053	**1,327**	1,080
Food items	**1,356**	842	**2,937**	1,382
Provision of services	**4,921**	10,442	**10,691**	18,944
Other	**6,250**	3,254	**11,981**	11,440
	101,476	89,882	**148,701**	139,178

17. Loans, financing and debentures

Institution	Rate p.a.	Individual		Consolidated	
		2023	2022	2023	2022
Debentures – 1st issue (v)	CDI + 1.60%	**713,789**	716,165	**713,789**	716,165
BNDES - Fixed rate (vi)	TJLP + 2.70% to 4.10%	**66,417**	82,205	**66,417**	82,205
Banco do Nordeste (iii)	IPCA + 1.21%	**396,397**	324,966	**396,397**	324,966
Banco da Amazônia	TJLP + 6.23% to 7.94%	**-**	-	**151**	1,575
Daycoval	11.69%	**-**	-	**-**	1,205
Daycoval	12.24%	**-**	-	**58**	759
Banco Itaú (viii)	CDI + 1.9%	**-**	-	**19,873**	19,916
Itaú Bank	CDI + 3.6%	**-**	-	**-**	3,062
Banco Itaú (i)	CDI + 2%	**-**	-	**7,785**	-
Banco Itaú (ii)	CDI + 1.7%	**-**	-	**1,031**	-
Banco do Brasil (viii)	CDI + 1.9%	**-**	-	**43,213**	43,299
Banco Itaú (iv)	CDI + 2.02%	**-**	-	**7,274**	6,057
Unicred	CDI + 4.28%	**-**	-	**-**	4,407
Sicoob	CDI + 3.66%	**-**	-	**2,399**	3,434
Other	-	**-**	-	**1**	379
		1,176,603	1,123,336	**1,258,388**	1,207,429
(-) Transaction costs		**(3,523)**	(4,249)	**(3,523)**	(4,249)
		1,173,080	1,119,087	**1,254,865**	1,203,180
Current		**36,306**	35,530	**52,205**	52,973
Noncurrent		**1,136,774**	1,083,557	**1,202,660**	1,150,207

(i) On March 21, 2023, HSG took out a loan amounting to R$7,500 from Banco Itaú, subject to CDI plus 2%

(In thousands of reais, unless otherwise stated)

p.a. This loan will be settled on March 20, 2025 and interest will be paid on a semi-annual basis.

(ii) On January 05, 2023, HSG took out a loan from Banco do Itaú amounting to R$3,000, subject to CDI plus 1.7% p.a. This loan will be paid in four quarterly installments, the first of which on April 05, 2023 and the last of which on January 05, 2024.

(iii) On June 27 and July 14, 2023, decisions were made regarding the loan from BNB amounting to R$66,569 and R$4,121, respectively. The loan from BNB has an one-time payment bonus of 0.85. Accordingly, this loan is subject to IPCA plus 1.03%, in case the debt installment payments are not delayed. This agreement is valid until October 16, 2034.

(iv) In 2022, Premium took out a loan from Banco Itaú amounting to R$3,000 subject to CDI plus 2.02%. This loan is subject to semi-annual interest and is amortized only upon maturity. An additional loan amounting to R$3,000 was taken out at CDI plus 2.02%. This loan is subject to annual interest and amortization occurs only upon maturity. On May 17, 2023, Premium took out a loan from Banco Itaú amounting to R$1,000, subject to CDI plus 2.02% p.a. This loan will be paid in eight quarterly installments, the first of which on August 21, 2023 and the last of which on May 19, 2025.

(v) On November 05, 2021, debentures amounting to R$700,000 were issued, to be amortized in two equal installments in 2027 and 2028 and subject to interest on a semi-annual basis.

(vi) On January 29, 2018, the parent company took out a loan amounting to R$109,030 from BNDES, subject to TJLP plus 3.18% p.a. This loan will be settled on December 15, 2027 and is subject to semi-annual interest and amortization.

(vii) The loan taken out from Banco Itaú matures on March 22, 2027. This loan is subject to annual interest and amortization, and the first installment will be paid in 2025.

(viii) On March 14, 2022, HSG took out a loan amounting to R$43,000 from Banco do Brasil, subject to CDI plus 1.90% p.a. This loan will be settled on March 15, 2027 and is subject to quarterly interest and annual amortization from 2024 onwards.

The loan repayment schedule without taking transaction costs into consideration is as follows:

	Individual		Consolidated	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Within 1 year	**37,034**	35,530	**52,934**	52,973
2 – 3 years	**77,087**	50,168	**126,294**	83,103
4 – 5 years	**777,735**	427,235	**794,413**	460,950
Above 5 years	**284,747**	610,403	**284,747**	610,403
	1,176,603	1,123,336	**1,258,388**	1,207,429
(-) Transaction costs	**(3,523)**	(4,249)	**(3,523)**	(4,249)
Total	**1,173,080**	1,119,087	**1,254,865**	1,203,180

Changes for the years ended December 31, 2023 and 2022 are as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Opening balance	**1,119,087**	1,107,529	**1,203,180**	1,111,308
Merged subsidiary balance	**-**	-	**-**	99,083
Funds raised	**70,965**	52,686	**82,484**	106,201
Interest expenses	**126,370**	123,967	**138,521**	133,409

(In thousands of reais, unless otherwise stated)

Monetary variation and foreign exchange differences	**747**	1,333	**747**	1,333
Payment of principal	**(15,576)**	(43,157)	**(29,344)**	(118,477)
Payment of interest	**(129,239)**	(124,005)	**(141,448)**	(130,411)
Transaction costs	**726**	734	**726**	734
Closing balance	**1,173,080**	1,119,087	**1,254,865**	1,203,180

18. Taxes paid in installments

Taxes paid in installments are as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
COFINS (i)	**8,491**	11,944	**8,491**	11,944
PIS (i)	**1,840**	2,588	**1,840**	2,588
Service Tax (ISSQN)	**-**	-	**7**	28
Corporate Income Tax (IRPJ)	**-**	-	**901**	914
Social Security Tax (INSS)	**-**	-	**100**	122
	10,331	14,532	**11,339**	15,596
Current	**6,438**	5,599	**6,644**	5,861
Noncurrent	**3,893**	8,933	**4,695**	9,735

(i) This refers to PIS and COFINS installment payment relating to inquiries on non-payment of such contributions on medications used in Company facilities. The payment agreement was entered into on September 30, 2020, to be settled in 60 installments adjusted at SELIC.

Changes in the years ended December 31, 2023 and 2022 are as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Opening balance	**14,532**	18,564	**15,596**	18,564
Merged subsidiary balance	**-**	-	**-**	1,149
Accrued interest charges	**1,650**	2,004	**1,748**	2,028
Payments	**(5,851)**	(6,036)	**(6,005)**	(6,145)
Closing balance	**10,331**	14,532	**11,339**	15,596

The payment schedule of installment balances and respective nominal amounts are as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Within 1 year	**6,438**	5,599	**6,644**	5,861
1 – 2 years	**3,893**	5,132	**4,014**	5,924
Above 2 years	**-**	3,801	**681**	3,811
Total	**10,331**	14,532	**11,339**	15,596

(In thousands of reais, unless otherwise stated)

19. Acquisition of companies payable

Consideration amounts payable at fair value referring to company acquisitions are as follows:

	Consolidated	
Companies acquired	**2023**	**2022**
A3Data	**-**	2,000
HSG	**6,499**	6,433
CDI	**1,184**	1,964
Premium	**152,485**	167,528
EMEC	**20,616**	19,389
HSC	**30,925**	27,712
	211,709	225,026
Current	**36,931**	28,161
Noncurrent	**174,778**	196,865

(i) Detailed information on acquisitions is provided in Note 2.

	Consolidated	
	2023	**2022**
Opening balance	**225,026**	15,860
Acquisitions (i)	**4,576**	217,426
Accrued interest charges	**20,192**	8,821
Payments (ii)	**(38,085)**	(17,081)
Closing balance	**211,709**	225,026

(i) This refers to acquisition by HSG of 7 units of interest from non-controlling shareholders on March 29, 2023;
(ii) This refers mostly to payment of the first installment of Premium amounting to R$ 24,145; additional acquisition of 7 units of interest from HSG amounting to R$ 4,576; and payment of R$ 2,000 referring to the last installment of A3 Data acquisition.

(In thousands of reais, unless otherwise stated)

20. Provision for contingencies

Individual

	Civil	Labor and social security	Tax	Total
At December 31, 2021	37,831	75,108	13,492	126,431
Additions and monetary adjustments	6,062	13,617	5,185	24,864
Write-offs and reversals	(14,410)	(1,031)	-	(15,441)
At December 31, 2022	29,483	87,694	18,677	135,854
Additions and monetary adjustments	**1,630**	**14,913**	**2,530**	**19,073**
Write-offs and reversals	**(15,303)**	**(9,228)**	**-**	**(24,531)**
At December 31, 2023	**15,810**	**93,379**	**21,207**	**130,396**

Consolidated

	Civil	Labor and social security	Tax	Total
At December 31, 2021	80,592	84,149	27,730	192,471
Merged subsidiary balance	11,334	2,532	465	14,331
Business combinations	41,142	154	1,482	42,778
Additions and monetary adjustments	7,161	15,332	6,915	29,408
Write-offs and reversals	(15,657)	(8,740)	-	(24,397)
At December 31, 2022	124,572	93,427	36,592	254,591
Merged subsidiary balance	**-**	**-**	**20**	**20**
Additions and monetary adjustments	**11,557**	**19,300**	**2,890**	**33,747**
Write-offs and reversals	**(20,381)**	**(12,560)**	**-**	**(32,941)**
At December 31, 2023	**115,748**	**100,167**	**39,502**	**255,417**

(a) Labor, social security, civil and tax contingencies

The Company and its subsidiaries are party to ongoing proceedings of a civil, labor, social security and tax nature and are challenging these matters in the administrative and legal sphere. When applicable, these claims are supported by judicial deposits. Provisions for losses arising from these proceedings are estimated and adjusted by management, based on the opinion of external legal advisors. Provision charges are recorded in P&L under Other operating income (expenses) and monetary adjustments in Finance income (costs). The nature of these obligations is summarized as follows:

Civil proceedings: the main claims refer to legal actions filed by customers to challenge medical procedures performed by doctors in Company facilities. As at December 31, 2023, judicial deposits made by the Company relating to these proceedings amount to R$1,097.

(In thousands of reais, unless otherwise stated)

Labor and social security contingencies: these correspond mostly to inquiries from the Brazilian IRS relating to the employment relationship of medical professionals who provide services in the Company's hospital facilities by means of legal entities. The Brazilian IRS issued notices claiming payment of labor charges. The Company is currently contesting such allegations. Additionally, the Company is party to labor claims of other natures. As at December 31, 2023, judicial deposits made by the Company relating to these proceedings amount to R$8,609.

Tax contingencies: The Company identified risks relating to tax treatments in the federal sphere relating to PIS/COFINS and income and social contribution taxes.

(b) Provisions for contingencies rated as possible

The Company and its subsidiaries are party to tax, civil and labor claims whose likelihood of an unfavorable outcome was rated as possible by management, based on the assessment of its legal advisors, for which no provision was set up. As regards tax proceedings, the Company is challenging in court the exclusion of ISS from the PIS and COFINS basis on service revenue. For these proceedings, the Company makes payments by means of judicial deposits, whose balance as at December 31, 2023 and 2022 correspond to R$10,258 and R$8,088, respectively. Estimated amounts for proceedings classified as possible loss are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Tax	**10,258**	8,088	**37,416**	23,791
Labor and social security	**24,579**	13,509	**34,334**	17,314
Civil	**33,950**	15,663	**35,078**	28,024
	68,787	37,260	**106,828**	69,129

(In thousands of reais, unless otherwise stated)

(c) Indemnification assets

The Company records indemnification assets deriving from contingent liabilities relating to the acquisition of subsidiaries. As contractually established, selling shareholders must reimburse the Company for any payments of contingencies, whether or not materialized, arising in the period in which these selling shareholders have the power to influence Company management. For certain agreements, the Company has payment guarantees, represented by payable consideration installments retained and payments of rentals of real properties that belong to former shareholders. Indemnifiable assets were recorded in Other noncurrent assets, as follows:

	Consolidated	
	2023	**2022**
CSN	**46,205**	43,132
HSG	**18,261**	18,820
EMEC	**13,154**	11,976
HSC	**13,256**	14,711
Premium	**4,897**	5,148
	95,773	93,787

21. Equity

(a) Subscribed and paid-in capital

Subscribed and paid-in capital amounting to R$1,355,182 is comprised of 382,329,821 registered common shares with no par value. Shareholding structure is as follows:

	Number of shares	
	2023	**2022**
JSS Empreend. e Administação Ltda. - controlling interests	**219,287,242**	219,287,242
Individuals - controlling interests	**54,103,195**	54,103,195
Porto Dias Family (*)	**27,272,728**	27,272,728
Other shareholders - market	**81,666,656**	81,666,656
	382,329,821	382,329,821

Paid-in capital	1,355,182
(-) Share issue costs	(54,163)
Balance at December 31, 2023	1,301,019

(*) Represented by non-controlling shareholders of Porto Dias Group. With the election of Antônio Dias as Company director in February 2022, substituted by his son Diogo at the General Meeting held on April 28, 2023, Mr. Dias’s shares as well as the shares acquired upon sale of Porto Dias Group, became once again part of the free float (market), and a specific line for his shares was opened.

(In thousands of reais, unless otherwise stated)

(b) Capital reserve

On November 01, 2021, the Company set up goodwill reserve amounting to

(c) Share-based payment

On May 12, 2021, the Company's Board of Directors ratified and approved the grant of 5,334,935 share purchase options relating to the Company's 1st Share Purchase Option Program to beneficiaries designed by the Board of Directors, and the execution of share grant agreements between the Company and the selected beneficiaries.

The total options may be exercised at a minimum five years and at a maximum seven years as of the agreement execution date, and the first tranche will be available in the 3rd year. Fair value of the options was calculated under the Hull & White Binomial model, using contractual assumptions and applicable estimates available in the market.

Tranche	Grant date	Vesting period	Maturity date	Fair value per share
1	04/08/2021	04/08/2024	04/08/2028	R$ 7.92
2	04/08/2021	04/08/2025	04/08/2028	R$ 8.55
3	04/08/2021	04/08/2026	04/08/2028	R$ 9.07

The strike price of the options granted was R$13.95 per share, adjusted by inflation, calculated by reference to the IPCA, on a pro rata basis. This price will be adjusted for the amount of dividends, interest on equity and other earnings paid by the Company from the grant date to the exercise date. As at December 31, 2023, no shares expired, were granted or issued. The first vesting period is planned for 2024.

The options were recorded in the Company's statement of financial position and statement of profit or loss in accordance with CPC 10 - Share-based Payment. As at December 31, 2023, the amount recorded in P&L and in capital reserve was R$11,704 (R$ 11,704 in December 2022).

(In thousands of reais, unless otherwise stated)

(d) Equity adjustments

The following transactions are recognized under equity adjustments: (i) fair value of the agreements referring to purchase and sale of the shares of Porto Dias Group and of Hospital Santa Clara (Note 13); (ii) a reflex equity adjustment deriving from transactions with non-controlling shareholders; and (iii) other comprehensive income comprised by net gains (losses) from hedge accounting less deferred income and social contribution taxes.

Fair value referring to hedge accounting is recorded in equity. As at December 31, 2023, hedge accounting fair value is of R$ 8,259 (R$ 252 on December 31, 2022).

(e) Income reserves

Legal reserve

Legal reserve is annually set up by allocating 5% of net income for the year, capped at 20% of capital. The legal reserve aims at ensuring integrity of capital and may only be used to absorb losses and increase capital.

Reinvestment reserve

Set-up of reinvestment reserve is resolved at Annual General Meetings for the purpose of allocating funds to expand the Company's operating activities. On April 28, 2023, the Annual General Meeting approved allocation of R$61,220.

(f) Dividends

Pursuant to the Company's articles of incorporation, shareholders are entitled to 25% of net profit, adjusted in accordance with the legislation, to be distributed and paid as dividends.

Dividends relating to net income for the years ended December 31, 2023 and 2022 are as follows:

	12/31/2023	**12/31/2022**
Net income for the year	**119,654**	103,505
Set-up of legal reserve (5%)	**(5,983)**	(5,175)
Dividend calculation base	**113,671**	98,330
Minimum dividends proposed (25%)	**28,418**	24,582
Earnings per thousands of registered common share	**R$0.070**	R$0.064

Dividends referring to the year ended December 31, 2022 amounting to R$24,582 were paid on May 10, 2023).

(In thousands of reais, unless otherwise stated)

(g) Special goodwill reserve - reflex

As mentioned in Note 3, on May 31, 2023, the partial spin-off of RMDS was conducted and RMDS net assets were merged into A3 Data by means of a downstream merger, in which A3Data merged its investment in RMDS, together with goodwill and surplus value computed on the date of acquisition. The impacts of provision for goodwill, set-up of goodwill tax benefit (34% on the goodwill amount) and recognition of non-controlling interests in such benefit were accounted for in the Company's equity under a special goodwill reserve - reflex amounting to R$ 26,210.

22. Revenue from contracts with customers

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Healthcare plans	**1,389,592**	1,099,135	**2,314,041**	1,839,190
Private customers	**68,692**	56,341	**139,425**	113,108
Commissions	**18,334**	13,302	**18,557**	13,302
Parking	**10,752**	8,844	**10,758**	8,849
Other revenues	**-**	2,511	**92**	2,780
Gross revenue	**1,487,370**	1,180,133	**2,482,873**	1,977,229
Disallowances (i)	**(65,151)**	(50,132)	**(133,943)**	(88,158)
Total disallowances	**(65,151)**	(50,132)	**(133,943)**	(88,158)
Cancelled billing	**(2,992)**	(1,038)	**(5,626)**	(1,043)
Other deductions	**(872)**	(935)	**(1,531)**	(1,458)
Deductions from revenue	**(3,864)**	(1,973)	**(7,157)**	(2,501)
Service Tax (ISSQN)	**(41,071)**	(32,693)	**(62,742)**	(51,109)
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**(9,827)**	(7,376)	**(16,234)**	(12,750)
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**(45,310)**	(36,201)	**(74,880)**	(59,269)
State Value-Added Tax (ICMS)	**-**	-	**(252)**	(310)
Taxes on revenues	**(96,208)**	(76,270)	**(154,108)**	(123,438)
Net revenue	**1,322,147**	1,051,758	**2,187,665**	1,763,132

(i) these amounts represent estimated losses relating to disallowances on revenues from healthcare plans. Breakdown of prior year balances is provided for comparison purposes.

(In thousands of reais, unless otherwise stated)

23. Costs and expenses by nature

(i) Cost of services rendered

	Individual		Consolidated	
	2023	2022	2023	2022
Personnel	**(222,324)**	(181,476)	**(409,441)**	(318,703)
Food and meals	**(17,893)**	(13,053)	**(38,072)**	(28,737)
Medical services	**(74,625)**	(51,300)	**(252,300)**	(171,596)
Materials and medications	**(374,597)**	(293,037)	**(528,486)**	(426,534)
Maintenance and upkeep	**(52,120)**	(34,208)	**(87,706)**	(61,571)
Depreciation and amortization	**(47,466)**	(40,280)	**(82,432)**	(74,328)
Other costs	**(44,242)**	(35,391)	**(77,379)**	(58,476)
	(833,267)	(648,745)	**(1,475,816)**	(1,139,945)

(ii) Administrative expenses

	Individual		Consolidated	
	2023	2022	2023	2022
Personnel	**(129,646)**	(107,228)	**(189,607)**	(155,741)
Advertising and publicity	**(2,451)**	(3,421)	**(2,705)**	(4,797)
Depreciation and amortization	**(13,017)**	(10,958)	**(19,570)**	(15,744)
Expenses with mergers and acquisitions	**-**	(13,978)	**-**	(13,978)
Third-party services	**(36,565)**	(31,892)	**(60,587)**	(51,162)
Other expenses	**(12,960)**	(12,861)	**(23,819)**	(27,670)
	(194,639)	(180,338)	**(296,288)**	(269,092)

24. Other operating income/(expenses)

	Individual		Consolidated	
	2023	2022	2023	2022
Reversals of/(Provisions for) tax, labor and civil contingencies	**16,896**	(4,238)	**16,375**	(6,258)
Allowance for doubtful accounts	**(14,429)**	(18,592)	**(17,921)**	(20,570)
Rentals	**1,674**	1,223	**3,133**	1,945
Other operating income	**1,575**	5,203	**3,806**	8,975
Other operating income/(expenses)	**5,716**	(16,404)	**5,393**	(15,908)

(In thousands of reais, unless otherwise stated)

25. Finance income (costs)

Finance income (costs) per nature of financial transaction are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Finance income				
Short-term investment yield	**29,547**	68,591	**31,073**	70,607
Financial discounts	**5,251**	5,974	**6,878**	7,177
Gains from derivatives - swap	**2,423**	227	**2,423**	227
Monetary variation and foreign exchange differences	**16**	445	**139**	488
Other finance income (i)	**17,085**	11,715	**18,946**	11,927
	54,322	86,952	**59,459**	90,426

	Individual		Consolidated	
	2023	2022	2023	2022
Finance costs				
Accrued interest charges (ii)	**(128,020)**	(125,971)	**(160,460)**	(152,053)
Interest on lease agreements	**(61,573)**	(51,627)	**(83,379)**	(72,585)
Monetary and exchange losses	**(163)**	(1,965)	**(163)**	(1,966)
Monetary adjustment of contingencies (iii)	**(12,714)**	-	**(15,541)**	-
Losses on derivatives - swap	**(9,803)**	(10,567)	**(9,803)**	(10,567)
Bank expenses	**(1,331)**	(1,285)	**(1,798)**	(2,391)
Discounts granted	**(703)**	(868)	**(948)**	(1,245)
Transaction costs	**(726)**	(734)	**(726)**	(734)
Other finance costs	**(586)**	(13)	**(1,457)**	(953)
	(215,619)	(193,030)	**(274,275)**	(242,494)
Finance income (costs), net	**(161,297)**	(106,078)	**(214,816)**	(152,068)

(i) This mainly refers to monetary adjustments to accounts receivable from construction works amounting to R$13,527 at December 31, 2023.
(ii) This refers to interest on loans, financing, debentures, taxes paid in installments and accounts payable due to acquisition of companies.
(iii) In 2022, monetary adjustments to provisions for contingencies were recorded under Other operating income (expenses) in provision for (reversal of) contingencies.

(In thousands of reais, unless otherwise stated)

26. Income and social contribution taxes

(a) Breakdown of deferred income and social contribution taxes

Reconciliation of income and social contribution tax calculations are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Income before income and social contribution taxes	**165,077**	138,218	**208,793**	185,834
Income and social contribution tax rate	**34%**	34%	**34%**	34%
Tax computed based on the current rate	**(56,126)**	(46,994)	**(70,990)**	(63,184)
Permanent differences				
Equity pickup	**9,616**	13,980	**903**	(81)
Tax incentives (sponsorship and donations)	**(110)**	(124)	**(140)**	(132)
Tax loss carryforwards recognized	**-**	-	**2,170**	-
Tax loss carryforwards not recognized	**-**	-	**(2,768)**	(6,480)
Other permanent differences	**192**	189	**(3,028)**	1,772
Interest on equity received	**-**	(1,764)	**-**	(1,764)
Reconciliation under the regime whereby taxable profit is estimated as a percentage of gross revenue (‘*lucro presumido*’)	**1,005**	-	**6,307**	6,722
Provision for income and social contribution taxes	**(45,423)**	(34,713)	**(67,546)**	(63,147)
Current income and social contribution taxes	**(1,421)**	(893)	**(45,773)**	(36,522)
Deferred income and social contribution taxes	**(44,002)**	(33,820)	**(21,773)**	(26,625)
	(45,423)	(34,713)	**(67,546)**	(63,147)

(In thousands of reais, unless otherwise stated)

(b) Breakdown of deferred income and social contribution taxes

Deferred taxes are represented by temporary income and expenses and are presented net in the statement of financial position when there is a legal right and the intention to offset them when calculating current taxes, generally related to the same legal entity and the same tax authority. As such, deferred tax assets and liabilities in different entities are usually presented separately and not on a net basis.

	Individual		**Consolidated**	
	2023	**2022**	**2023**	**2022**
Provision for tax, labor and civil contingencies	**20,861**	20,935	**27,405**	25,957
Provision for disallowances	**36,785**	27,009	**47,948**	30,068
Allowance for doubtful accounts	**27,457**	22,552	**35,173**	29,978
Leases	**21,680**	12,949	**32,082**	21,705
Derivative financial instruments	**(4,920)**	14	**(4,920)**	14
Income and social contribution tax losses	**10,513**	11,401	**28,286**	26,391
Provision for share-based payment	**10,870**	6,890	**10,870**	6,890
Goodwill amortization for tax purposes	**(143,630)**	(71,906)	**(143,630)**	(71,906)
Other	**1,546**	-	**6,075**	454
Assets (liabilities), net	**(18,838)**	29,844	**39,289**	69,551
Surplus value of assets and revaluation of property and equipment	**-**	-	**(80,877)**	(84,867)
Net liabilities	**(18,838)**	-	**(41,588)**	(84,867)
Income and social contribution tax assets	**-**	29,844	**58,127**	69,551
Income and social contribution tax liabilities	**(18,838)**	-	**(99,715)**	(84,867)

27. Earnings per share

Basic and diluted

Basic earnings per share are calculated by dividing profit attributable to Company shareholders, by the weighted average number of common shares outstanding in the period, excluding, when applicable, common shares purchased by the Company and held as treasury shares. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding, to assume the conversion of all potentially dilutive common shares. Potential instruments with dilutive effects were considered in the calculation of diluted earnings, as described below, taking into consideration, for share options, whether the average market price of the common shares in the period exceeds the strike price of the options.

	Individual	
Basic earnings	**2023**	**2022**
Earnings attributable to Company shareholders	**119,654**	103,505
Weighted average number of common shares outstanding (in thousands)	**382,330**	382,330
Basic earnings per share - R$ per share	**0.31**	0.27

	Individual	
Diluted earnings	**2023**	**2022**
Earnings attributable to Company shareholders	**119,654**	103,505
Weighted average number of common shares outstanding (in thousands)	**382,330**	382,330
Share purchase options		5,335
Redemption liabilities - share purchase agreement	**21,416**	21,416
Weighted average number of common shares for diluted earnings per share (in thousands)	**403,746**	409,081
Basic and diluted earnings per share – R$ per share	**0.30**	0.25

(In thousands of reais, unless otherwise stated)

28. Balances and transactions with related parties

Balances and transactions with related parties are as follows:

Individual

	Related party	2023	2022
Assets			
Accounts receivable - construction	JSS Empr. e Admin. Ltda	**343,285**	315,610
Dividends receivable (i)	CSN	**19,513**	7,129
Interest on equity receivable (i)	CSN	**-**	5,296
Sale of property and equipment (i)	Premium	**1,485**	1,466
Sale of property and equipment (i)	EMEC	**162**	160
Sale of property and equipment (i)	CSN	**90**	-
Sale of property and equipment (i)	HSG	**372**	-
Sale of property and equipment (i)	HSC	**51**	-
Liabilities			
Dividends payable	Shareholders	**28,418**	24,582
Leases payable	JSS Empr. e Admin. Ltda	**634,597**	577,181
Costs and expenses			
Leases	JSS Empr. e Admin. Ltda.	**69,183**	59,834
Other (ii)	Shareholders	**1,693**	1,667

(i) The amounts are presented under other current assets.
(ii) Amounts corresponding to reimbursement of rental expenses and costs incurred in MBA program to qualify shareholder successors and compensation paid for management of the controlling holding company.

Consolidated

	Related party	2023	2022
Assets			
Accounts receivable - construction	JSS Empr. e Admin. Ltda	**343,285**	315,610
Liabilities			
Dividends payable	Shareholders	**36,221**	-
Leases payable	JSS Empr. e Admin. Ltda	**634,597**	577,181
Leases payable	ADL Participações e Negócios S/A	**115,986**	178,449
Costs and expenses			
Leases	JSS Empr. e Admin. Ltda.	**69,183**	59,834
Leases	ADL Participações e Negócios S/A	**16,429**	24,583
Other	Shareholders	**1,693**	1,667

(In thousands of reais, unless otherwise stated)

The main outstanding balances with Company related parties refer to transactions with its parent company (JSS Empreendimentos e Administração Ltda.), shareholders and Centro Saúde Norte.

Transactions with related parties are performed between the parties based on market prices and supported by contracts.

(a) Key management personnel compensation

Management comprises the members of the Board of Directors and the statutory directors. Compensation paid to key management personnel for services rendered is as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Salaries and other short-term benefits	**31,309**	27,010	**34,346**	28,933
	31,309	27,010	**34,346**	28,933

29. Insurance (coverage not audited)

The Company has a risk management program with a view to minimizing the risks to which it is exposed, and takes out coverage in the market that is compatible with its size and operation. Insurance taken out was deemed sufficient by management to cover losses, if any, considering the nature of its activity, the risks involved in its operations and guidance from its insurance advisors.

As at December 31, 2023, insurance taken out from third parties is as follows:

	Individual	Consolidated
Covered perils	**Amount insured**	**Amount insured**
Property	2,697,400	3,664,790
D&O	50,000	50,000
General civil liability	1,000	3,000
Professional civil liability	-	1,000
Legal guarantee insurance	56,012	56,012

Additionally, the Company has legal guarantee insurance policies aimed at covering, by judicial order, legal proceedings under way. This type of insurance is only aimed at avoiding the need to make judicial deposits. In case the Company is handed down an unfavorable decision, the Company will bear the costs of such proceedings, and the amounts lost are not covered.