# 1Q21 RESULTS

## Quarterly Results – 1Q21

- Net Revenues of R$2.3 billion (+11.8%)
- Health and dental beneficiaries grow 7.5%
- Cash MCR of 61.1% (+5.3 p.p.)
- EBITDA of R$466.8 million (-0.2%)

Earnings Call
May 13th, 2021 (Thursday)
Portuguese (with simultaneous translation into English)
9hs (Brazil) | 8hs (US/DST)
Webcast: ri.hapvida.com.br/en
Phone number: Brazil: +55 (11) 3181-8565 | USA +1 (412) 717-9627

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# Message from Management

The first quarter of 2021 was another period in which our operational discipline and the strong execution of our teams were in evidence. These first three months marked a challenging start to the year with the worsening of the Covid-19 pandemic in Brazil. This was a period in which Hapvida was able to show all its experience and resilience, remaining faithful to our main purpose: ensure access to quality healthcare to our people. Our assistance units were impacted by a greater volume of visits and hospitalizations related to Covid-19. However, once again we anticipate and equip ourselves in the best way, with investments in protection, reinforcement of structure, anticipation of purchases and logistics. We were also quick to resize our service network to adapt to the strong demand we had in the quarter, adding more than 800 beds since the beginning of the year. Our numbers of emergency care and hospitalizations already show a downward trend in all the regions in which we operate. We remain confident that we will soon be going through this global health crisis.

In this first quarter of 2021, net revenue was R$2.3 billion, an increase of 11.8% compared to the same quarter of the previous year due to the addition of 477 thousand health and dental beneficiaries and the increase in average tickets . The care ratio of Hapvida ex-SUS was 62.5%, an increase of 4.6 p.p., due to the higher claim level of the newly acquired companies (Medical and São José Group) and, also, due to the coexistence between elective procedures and emergency care and hospitalizations caused by Covid-19. The management of selling expenses reaching an index of 6.2% and administrative expenses (ex-D&A) with an index of 10.0% led our EBITDA to reach R$466.8 million in the quarter with a margin above 20%, offsetting this punctual increase in the care ratio.

We remain engaged in increasing our own assistance network that allows us to achieve gains in the verticalization of medical expenses. In the first months of the year, we inaugurated the new Maceió Hospital, which has a complete adult, pediatric and obstetric urgency and emergency care, in addition to a diagnostic imaging unit. In addition, we opened 3 medical clinics (7 were closed) and 2 diagnostic units. In February, we also took over the customer portfolios of the operators Samedh and Plamheg (Goiás), which started to be incorporated into our results on the same date, adding to our portfolio about 30 thousand lives.

On March 29, 2021, we took another step towards the business combination of Hapvida and Grupo Notre Dame Intermédica (GNDI), one of the largest mergers of all time in Brazil. On this day, the extraordinary general meetings took place and the shareholders of both companies broadly approved the operation in a historic moment for the Brazilian health sector. The possibility of providing people with greater access to high-quality healthcare at an affordable cost is consistent with the times in which we live and will continue to be the purpose that will guide the combined company. The operation is still awaiting regulatory approvals.

In April, we successfully concluded our second subsequent primary and secondary share offer (follow on) in the amount of R$2.7 billion. The proceeds from the primary offer will be used to strengthen our proprietary care network and those of recently acquired companies, to finance potential future acquisitions that may contribute to the execution of our strategy of expansion into new markets and to reinforce our cash position.

We believe in the strength to use innovation as a tool for transforming society. That is why Maida.health, the healthtech of the Hapvida system, is sponsoring the installation of the Applied Research Center in Artificial Intelligence (AI) at the Federal University of Ceará. The center aims to develop projects in the health area involving internet of things, big data and digital transformation aimed at diagnosis, prevention and low-cost therapy. Our telemedicine platform, which now has live face recognition, is performing more than 85,000 consultations per month. This number is about 3 times the number of medical appointments performed by our largest physical structure.

We are confident that our positive results reflect the consistency of our management in a business model that has already proved to be sustainable, resilient and winner. We could not have performed at this level without the unconditional commitment of our more than 36 thousand employees and 30 thousand health professionals. Thank you and congratulations for the spectacular work. We also thank the Board of Directors, shareholders, brokers, business partners and, in particular, our beneficiaries.

**Jorge Pinheiro**
***CEO***

# Summary

## 1. INTEGRATION AND REPORTING CRITERIA

On February 1, 2021, we completed the transfer of the portfolios of beneficiaries of the operators - Multi Saúde Assistência Médica Hospitalar Ltda. (Samedh) and Plamheg Medical and Hospital Assistance Plan for the state of Goiás (Plamheg).

The term "ex-value added" when used expresses the exclusion of amortization of the fair value adjustment arising from business combinations.

## 2. HIGHLIGHTS

| **FINANCIAL HIGHLIGHTS** (R$ million) | **1Q21** | **1Q20** | **Var. %** | **4Q20** | **Var. %** |
|---|---|---|---|---|---|
| Net Revenues | 2,323.2 | 2,078.8 | *11.8%* | 2,273.5 | *2.2%* |
| Medical Costs - Cash | 1,420.1 | 1,160.7 | *22.4%* | 1,352.1 | *5.0%* |
| Medical Costs - Ex-SUS | 1,451.1 | 1,203.9 | *20.5%* | 1,406.6 | *3.2%* |
| Total Medical Costs | 1,522.1 | 1,279.6 | *19.0%* | 1,512.4 | *0.6%* |
| Sales Expenses | 144.3 | 154.6 | *-6.6%* | 169.3 | *-14.7%* |
| Administrative Expenses[1] | 233.1 | 210.1 | *11.0%* | 207.4 | *12.4%* |
| EBITDA | 466.8 | 467.8 | *-0.2%* | 431.8 | *8.1%* |
| Net Income | 151.8 | 164.6 | *-7.7%* | 94.3 | *61.1%* |
| Net Income ex-value added | 299.6 | 262.9 | *14.0%* | 281.5 | *6.4%* |

| **CONSOLIDATED RATIOS (% ROL)** | **1Q21** | **1Q20** | **Var. %** | **4Q20** | **Var. %** |
|---|---|---|---|---|---|
| *Cash MCR[2] (ex-Peona; ex-SUS; ex-D&A)* | 61.1% | 55.8% | *5.3 p.p.* | 59.5% | *1.6 p.p.* |
| *Ex-SUS MCR* | 62.5% | 57.9% | *4.6 p.p.* | 61.9% | *0.6 p.p.* |
| *Total MCR* | 65.5% | 61.6% | *3.9 p.p.* | 66.5% | *-1.0 p.p.* |
| *Sales Expenses* | 6.2% | 7.4% | *-1.2 p.p.* | 7.4% | *-1.2 p.p.* |
| *Administrative Expenses[3]* | 10.0% | 10.1% | *-0.1 p.p.* | 9.1% | *0.9 p.p.* |
| *Ebitda Margin* | 20.1% | 22.5% | *-2.4 p.p.* | 19.0% | *1.1 p.p.* |
| *Net Income Margin* | 6.5% | 7.9% | *-1.4 p.p.* | 4.1% | *2.4 p.p.* |
| *Net Income Margin ex-value added* | 12.9% | 12.6% | *0.3 p.p.* | 12.4% | *0.5 p.p.* |

| **OPERATING HIGHLIGHTS** | **1Q21** | **1Q20** | **Var. %** | **4Q20** | **Var. %** |
|---|---|---|---|---|---|
| **Members Health and Dental (thousands)** | **6,851** | **6,374** | ***7.5%*** | **6,673** | ***2.6%*** |
| Members Health | 3,761 | 3,564 | *5.5%* | 3,744 | *0.5%* |
| Members Dental | 3,090 | 2,810 | *9.9%* | 2,929 | *5.5%* |
| **Average beneficiares (thousands)** | **6,716** | **6,424** | ***4.5%*** | **6,522** | ***3.0%*** |
| Members Health | 3,747 | 3,551 | *5.5%* | 3,635 | *3.1%* |
| Members Dental | 2,969 | 2,873 | *3.3%* | 2,887 | *2.8%* |
| **Proprietary service network** | **457** | **452** | ***1.1%*** | **464** | ***-1.5%*** |
| Hospitals | 45 | 39 | *15.4%* | 45 | - |
| Emergency Units | 45 | 42 | *7.1%* | 46 | *-2.2%* |
| Clinics | 194 | 194 | *0.0%* | 198 | *-2.0%* |
| Diagnostics | 173 | 177 | *-2.3%* | 175 | *-1.1%* |

[1] Administrative Expenses without depreciation and amortization.
[2] Medical Care Ratio.
[3] Administrative Expenses ratio measured by dividing total administrative expenses without depreciation and amortization by net revenues

# Quality of Care

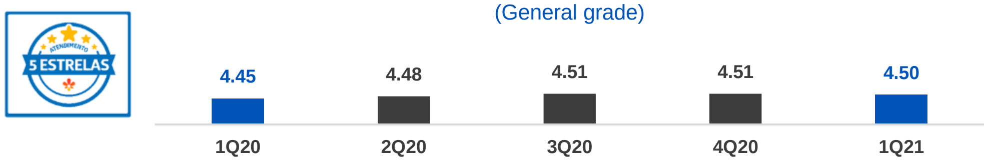
## 3. QUALITY OF CARE

Hapvida's culture values operational excellence, cost control, innovation and, above all, assistance quality. Our efforts in the search for new solutions are always aimed at increasing operational efficiency and improving the customer's perception of the quality of the services provided. We create innovative solutions with substantial effects on our operations and the level of service offered to our customers.

### *5-STAR SERVICE*

The 5-star service, implemented in 2019, is an instant satisfaction survey with ratings between 1 and 5 stars carried out by our customers after each eligible service. This program is a valuable tool for the entire Company, because with it we can see opportunities for improvement and recognize the best performance in serving our customers. Our hospitals, clinics, diagnostic units, emergency services, laboratory collection points, dentistry services, preventive medicine units, telemedicine and the wellness and well-being promotion programs (such as Nascer Bem, Viver Bem and Family Doctor) programs are evaluated. Throughout the program's existence, we have received 7.3 million evaluations. In the first quarter of 2021, more than 711 thousand evaluations were received. The overall average for the month of March 2021, based on 176 thousand evaluations, was 4.50.

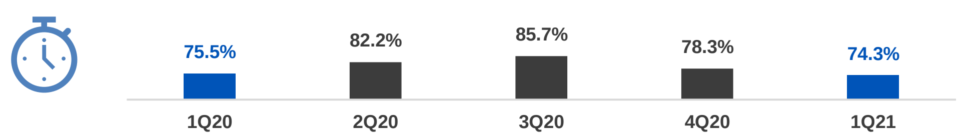
**5-star service**
(General grade)




### *WAITING TIME FOR URGENT/EMERGENCY CARE*

Hapvida has a tech platform with a system that allows us to monitor all of our units in real time 24x7. This system, along with video cameras present in all units, allows the Company's Observation and Control Center to monitor the service and waiting times in all walk-in emergency centers. If the waiting time exceeds 15 minutes, the system signals the Control Center to take immediate actions to speed up the operation. In 1Q21, 74.3% of all of 1.3 million urgent and emergency consultations carried out in our hospitals and walk-in emergency services took place within 15 minutes. The worsening in relation to 4Q20 is due to a greater number of services related to Covid-19 concomitant with other urgent/emergency care.

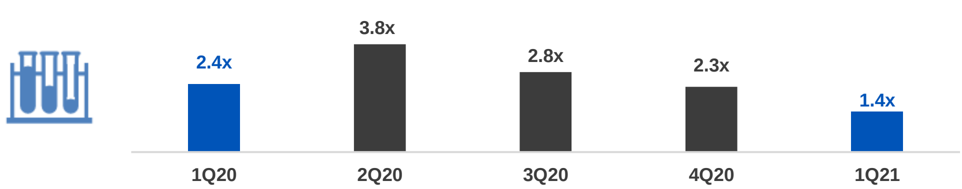
**Service in 15 minutes or less**
(% of total service)




### *VIVER BEM – A VIDAHAP PROGRAM*

Viver Bem is a wellness program for Hapvida's beneficiaries that offers a resolutive and efficient service aiming to reduce diabetes complications. A robot system identifies through patients' blood tests with some alterations that indicate that they have or may have type 2 diabetes mellitus. The contact with the patient is carried out by a trained professional from our exclusive call center for the wellness programs. Available in Fortaleza, Recife and Salvador, it comprises doctors, nursing technicians and nutritionists specialized in the treatment of people with diabetes and aims to encourage a change in the people's lifestyle. The program also has a management center conducted by a nursing team trained in the remote care of patients with diabetes. Until March 2021, the group of monitored presented a very significant improvement in glycated hemoglobin when compared to the control group. At the end of the first quarter of 2021, approximately 7,100 patients were enrolled in this program.

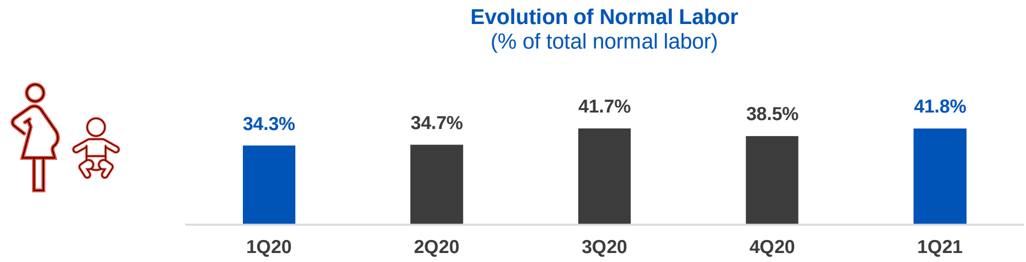
**Improvement of glycated hemoglobin - higher than control group**



# Quality of Care

***NASCER BEM***

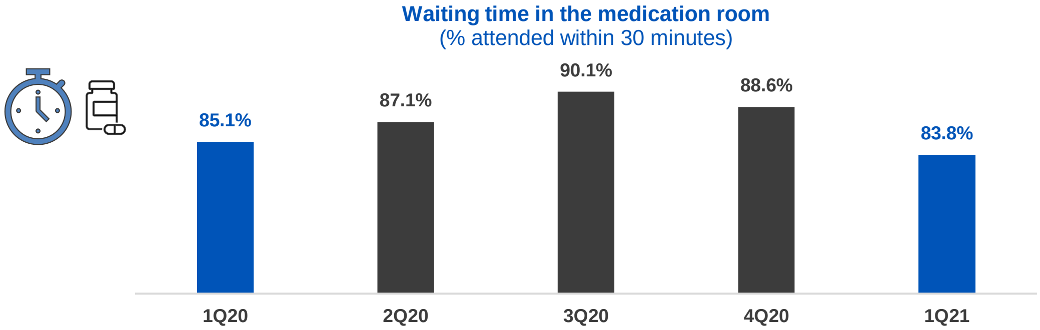
Nascer Bem is a pioneering program in the private health system that promotes the monitoring of pregnant women throughout their pregnancies, offering, through multidisciplinary teams, all the support, security and guidance necessary for this very special moment for the whole family. Currently, the program monitors more than 15 thousand pregnant women and performs an average of 1,500 normal labor per month, of which 41.8% are natural birth (1st quarter of 2021).




***WAITING TIME IN THE MEDICATION ROOM***

This indicator is also measured and controlled by the same systemic platform as the Observation and Control Center (NOC) of the Company. If the waiting time in the medication room exceeds 30 minutes, immediate measures are taken to expedite the service. The Company's goal is to meet 75% of demands within 30 minutes.

In 1Q21, 83.8% of the 496,000 thousand medications performed in our hospitals and emergency services took place on time. The worsening compared to 4Q20 is due to a greater number of services related to the second wave Covid-19 concomitant with other urgent/emergency care.



# Sustainability

## 4. EVOLUTION OF ESG INITIATIVES

Hapvida began the year 2021 with major advances in the environmental, social and governance (ESG) agenda. Corporate strategy is committed to sustainability, a business model that seeks profitable growth without neglecting good social, environmental and governance practices. In January, Hapvida was included, for the first time, in the FTSE4GOOD index, which measures the performance of companies that demonstrate strong environmental, social and governance practices. This represents an important recognition of our work on ESG issues. With the People, Management and Diversity Vice-Presidency, we gained speed in the social agenda and assumed some public commitments. We have become signatories to UN Women, which has as one of the goals for 2030 the achievement of gender equality. This goal, part of the Sustainable Development Goal (SDG) 5, borders on 12 other global goals. In order to join efforts to put into practice commitments related to the respect and promotion of diversity internally and also to contribute to the theme in the business environment and in society, we joined the Fórum de Empresas e Direitos LGBTI+.

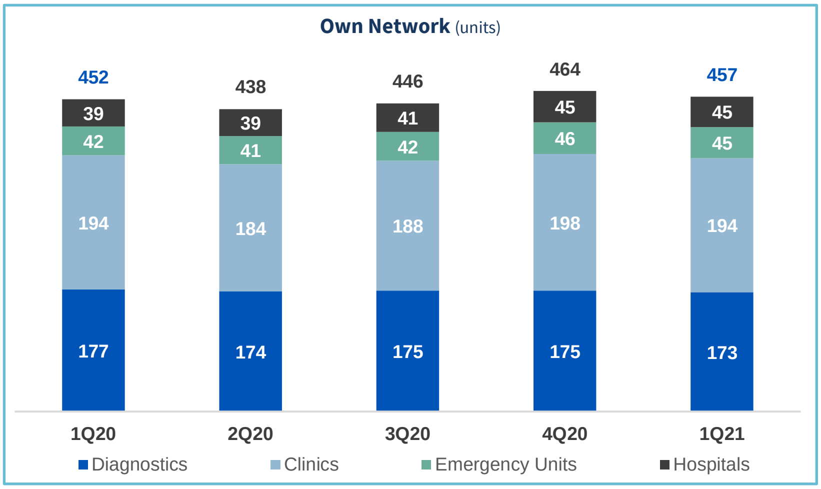
In addition, the Governance, People and Sustainability Committee, which started to support the Board in accelerating the process of inserting ESG aspects into Hapvida's business strategy, has been monitoring the progress of the stages of the strategic sustainability planning project here on a monthly basis in Hapvida. The diagnostic steps (analysis of the context of sustainability of the company and the health sector) and the construction of Hapvida's ambition in sustainability with the commitment to achieve it by 2030, in line with the UN SDGs, have already been overcome. We are currently working on prioritizing strategic plans and defining sustainability indicators.

Influence society and the environment by expanding access to quality health services, through technology and innovation.

We will soon publish our 2020 Annual Sustainability Report. In view of the pandemic context, we reviewed the contextual study to define materiality and conducted a new survey among a sample with representatives of different stakeholders such as employees, investors, suppliers, doctors, dentists, beneficiaries, community and financial institutions. We understand that Hapvida is at the beginning of a journey, and we are convinced that advancing the ESG agenda is necessary for the sustainability of our business.

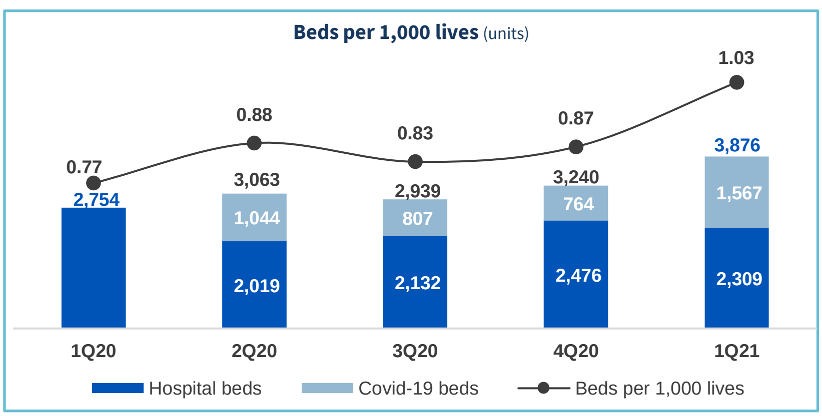
## 5. PROPRIETARY CARE NETWORK

In the first quarter of 2021, the Company made some adjustments and expanded the existing assistance structures. We remain focused on our strategy of increasing verticalization levels to guarantee the quality of care, cost efficiency, better control costs and frequency of utilization (usage).




The Company ended the 1Q21 with 45 hospitals, 45 emergency care units, 194 clinics and 173 diagnostic imaging and laboratory collection units, thus totaling 457 service points accessible to our beneficiaries, in all five regions of the country. The assets arising from the acquisitions approved until the end of 2020 are included in the figures.

During this quarter, 3 medical clinics were opened (7 were closed) and 2 diagnostic units (4 closures), in line with the modernization and consolidation process in new, larger units capable of carrying out additional and more complex services.




In the end of the first quarter of 2021, we had a total of 3,876 hospital beds in operation, which represents an increase of 1,122 beds compared to the same quarter of the previous year. The main movements were: 113 beds at Hospital Sinhá Junqueira (SP) and 27 beds at Hospital Mário Palmério (MG). With the inclusion of the acquired companies approved in 4Q20, we have the following additions: 105 beds for Medical and 83 beds for the São José Group.

In the quarter, there were 1,567 beds for the treatment of covid-19, an increase of 803 beds compared to 4Q20, in line with the demand generated by the increase of the pandemic in the period.

## 6. MEMBERS

### 6.1 Health

The number of health plan beneficiaries at the end of the quarter increased by 5.5% in comparison with the same period of the previous year, influenced by the entry of:

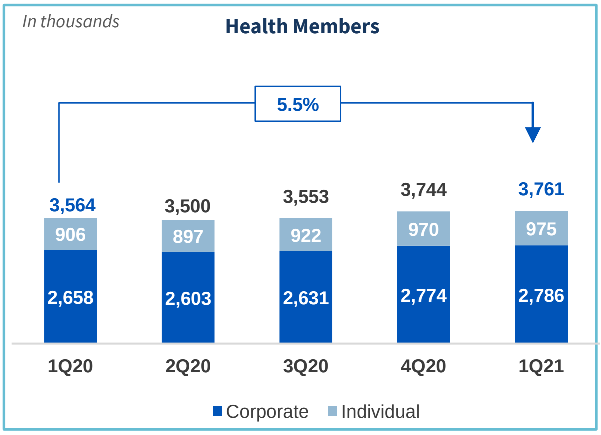
(i) 76 thousand beneficiaries from Medical (11 thousand lives in individual plans and 65 thousand lives in group plans)

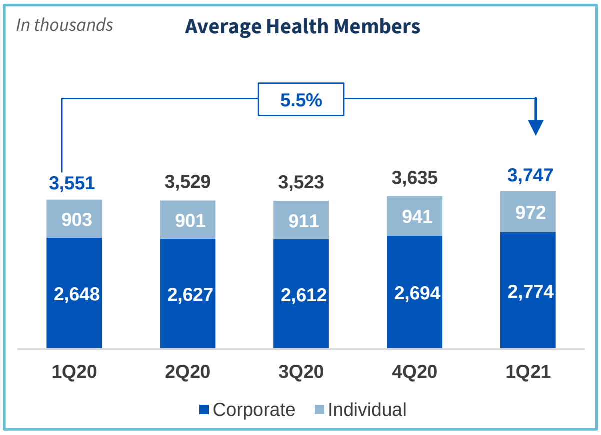
(ii) 52 thousand beneficiaries of the São José Group (13 thousand lives in individual plans and 39 thousand lives in group plans)

(iii) 13,6 thousand beneficiaries of Samedh (318 lives in individual plans and 13,3 thousand lives in group plans), and

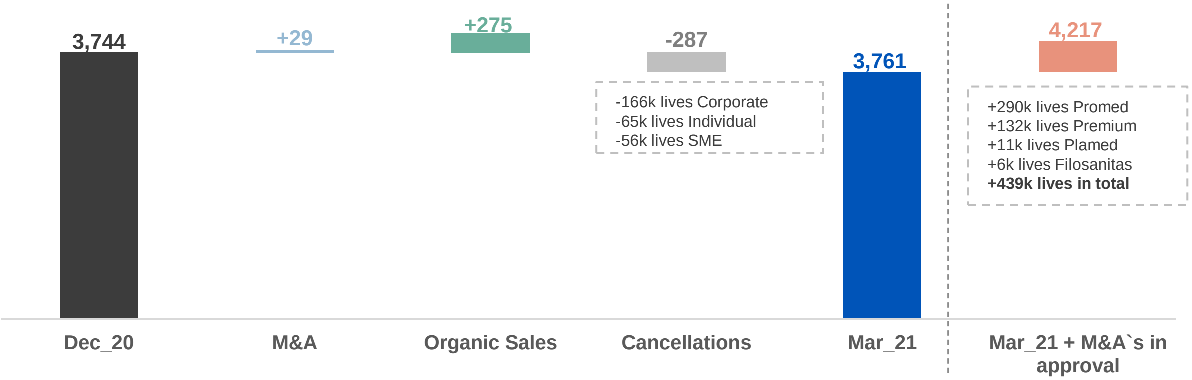
(iv) 15,5 thousand beneficiaries of Plamheg (1.8 thousand lives in individual plans and 13,7 thousand lives in group plans).

Regarding to organic growth (excluding acquisitions), there was a net increase of 53 thousand beneficiaries (36 thousand in individual plans and 17 thousand in collective plans) in the operator Hapvida. In the companies acquired GSF and RN there was a reduction of 14 thousand lives (increase of 7 thousand in individual plans and reduction of 21 thousand lives in collective plans).



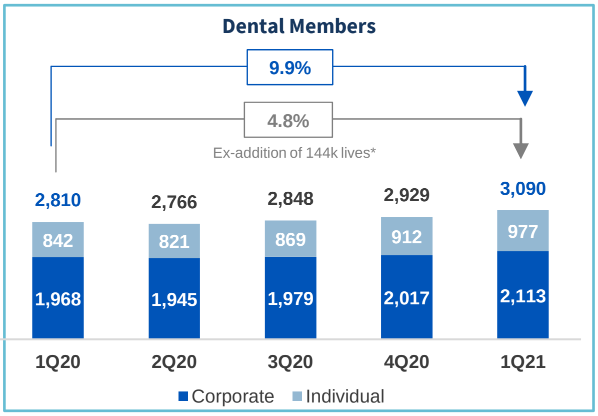

In the composition of organic growth compared to the end of 2020, we had the entry of the Samedh and Plamheg portfolios, which together added 29 thousand lives. Organic sales and additions totaled 275 thousand lives and we had the loss of 287 thousand lives in canceled contracts and negative movements, being: 166 thousand lives in the Corporate (The Company canceled a deficit contract with a company of 20 thousand lives on its own initiative), 65 thousand individual lives and 56 thousand lives in SMEs). With the acquisitions already announced, but still awaiting the approval of Organs regulatory entities, in the coming months we will have an increase of 439 thousand lives.

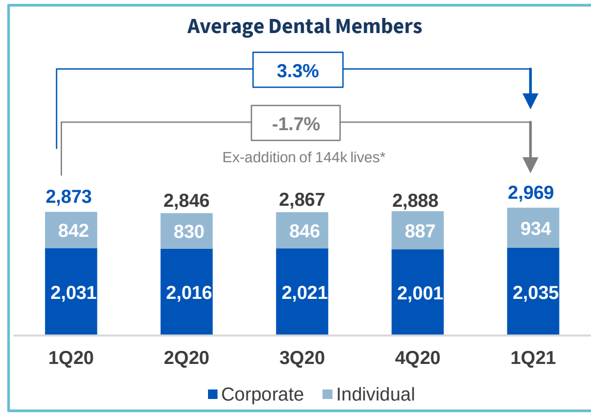


## 6. MEMBERS (continued)

### 6.2 Dental

The number of dental plan beneficiaries grew by 9.9% in the quarter compared to the same period last year. Organically, there was an increase of 135 thousand lives in individual plans and 143 thousand lives in group plans. There were also the entry of 2 thousand lives in group dental plans with the acquisition of Medical.

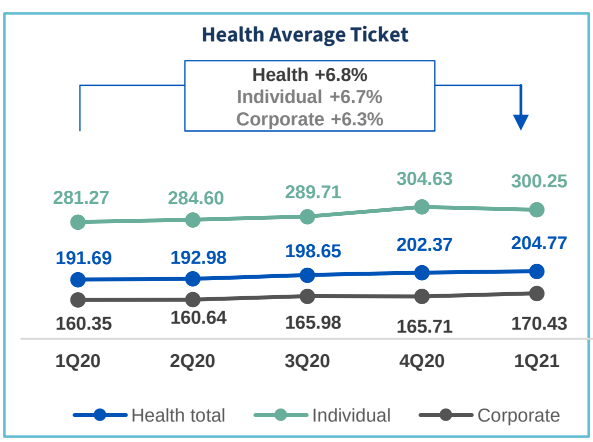


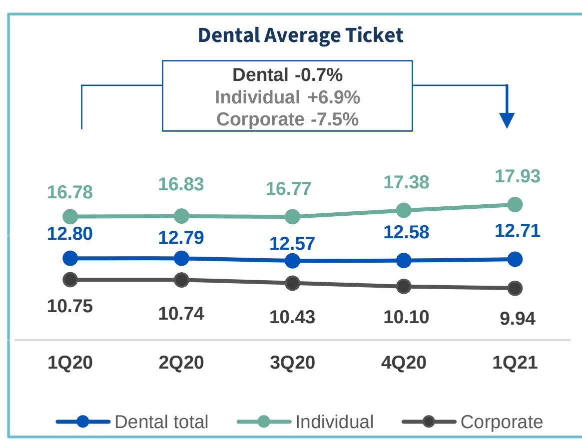




*As of this quarter, the Company started to include beneficiaries who had dental assistance coverage but that were counted as health-only lives due to the commercial format of the sale of that plan at the time. 407,708 lives were book at the end of 1Q21. Still within the quarter, there was a change in the formatting of dental care for a customer who now has a contract with characteristics of service provision by fixed price table and no longer by contractual coverage. As a result, we stopped counting 263,391 beneficiaries who were part of this contract at the end of 1Q21. The net effect of these changes was the addition of 144 thousand lives. It is worth mentioning that in both cases above, lives are not considered for calculating the average ticket for dental plans.

## 7. AVERAGE TICKET

The average health ticket grew by 6.8% compared to 1Q20, mainly due to new sales and price adjustments to existing contracts. This growth is especially important when we consider that the price list for new individual plans was not readjusted in the second half of 2020. There was also the entry of beneficiaries from Medical and the São José Group, who have higher average tickets. The GSF average ticket increased by 2.6% in relation to 1Q20 and RN Saúde by 7.3%.




The average ticket in the dental segment decreased 0.7% compared to the same period of the previous year due to a lower average ticket of all companies, except GSF, which grew by 1.3% in relation to 1Q20.

## 8. NET REVENUES

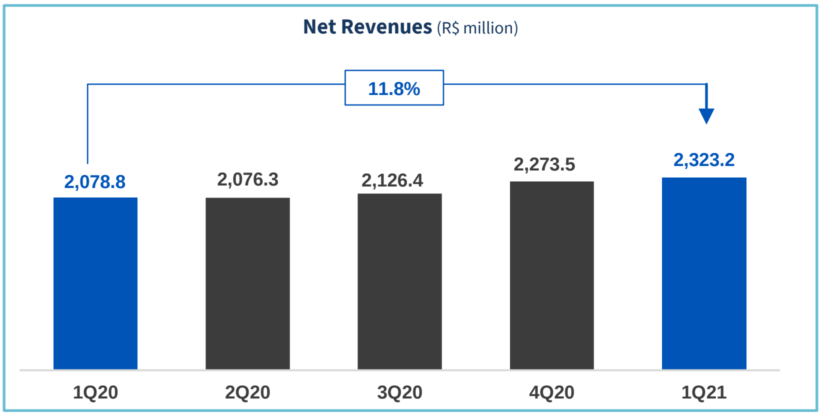
Net revenue in 1Q21 grew 11.8% when compared to 1Q20, mainly influenced by:

(i) an organic increase of 318 thousand lives in health and dental beneficiary base, mainly in the cities of Fortaleza, countryside of São Paulo, Recife, Salvador, Manaus, Belém and Natal;

(ii) 6.8% increase in average health ticket, reflecting the price adjustments implemented in the existing contracts necessary for their economic balance and new sales;

(iii) revenue from consolidated acquisitions in 2020, R$45.7 million (Medical) and R$46.1 million (Grupo São José); and

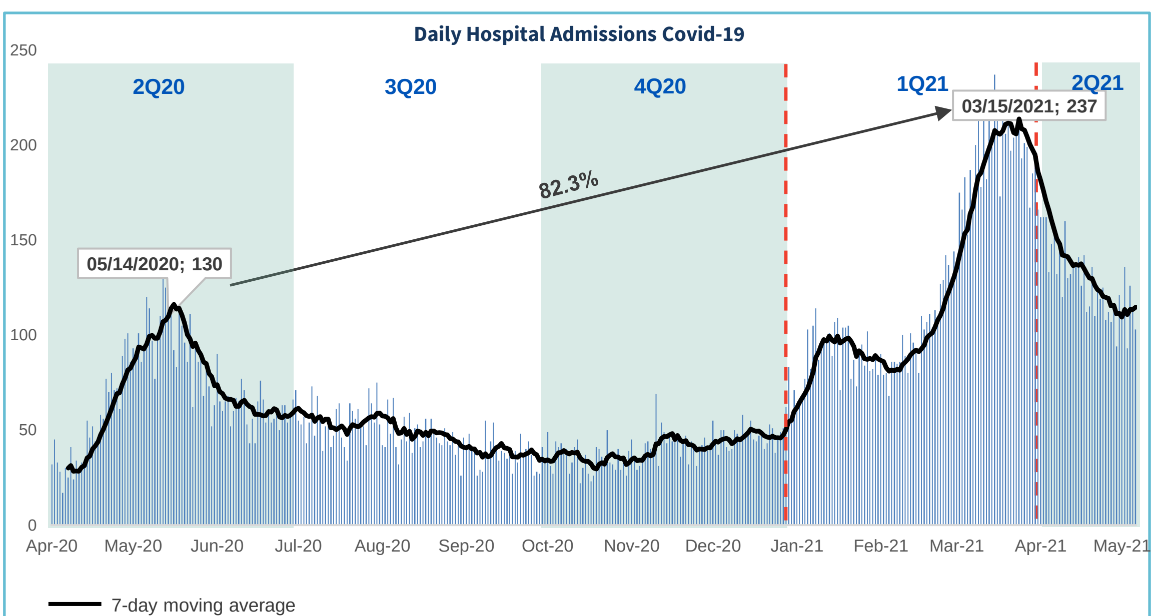
(iv) for the consolidated acquisitions in 1Q21, with 13.6 thousand lives from Samedh and 15.5 thousand lives from Plamheg.




## 9. MCR AND MEDICAL COSTS

The cost of services provided is composed of cash assistance costs and some non-cash items, such as depreciation and amortization (D&A) with IFRS16, changes in the Incurred But Not Reported (IBNR) provision and SUS reimbursement provisions.

### 9.1 Covid-19 Scenario



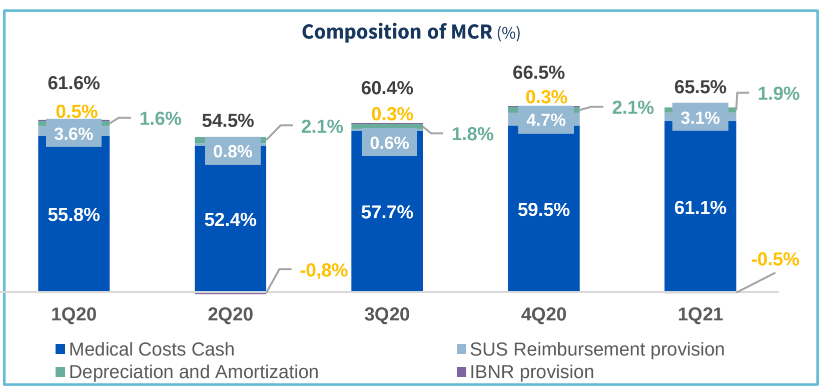
## 9. MCR AND MEDICAL COSTS (continued)

### 9.1 Covid-19 Scenario (continued)

In early 2020, Covid-19's declaration as a global health emergency by the World Health Organization triggered significant decisions and necessary measures by governments and public and private sector entities to prevent the spread of the disease. Following the recommendations of the ANS and health agencies, between the months of March and May/2020, all elective procedures (which do not qualify as an urgency or emergency) were suspended. This, combined with measures of social distance, caused a significant drop in the demand for medical services in the period. Therefore, the entire volume caused by Covid-19 in our health care units in the 1st wave of the pandemic, which reached its peak on May 14, 2020, with 130 hospitalizations on the day, was more than offset by the suspension of elective care. However, with the resurgence of the pandemic at the end of 2020, we can see in the graph on the previous page a significant increase in hospital admissions caused in 1Q21, reaching its peak on March 15, 2021 with 237 hospitalizations in a single day, volume 82.3% higher than the previous peak. This caused a greater demand for medical services that were already at a historic level of pre-pandemic use due to government flexibilities and the non-suspension of elective procedures.

### 9.2 MCR and Medical Costs

| **Composition of Total Medical Costs (R$ million)** | **1Q21** | **1Q20** | **1Q21 x 1Q20** | **4Q20** | **1Q21 x 4Q20** |
|---|---|---|---|---|---|
| Medical Costs – Cash | (1,420.1) | (1,160.7) | 22.4% | (1,352.1) | 5.0% |
| Depreciation and Amortization (with IFRS16) | (43.2) | (33.2) | 29.9% | (47.4) | -8.9% |
| IBNR provision | 12.1 | (10.1) | -220.2% | (7.1) | -270.0% |
| SUS reimbursement provision | (71.0) | (75.7) | -6.2% | (105.8) | -32.9% |
| **Medical Costs - Total** | **(1,522.1)** | **(1,279.6)** | **19.0%** | **(1,512.4)** | **0.6%** |
| **Cash – MCR (ex-IBNR provision, ex-SUS, ex D&A)** | **61.1%** | **55.8%** | **5.3 p.p.** | **59.5%** | **1.6 p.p.** |
| **MCR (ex-SUS)** | **62.5%** | **57.9%** | **4.6 p.p.** | **61.9%** | **0.6 p.p.** |
| **MCR total** | **65.5%** | **61.6%** | **3.9 p.p.** | **66.5%** | **-1.0 p.p.** |




Cash MCR (which excludes D&A, changes in IBNR provision and provision for reimbursement to SUS) was 61.1%, an increase of 5.3 p.p. compared to the same period last year. The main impacts on MCR were:

(i) return to pre-pandemic historical levels of the volume of emergency care and elective procedures of urgency/emergency. At the same time, there was a substantial increase in emergency care and hospitalizations related to Covid-19 in all regions where we operate, with additional expenses with personnel, materials and drugs, location and operation and third-party services (R$84.5 million in 1Q21 and which did not occur in 1Q20). Disregarding this effect, the cash care ratio would be 57.5%;

(ii) higher level of MCR of the acquired companies (Medical and São José) that are included in the consolidated Hapvida number in 1Q21 but were not present in the comparative period. The MCR of the recently-acquired companies is on a downward trend due to the initiatives for the integration and standardization of procedures, respecting the seasonality among the quarters. For example, a combined care ratio of Medical and São José shows a decrease of 4.4 p.p. when compared to 4Q20, but still at a higher level than Hapvida;

## 9. MCR AND MEDICAL COSTS (continued)

### 9.2 MCR and Medical Costs (continued)

(iii) collective bargaining agreement and hiring of new employees, including personnel expenses at the new units (R$14.9 million in 1Q21).

The total MCR was 65.5% in 1Q21, an increase of 3.9 p.p. versus the same comparative period of the previous year. In addition to the impacts on the cash care ratio already mentioned above, there were:

(i) reversion of IBNR provision in exchange for a constitution that occurred in the comparative period (positive variation of R$22.1 million) due to the reduction of elective procedures in the accredited network due to the second wave of the Covid-19 pandemic;

(ii) decrease in the provision for reimbursement to SUS due to the normalization of issuance of both ABIs and collections invoices by the National Supplementary Health Agency (ANS) (positive variation R$4.7 million); and

(iii) an increase in depreciation due to the increase in the number of care units resulting from both organic and inorganic growth (R$9.9 million in 1Q21).

MCR ex-SUS, the index that better represents the performance of our operations and which excludes the variation in the provisions for reimbursement to SUS, was 62.5% in 1Q21, an increase of 4.4 p.p. compared to the same comparative period.

The Company continues to show gains in operational efficiency as a result of medical care management projects and stronger wellness promotion programs. We also presented growth in verticalization of medical costs, with an increase of 1.8 p.p. in the volume of emergency care (medical appointments, hospitalizations and exams) performed in our own network in 1Q21 when compared to 1Q20. The representativeness of care expenses in the own network increased by 5.8 p.p. in 1Q21 compared to 1Q20.

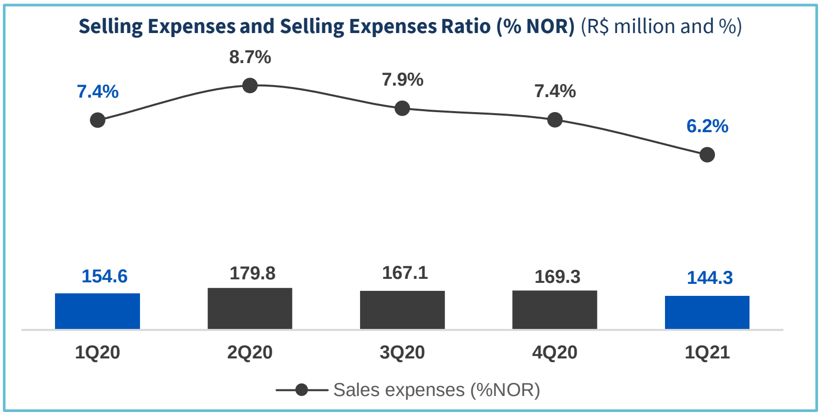
### 9.3 SUS Reimbursement provisions

In accordance with the National Supplementary Health Agency (ANS), the Company must record in its liabilities with a corresponding entry in the results (Total Medical Costs), a provision related to the Identified Beneficiary Notices (ABIs) according to the percentage defined by ANS itself, which is unique for each operator and varies from time to time. Subsequently, ABIs are converted into collections that may eventually require the Company to account for complements to the original provision. The charges issued by ANS are sent in the form of GRUs (an invoice for federal taxes). GRUs include, in addition to the principal, interest and monetary restatement. GRU invoices that miss the payment deadline are subjected to late fees in addition to interest and monetary adjustments for the period elapsed.

In the first quarter of 2021, ANS maintained the process of regularizing the flow of collection charges. The net impact of the various provisions of SUS reimbursement was R$71.0 million in medical costs. Despite the receipt of a new batch of ABI (# 85) and the increase in the percentage of collection that is calculated and sent by ANS, the ABI provision suffered more reversals than constitutions in the quarter, due to the acceleration of GRU receipts, causing an increase in the provision of the latter item.

| **R$ Million** | **1Q21** | **1Q20** |
|---|---|---|
| ABIs' provision | (12.7) | 36.4 |
| GRUs' principal | 75.2 | 33.4 |
| SUS Reimbursement – Acquired Companies | 8.5 | 5.9 |
| **SUS Reimbursement – Medical Cost** | **71.0** | **75.7** |
| Interest, monetary adjustments and fines | 16.3 | 27.1 |
| SUS Reimbursement – Financial Result | **16.3** | **27.1** |
| **SUS Reimbursement – Hapvida Total** | **87.2** | **102.8** |

## 10. SELLING EXPENSES



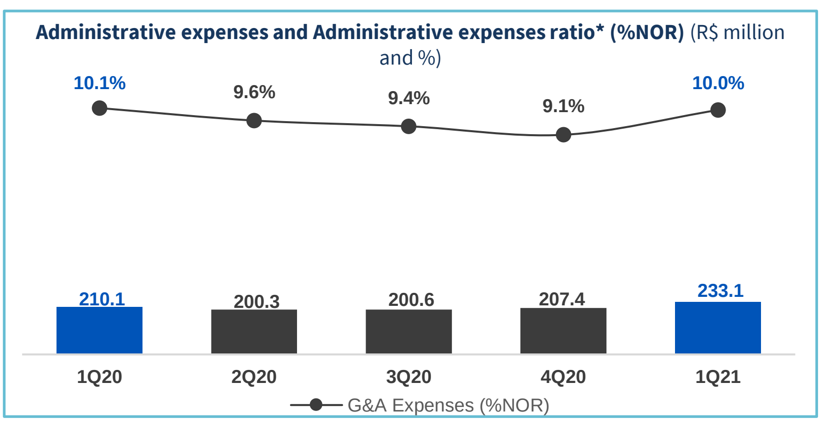

The selling expenses ratio was 6.2% in 1Q21, a reduction of 1.2 p.p. compared to the same period of the previous year, mainly impacted by:

(i) the acquired companies that operate with a sales expense index lower than that of Hapvida;

(ii) the lower deferred commission expense due to the annual review of the term of the contracts, a one-month increase in the term of individual contracts and two months in collective contracts (R$ 10.5 million); and

(iii) the reduction in the level of default, which, consequently, reduced the provision for losses on receivables (R$12.4 million).

## 11. ADMINISTRATIVE EXPENSES




**** Current and past figures presented without depreciation and amortization charges.***

The administrative expenses ratio was 10.0% in 1Q21, a decrease of 0.1 p.p. compared to the same period last year.

The main negative impacts were:

(i) third-party services (attorney and consulting fees) related to M&A expenses including the deal with GNDI (R$11.9 million);

(ii) collective bargaining agreement and hiring of new employees (R$4.4 million); and

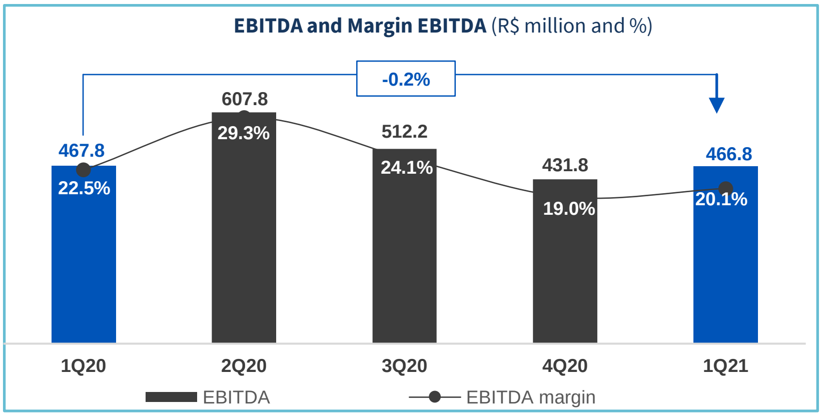
(iii) personnel expenses, third-party services, location and operation and taxes with new acquired companies (R$3.1 million).

The positive impacts were:

(i) provision for tax, civil and labor risks less than in the comparative period (R$1.9 million); and

(ii) non-recurring miscellaneous expenses in the assumption of acquisitions occurred in 1Q20 that were not repeated (R$5.8 million).

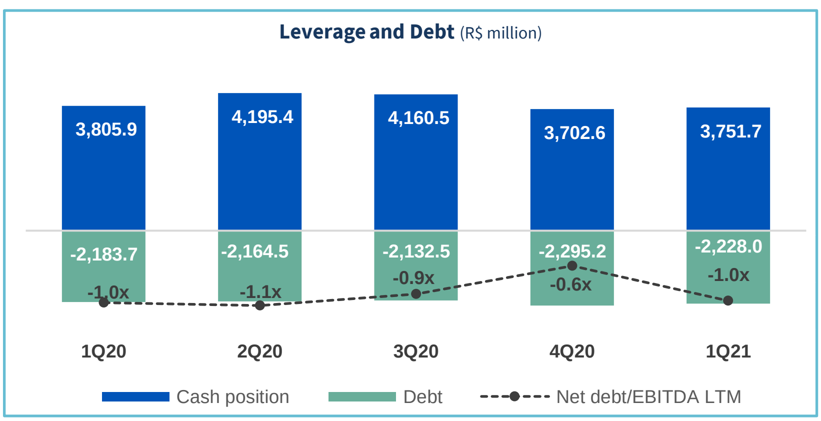
## 12. EBITDA



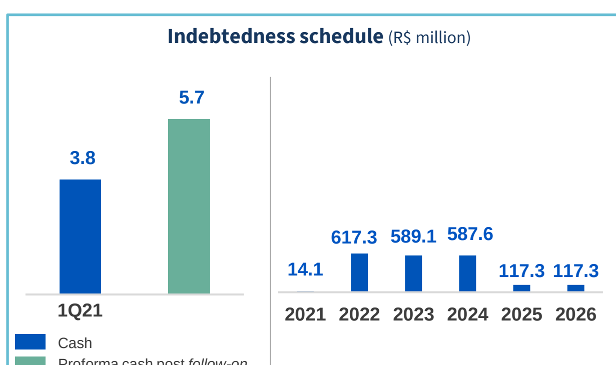

Ebitda of R$466.8 million in 1Q21 was practically stable (reduction of 0.2%) in relation to 1Q20. The Ebitda margin in 1Q21 was 20.1%, a decrease of 2.4 p.p. in the same comparison and in line with our strategic objective, even in a quarter impacted by the pandemic as illustrated in item 9.1 of this document.

## 13. DEBT

At the end of 1Q21, the Company had a balance of R$2,006.0 million, comprised of the balance of debentures outstanding as well as the balance of outstanding debt inherited from acquired companies of R$36.6 million. The chart below shows the payment schedule for the consolidated debt. The net financial debt/EBITDA ratio in 1Q21 was -1.0x due to the net cash position of R$1.4 billion.

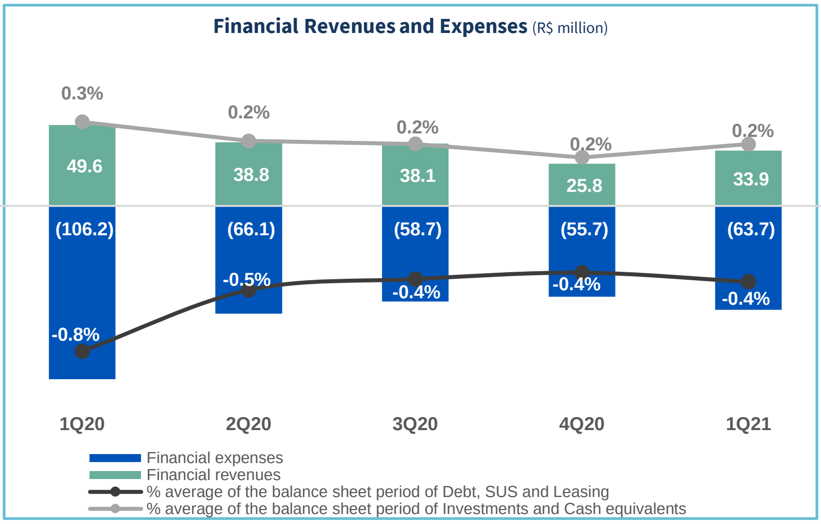



| Net debt/Ebitda (R$ million) | 1Q21 |
|---|---|
| Short-term debt | 35.7 |
| Long-term debt | 1,998.3 |
| Other accounts payable (acquired companies) | 194.0 |
| **Total debt** | **2,228.0** |
| (-) Cash and cash equivalents and short-term and long-term investments (proforma) | 3,751.7 |
| **Net debt (Net cash)** | **(1,523.8)** |
| EBITDA LTM* | 1,462.8 |
| **Net debt/EBITDA LTM** | (1.0) |




* Adjusted EBITDA excluding provisions for impairment of accounts receivable.

## 14. FINANCIAL RESULTS



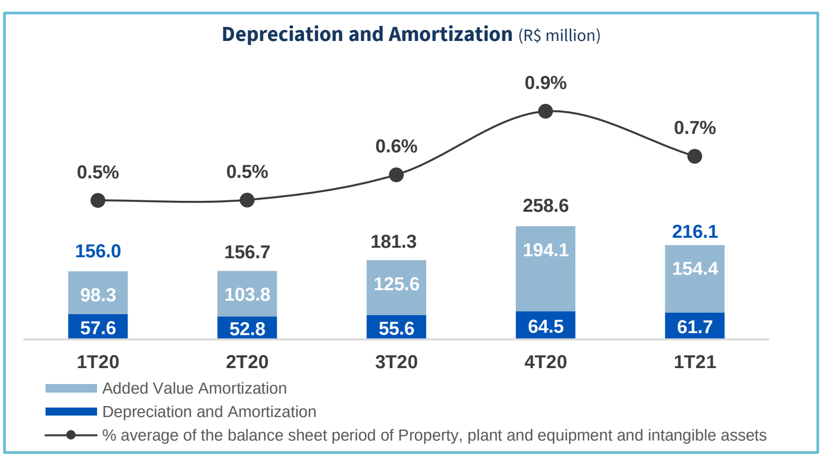

Net financial result in 1Q21 totaled an expense of R$29.8 million (R$63.7 million financial expenses and R$33.9 million in income), influenced by:

(i) the pro-rata recognition of accrued interest related to the debentures (R$11.1 million less than in 1Q20);

(ii) lower volume of expenses with interest, fines and monetary restatement related to the reimbursement to SUS, due to the normalized recognition of GRU (R$10.9 million less than in 1Q20); and

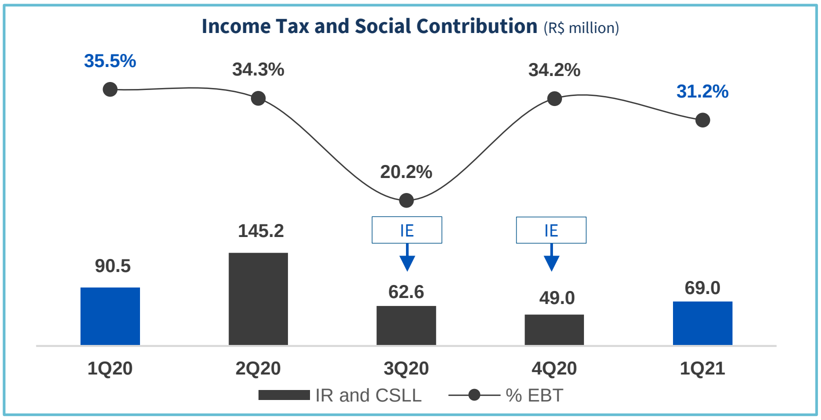
(iii) higher net income from financial investments in 1Q21 (R$4.1 million higher).

## 15. DEPRECIATION AND AMORTIZATION




Depreciation and amortization expenses totaled R$216.1 million in 1Q21, equivalent to 0.7% of the average balance of the respective equity assets. The main increase in this account refers to the amortization of the added value of acquired portfolios of clients and of the acquired companies' brands due to the determination of their useful life that altogether were R$154.4 million in 1Q21 (R$98.3 million in 1Q20).

## 16. INCOME TAX AND SOCIAL CONTRIBUTION




IE = Interest on equity

The effective rate in 1Q21 was 4.3 p.p. lower than in 1Q20 due to the deductibility on the amortization of value-added, which reduced the amount of income tax and social contribution in the period by R$6.6 million.

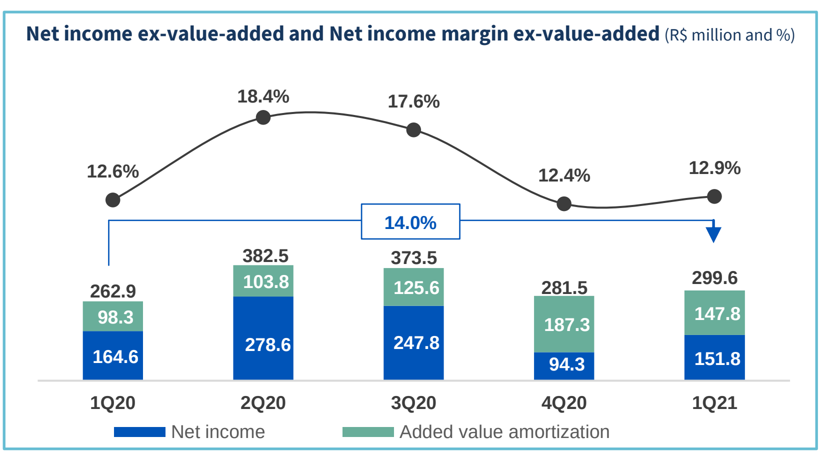
## 17. NET INCOME EX-VALUE-ADDED

Net income ex-value-added totaled R$299.6 million in 1Q21, an increase of 14.0% compared to 1Q20, mainly impacted by:

(i) maintenance of the Company's EBITDA even in a scenario affected by the pandemic;

(ii) the lower level of net financial expense explained in the Financial Result topic; and

(iii) the decrease in the effective rate when compared to the same period of the previous year due to what was explained in the Income tax and Social Contribution section.




***The amortization of the value-added is already net of the tax effect.***

## 18. CASH GENERATION AND CAPEX

Free cash flow ex-acquisitions was R$343.5 million in 1Q21, a decrease of 15.3% compared to 1Q20, negatively impacted by the variation in working capital (negatively affected by the increase in the balance of suppliers payable and a greater variation in reimbursement to SUS) and positively due to the lower balance of Income Tax and Social Contribution recognized in the result. Additionally, we have the impact of cash consumption in the quarter in the amount of R$134.4 million due to the increase in investments in Capex in the expansion of our own network structure.

| R$ million | 1Q21 | 1Q20 | 1Q21 x 1Q20 |
|---|---|---|---|
| **EBITDA** | **466.8** | **467.8** | **(0.2%)** |
| (+/-) Change in working capital[1] | 80.1 | 102.7 | (22.0%) |
| (-) Income Tax and Social Contribution | (69.0) | (90.5) | (23.8%) |
| (-) Cash CAPEX | (134.4) | (74.3) | 80.9% |
| **Free cash flow (ex-acquisitions)** | **343.5** | **405.6** | **(15.3%)** |
| (-) Companies acquisitions | - | (46.7) | - |
| **Free cash flow** | **343.5** | **358.9** | **(4.3%)** |

([1]) Includes variations: (i) current assets: accounts receivable, inventories, other credits and advances to suppliers and (ii) current liabilities: suppliers, technical provisions for health care operations net of PPCNG, debts of health care operations net of prepayments, other payables and social obligations.

# Appendices

## 19. INCOME STATEMENT

| R$ mm | 1Q21 | 1Q20 | Var. % 1Q21/1Q20 | 4Q20 | Var. % 1Q21/4Q20 |
|---|---|---|---|---|---|
| Revenues from gross payments | 2,371.6 | 2,111.9 | 12.3% | 2,315.4 | 2.4% |
| Revenue from other activities | 83.2 | 76.4 | 8.8% | 91.3 | (8.9%) |
| Deductions | (131.6) | (109.6) | 20.2% | (133.2) | (1.2%) |
| **Net revenues** | **2,323.2** | **2,078.8** | **11.8%** | **2,273.5** | **2.2%** |
| Medical cost and others | (1,420.1) | (1,160.7) | 22.4% | (1,352.1) | 5.0% |
| Depreciation and amortization | (43.2) | (33.2) | 29.9% | (47.4) | (8.9%) |
| Change in IBNR | 12.1 | (10.1) | (220.2%) | (7.1) | (270.0%) |
| Change in SUS reimbursement provision | (71.0) | (75.7) | (6.2%) | (105.8) | (32.9%) |
| **Total cost** | **(1,522.1)** | **(1,279.6)** | **19.0%** | **(1,512.4)** | **0.6%** |
| **Gross profit** | **801.1** | **799.2** | **0.2%** | **761.1** | **5.2%** |
| *Gross margin* | ***34.5%*** | ***38.4%*** | ***-4.0 p.p.*** | ***33.5%*** | ***1.0 p.p.*** |
| **Selling expenses** | **(144.3)** | **(154.6)** | **(6.6%)** | **(169.3)** | **(14.7%)** |
| Advertise expenses | (14.5) | (8.7) | 66.3% | (18.6) | (22.1%) |
| Comission expenses | (82.8) | (83.9) | (1.3%) | (93.6) | (11.5%) |
| Provision for credit losses | (40.7) | (56.0) | (27.2%) | (50.9) | (20.0%) |
| Other sales expenses | (6.3) | (6.0) | 5.7% | (6.2) | 1.4% |
| **Administrative expenses** | **(409.5)** | **(333.4)** | **22.8%** | **(422.9)** | **(3.2%)** |
| Personnel | (92.4) | (84.1) | 9.8% | (85.9) | 7.5% |
| Third party services | (75.4) | (60.8) | 24.0% | (57.7) | 30.8% |
| Location and operation | (42.5) | (29.0) | 46.7% | (25.4) | 67.6% |
| Depreciation and amortization | (173.0) | (122.8) | 40.9% | (211.2) | (18.1%) |
| Taxes | (4.3) | (3.3) | 28.5% | (3.0) | 40.5% |
| Provisions for civil, labor and tax risks | (19.4) | (21.3) | (8.8%) | (31.0) | (37.4%) |
| Miscellaneous expenses | (2.6) | (12.1) | (78.9%) | (8.6) | (70.5%) |
| **Other expenses/operational revenues** | **3.4** | **0.6** | **519.1%** | **4.3** | **(20.9%)** |
| **Total expenses** | **(550.4)** | **(487.4)** | **12.9%** | **(587.9)** | **(6.4%)** |
| **Operational income** | **250.6** | **311.8** | **(19.6%)** | **173.2** | **44.7%** |
| *Operational margin* | *10.8%* | *15.0%* | *-4.2 p.p.* | *7.6%* | *3.2 p.p.* |
| Financial revenues | 33.9 | 49.6 | -31.6% | 25.8 | 31.5% |
| Financial expenses | (63.7) | (106.2) | (40.0%) | (55.7) | 14.4% |
| **Financial result** | **(29.8)** | **(56.7)** | **(47.4%)** | **(30.0)** | **(0.4%)** |
| **EBIT** | **220.8** | **255.1** | **(13.4%)** | **143.3** | **54.1%** |
| IR and CSLL current | (118.0) | (133.3) | (11.5%) | (107.0) | 10.3% |
| IR and CSLL deferred | 49.0 | 42.7 | 14.7% | 58.0 | (15.4%) |
| **IR and CSLL** | **(69.0)** | **(90.5)** | **(23.8%)** | **(49.0)** | **40.7%** |
| **Net income** | **151.8** | **164.6** | **(7.7%)** | **94.3** | **61.1%** |
| *Net margin* | *6.5%* | *7.9%* | *-1.4 p.p.* | *4.1%* | *2.4 p.p.* |

**EBITDA**

| R$ mm | 1Q21 | 1Q20 | Var. % 1Q21/1Q20 | 4Q20 | Var. % 1Q21/4Q20 |
|---|---|---|---|---|---|
| **EBIT** | **250.6** | **311.8** | **(19.6%)** | **173.2** | **44.7%** |
| Depreciation | 46.2 | 39.0 | 18.5% | 48.7 | (5.1%) |
| Amortization | 169.9 | 116.9 | 45.3% | 209.8 | (19.0%) |
| **EBITDA** | **466.8** | **467.8** | **(0.2%)** | **431.8** | **8.1%** |
| *EBITDA margin* | *20.1%* | *22.5%* | *-2.4 p.p.* | *19.0%* | *1.1 p.p.* |

Some percentages and other amounts included in this document have been rounded for ease of presentation and may therefore differ from quarterly information tables and notes. Additionally, some total values in certain tables may not reflect the arithmetic sum of the preceding values.
Values consider IFRS 16.

# Appendices

## 20. BALANCE SHEET

| R$ mm | 1Q21 | 4Q20 | Var. R$ | Var. % |
|---|---|---|---|---|
| **Assets** | **13,794.7** | **13,519.7** | **275.0** | **2.0%** |
| **Current assets** | **3,689.2** | **3,502.1** | **187.1** | **5.3%** |
| Cash and cash equivalents | 175.8 | 143.2 | 32.6 | 22.8% |
| Short-term investments | 2,362.2 | 2,334.1 | 28.0 | 1.2% |
| Trade receivables | 487.7 | 433.4 | 54.3 | 12.5% |
| Inventory | 135.6 | 101.7 | 33.9 | 33.3% |
| Recoverable tax | 194.2 | 184.1 | 10.0 | 5.5% |
| Derivative financial instruments | 8.8 | 3.6 | 5.2 | 144.6% |
| Other assets | 152.2 | 137.0 | 15.2 | 11.1% |
| Deferred commission | 172.8 | 164.9 | 7.9 | 4.8% |
| **Non-current assets** | **10,105.5** | **10,017.6** | **87.8** | **0.9%** |
| Long-term investments | 1,213.7 | 1,225.3 | (11.5) | (0.9%) |
| Deferred taxes | 662.1 | 579.5 | 82.6 | 14.3% |
| Judicial deposits | 311.6 | 246.5 | 65.1 | 26.4% |
| Deferred commission | 160.5 | 142.2 | 18.3 | 12.9% |
| Related party receivable | 3.4 | 3.4 | 0.0 | 0.0% |
| Other credits with related parties | - | 11.0 | (11.0) | (100.0%) |
| Other assets | 46.9 | 45.8 | 1.0 | 2.2% |
| Property, plant and equipment | 2,280.5 | 2,241.5 | 39.0 | 1.7% |
| Intangible assets | 5,426.6 | 5,522.3 | (95.7) | (1.7%) |
| **Liabilities and shareholders' equity** | **13,794.7** | **13,519.7** | **275.0** | **2.0%** |
| **Current liabilities** | **2,303.0** | **2,120.6** | **182.4** | **8.6%** |
| Lending and Financing | 40.7 | 42.9 | (2.2) | (5.1%) |
| Trade payables | 182.7 | 120.8 | 61.9 | 51.2% |
| Technical provisions for health care operations | 1,209.9 | 1,129.1 | 80.8 | 7.2% |
| Health care payables | 11.0 | 5.0 | 5.9 | 117.9% |
| Payroll obligations | 230.8 | 195.4 | 35.3 | 18.1% |
| Taxes and contributions payable | 127.1 | 159.7 | (32.6) | (20.4%) |
| Income and social contribution taxes | 101.3 | 85.1 | 16.1 | 19.0% |
| Dividends and interest on shareholders' equity payable | 201.4 | 201.4 | - | 0.0% |
| Leases payable | 39.6 | 43.0 | (3.4) | (7.9%) |
| Related party payables | 4.0 | 4.0 | 0.0 | 0.0% |
| Other accounts payable | 154.5 | 134.0 | 20.5 | 15.3% |
| **Non-current liabilities** | **3,508.9** | **3,568.1** | **(59.2)** | **(1.7%)** |
| Lending and Financing | 2,002.0 | 2,034.3 | (32.3) | (1.6%) |
| Taxes and contributions payable | 18.4 | 23.1 | (4.7) | (20.4%) |
| Technical reserves for health care operations | 2.6 | 1.8 | 0.8 | 45.4% |
| Leases payable | 940.1 | 965.3 | (25.2) | (2.6%) |
| Deferred income tax and social contribution | 73.1 | 39.5 | 33.6 | 85.0% |
| Provision for tax, civil and labor risks | 396.5 | 401.9 | (5.4) | (1.4%) |
| Other accounts payable | 76.1 | 102.1 | (26.0) | (25.4%) |
| **Shareholders' equity** | **7,982.8** | **7,831.0** | **151.8** | **1.9%** |
| Capital | 5,650.5 | 5,650.5 | - | 0.0% |
| Legal reserve | 176.6 | 176.6 | - | 0.0% |
| Capital reserve | 222.9 | 222.9 | - | 0.0% |
| Accumulated profits | 150.2 | - | 150.2 | 0 |
| Profit reserves | 1,779.2 | 1,779.2 | - | 0.0% |
| Equity attributable to controlling shareholders | 7,979.4 | 7,829.2 | 150.2 | 1.9% |
| **Non-controlling interest** | 3.4 | 1.8 | 1.6 | 92.5% |

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Values consider IFRS 16.

# Appendices

## 21. CASH FLOW STATEMENT

| R$ mm | 1Q21 | 1Q20 |
|---|---|---|
| **Net income** | **151.8** | **164.6** |
| **Adjustments to reconcile net income with cash** | **336.8** | **338.5** |
| Depreciation and amortization | 195.4 | 135.0 |
| Depreciation of usage rights | 20.7 | 21.0 |
| Technical provisions for health care operations | (12.1) | 10.2 |
| Provision for losses on receivables | 40.7 | 56.0 |
| Write-off of property, plant and equipment | 4.3 | 1.8 |
| Write-off of intangible assets | 0.3 | 1.3 |
| Provision for tax, civil and labor risks | 4.5 | 3.6 |
| Income from financial investments | (21.7) | (24.4) |
| Earning on derivative financial instruments | (1.8) | (15.1) |
| Interest and monetary restatement of leases | 22.0 | 20.8 |
| Interest and financial charges on loans and financing | 11.0 | 23.6 |
| Exchange rate | 4.6 | 14.0 |
| Tax income and social contribution | 118.0 | 133.3 |
| Deferred taxes | (49.0) | (42.7) |
| **(Increase) decrease in asset accounts** | **(256.3)** | **(175.3)** |
| Accounts receivable | (95.0) | (109.9) |
| Inventory | (33.9) | (12.8) |
| Taxes recoverable | (10.0) | (4.6) |
| Judicial deposits | (75.0) | (18.9) |
| Other assets | (16.2) | (13.8) |
| Deferred Sales Expense | (26.2) | (15.2) |
| **Increase (decrease) in liability accounts:** | **9.2** | **19.4** |
| Technical provisions for health care operations | 93.7 | 100.4 |
| Debts of health care operations | 5.9 | (3.1) |
| Social obligations | 35.3 | 15.9 |
| Suppliers | 61.9 | 17.5 |
| Taxes and contributions payable | (37.4) | (36.6) |
| Other accounts payable | (48.4) | 8.9 |
| Income tax and social contribution paid | (101.9) | (83.6) |
| **Net cash provided by operating activities** | **241.6** | **347.2** |
| **Cash flow from investing activities** | **(129.3)** | **33.9** |
| Payments to related parties | - | 4.7 |
| Acquisition of property, plant and equipment | (109.4) | (41.0) |
| Acquisition of intangibles | (25.1) | (33.3) |
| Acquisition/sale of investments | - | (46.7) |
| Balances attributed to the acquisition of investees | - | 5.2 |
| Financial investments | 5.2 | 145.0 |
| **Cash flow from financing activities** | **(79.7)** | **(107.3)** |
| Obtaining loans | - | (77.8) |
| Receipt of derivative financial instruments | 6.2 | 4.7 |
| Payment / Acquisition of loans and financing | (48.8) | - |
| Principal payments - Leases | (37.1) | (34.3) |
| **Change in cash and cash equivalents** | **32.6** | **273.7** |
| Cash and cash equivalents at the beginning of the period | 143.2 | 224.2 |
| **Cash and cash equivalents at the end of the period** | 175.8 | 498.0 |

Some percentages and other amounts included in this document have been rounded for ease of presentation and may therefore differ from quarterly information tables and notes. Additionally. some total values in certain tables may not reflect the arithmetic sum of the preceding values.
As of 2019, our financial statements have been prepared in accordance with IFRS 16/CPC 06 (R2). Therefore, in order to make this report more objective, both current and retroactive figures will be presented in accordance with the said regulation.