Hapvida Participações e Investimentos S.A.

Parent company and consolidated financial statements at December 31, 2020

KPDS 805457

Contents

4Q20 RESULTS

hapvida

Quarterly Results– 4Q20

- Net Revenues of R$2.3 billion (+27.3%) in 4Q20 and R$8.6 billion (+51.8%) in 2020
- Health and dental beneficiaries grow 5.5%
- Cash MLR of 59.5% (+2.7 p.p.) in 4Q20 and 56.4% (-1.0 p.p.) in 2020
- EBITDA of R$431.8 million (+15.2%) in 4Q20 and R$2.0 billion (+63.8%) in the year
- Margin EBITDA of 19.0% (-2.0 p.p.) in 4Q20 and 23.6% (+1.7 p.p.) in 2020

Earnings Call
March, 19th, 2021 (Friday)
Portuguese (with simultaneous translation into English)
11am (Brazil) | 10am (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

We are immensely grateful that, in these challenging times, we were able to provide our beneficiaries, scattered across the five regions of Brazil, with all the welcome and care they needed to get through the pandemic in a period of great uncertainty, while continuing to build our business. 2020 was an extremely difficult year, with irreparable losses for many families. We thank the 6.7 million Brazilians who trust Hapvida to receive their medical and dental care.

With 271 thousand net adds of beneficiaries in the fourth quarter we surpassed the mark of 6.7 million customers in medical and dental plans. In 2020, we added 344 thousand beneficiaries, reaching R$8.6 billion in annual net revenues (+51.8% yoy) and increasing EBITDA by 63.8%, to R$2.0 billion. Net revenues in the quarter reached R$2.3 billion, growing 27.3% in comparison with the same quarter of the previous year, already considering the contribution of the acquired companies. MLR ex-ReSUS in the fourth quarter was 61.9%, an increase of 3.9 pp, due to the additional costs resulting from the entrance into operation of new assistance units, the higher MLR level of the acquired companies (Grupo São Francisco, Grupo América, Medical and Grupo São José) and, also, for the coexistence between elective procedures and the consultations and hospitalizations caused by Covid-19. On the other hand, we were efficient in managing sales expenses, reaching an index of 7.4% and administrative expenses with an index of 9.1%. As a result, our EBITDA grew 15.2% and reached R$431.8 million in 4Q20.

In 2020 we maintained a strong pace of expansion and qualification of our operations. Investments in physical structure totaled more than R$233 million with 235 thousand square meters built or renovated. We ended the year with a total of 464 care units among hospitals, emergency units, clinics and imaging and lab diagnostic units. On the acquisitions front, we announced eight new transactions in 2020: the purchase of Grupo São Jose (São José dos Campos/SP), Grupo Promed (Belo Horizonte/MG), Hospital Nossa Senhora Aparecida and customer portfolios of Samedh and Plamheg (Goiás) operators, in addition to the acquisition of Grupo Santa Filomena (Rio Claro/SP). Finally, in November, we announced the acquisition of Premium Saúde operator with a portfolio of approximately 125 thousand beneficiaries concentrated in Belo Horizonte, Montes Claros/MG and Brasília/DF. We also innovated to speed up the verticalization process using new forms of contracting, such as the lease of Hospital Sinhá Junqueira (Ribeirão Preto/SP) and part of Hospital Mário Palmério (Uberaba/MG). Our permanent focus on increasing our own network and the consequent verticalization of medical expenses will allow us to continue offering a high-quality product at an affordable cost to everyone.

We trust our business model and believe in the replicability of the vertical and integrated model. In this sense, we continue to advance the integration of the newly acquired assets, such as the conclusion of the merger of the operators and care units belonging to the América Group in less than a year. The second stage of integration of the São Francisco Group continues according to our original schedule, with the systems implementation phase having started in February. With the completion of the integrations, we remain focused on absorbing synergies and preparing these assets to become major regional platforms for organic and inorganic growth.

Innovation remains an important pillar for Hapvida. In 2020, we implemented Octopus, an artificial intelligence platform that assesses medical requests, giving the pre-authorization process greater quality, efficiency and speed. We inaugurated our Operational Technical Center (or NTO, in Portuguese), in the city of Recife/PE, the first such facility outside Europe. With the capacity to process up to 5 million exams per month, the Recife NTO will replace 18 regional NTOs and will process around 95% of the laboratory exams, further increasing our level of verticalization. We quickly launched our new telemedicine platform, allowing us to monitor our beneficiaries closely, in the safety and comfort of their homes. Since the beginning of the pandemic, more than 300 thousand teleconsultations have been carried out. We expanded our digital experience and performed our sales conventions 100% online for the first time to energize our sales force. We launched our new 100% digital and online sales platform, making it easy to hire health insurance directly and securely. In the fourth quarter, the vice-presidency of Digital and Innovation was created, strengthening our new pillar of innovation, and continuing our pioneering spirit in the creation, use and improvement of new technologies. With that, we hope that digitization and digital transformation initiatives will pick up speed.

In 2020 we published our first Annual Sustainability Report following the guidelines of the Global Reporting Initiative, the first and most widespread methodology for producing reports in Brazil and worldwide. This document is a great tool to increase our transparency with all stakeholders, reinforcing our commitment to ESG issues (environmental, social and governance), which are equally important factors for the success of the business. In fact, Hapvida was included in the FTSE4Good, one of the most important international sustainability indexes made up of companies that demonstrate strong ESG practices.

All of those efforts, among others, resulted in the Institutional Investor 2020 ranking recognition, the largest and most respected ranking of the capital markets in the world, with Hapvida receiving several awards for the health sector in Latin America. We were chosen as the most innovative company in the "Insurance and Health Plans" segment and one of the 100 most innovative companies in Brazil (out of 3,000 applicants), receiving the Whow! 2020 award. In the most recent edition of the Conarec Award, we were recognized as the best in the "Relationship Sector" in Brazil in the Health category. This award is the greatest recognition of relational intelligence and engagement among players in the customer relationship market.

At the end of February 2021, at a historic moment in the private healthcare sector in Brazil, we presented to the market an association agreement between Hapvida and Notre Dame Intermédica Group (GNDI). We believe that this potential business combination could be transformational for the country. The creation of a player with a national presence will allow offering a superior value proposition to customers, expanding and democratizing access to quality health care. The two companies are awaiting the approval of their respective shareholders at general meetings that will take place on March 29, 2021.

We are extremely proud of our employees and our achievements in 2020. Our performance in the past year gives us confidence to believe that we will be able to successfully navigate future challenges. To our shareholders and board of directors, thank you very much.

Jorge Pinheiro
CEO

Our Pillars

Summary

1. INTEGRATION AND REPORTING CRITERIA

In the 4th quarter of 2020, we concluded the following acquisitions: on November 3, 2020 - Medical Medicina Cooperativa Assistencial de Limeira (Medical) and on December 1, 2020 - Clínica São José Ltda. (Grupo São José). Consequently, the assets, liabilities and results of Medical and Grupo São José are fully reflected on our balance sheet, income statement and cash flow. The consolidated financial statements for Hapvida's 4th quarter of 2020 include two months of Medical operations and one month of Grupo São José's. It is important to note that in the comparative period of 2019, Grupo São Francisco entered on November 1, 2019 and América on December 2, proportionally impacting the comparability between these periods. The effects of consolidation of the acquired companies will be highlighted throughout this earnings release.

2. HIGHLIGHTS

FINANCIAL HIGHLIGHTS (R$ million)	4Q20	4Q19	Var. %	3Q20	Var. %	2020	2019	Var. %
Net Revenues	2,273.5	1,785.4	*27.3%*	2,126.4	*6.9%*	8,555.0	5,634.4	*51.8%*
Medical Costs - Cash	1,352.1	1,013.3	*33.4%*	1,227.0	*10.2%*	4,828.3	3,235.3	*49.2%*
Medical Costs - Ex-SUS	1,406.6	1,035.1	*35.9%*	1,271.0	*10.7%*	4,997.1	3,277.5	*52.5%*
Total Medical Costs	1,512.4	1,104.1	*37.0%*	1,284.4	*17.7%*	5,209.0	3,400.4	*53.2%*
Sales Expenses	169.3	146.5	*15.5%*	167.1	*1.3%*	670.7	519.7	*29.1%*
Administrative Expenses[1]	207.4	188.6	*9.9%*	200.6	*3.4%*	818.3	573.9	*42.6%*
EBITDA	431.8	374.7	*15.2%*	512.2	*-15.7%*	2,019.6	1,233.3	*63.8%*
Net Income	94.3	210.6	*-55.2%*	247.8	*-62.0%*	785.3	851.8	*-7.8%*
Net Income ex-value added	281.5	275.7	*2.1%*	373.5	*24.6%*	1,300.4	916.9	*41.8%*

CONSOLIDATED RATIOS (% ROL)	4Q20	4Q19	Var. %	3Q20	Var. %	2020	2019	Var. %
Cash MLR (ex-Peona; ex-SUS; ex-D&A)	59.5%	56.8%	*2.7 p.p.*	57.7%	*1.8 p.p.*	56.4%	57.4%	*-1.0 p.p.*
Ex-SUS MLR	61.9%	58.0%	*3.9 p.p.*	59.8%	*2.1 p.p.*	58.4%	58.2%	*0.2 p.p.*
Total MLR	66.5%	61.8%	*4.7 p.p.*	60.4%	*6.1 p.p.*	60.9%	60.4%	*0.5 p.p.*
Sales Expenses	7.4%	8.2%	*-0.8 p.p.*	7.9%	*-0.5 p.p.*	7.8%	9.2%	*-1.4 p.p.*
Administrative Expenses[2]	9.1%	10.6%	*-1.5 p.p.*	9.4%	*-0.3 p.p.*	9.6%	10.2%	*-0.6 p.p.*
Ebitda Margin	19.0%	21.0%	*-2.0 p.p.*	24.1%	*-5.1 p.p.*	23.6%	21.9%	*1.7 p.p.*
Net Income Margin	4.1%	11.8%	*-7.7 p.p.*	11.7%	*-7.6 p.p.*	9.2%	15.1%	*-5.9 p.p.*
Net Income Margin ex-value added	12.4%	15.4%	*-3.0 p.p.*	17.6%	*-5.2 p.p.*	15.2%	16.3%	*-1.1 p.p.*

OPERATING HIGHLIGHTS	4Q20	4Q19	Var. %	3Q20	Var. %
Members Health and Dental (thousands)	**6,673**	**6,328**	***5.5%***	**6,401**	***4.2%***
Members Health	3,744	3,511	*6.6%*	3,553	*6.6%*
Members Dental	2,929	2,817	*4.0%*	2,848	*4.0%*
Proprietary service network	**464**	**445**	***4.3%***	**446**	***4.0%***
Hospitals	45	39	*15.4%*	41	*9.8%*
Emergency Units	46	42	*9.5%*	42	*9.5%*
Clinics	198	185	*7.0%*	188	*5.3%*
Diagnostics	175	179	*-2.2%*	175	*0.0%*

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

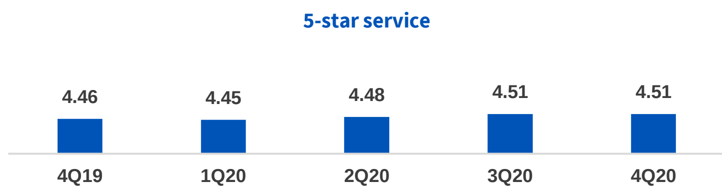
Quality of Care

3. QUALITY OF CARE

Hapvida's culture values operational excellence, cost control, innovation, and, above all, high quality care. Our efforts seeking for new solutions through several ongoing initiatives always aim to increase operational efficiency and improve the customer's perception of the quality of the services we provide. We created innovative solutions with substantial results in our operations and the level of service offered to our beneficiaries.

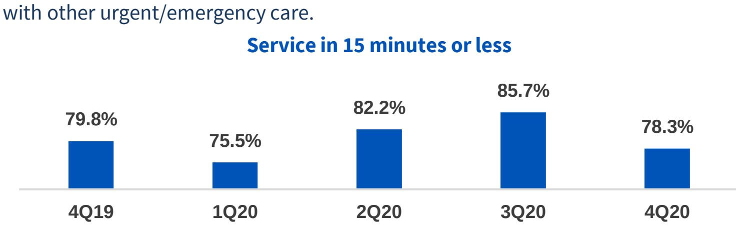
5-STAR SERVICE

The 5-star service, first implemented in 2019, is an instant satisfaction survey with ratings between 1 and 5 stars carried out by our customers after each eligible interaction. This program is a valuable tool for the entire Company as it will enable us to see opportunities for improvement and recognize the best performance in serving our customers. Our hospitals, clinics, diagnostic units, walk-in emergency centers, 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) are evaluated. Throughout the program's existence, we have received almost 7 million evaluations. In the fourth quarter of 2020 more than 720 thousand evaluations were received. The overall average for the month of December 2020, based on 205 thousand evaluations, was 4.51.



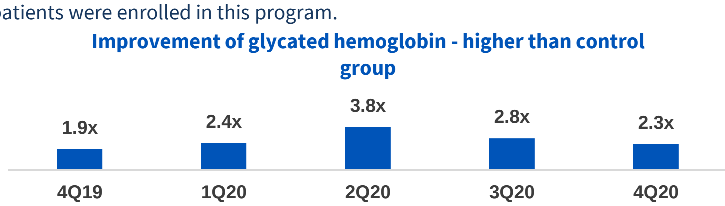
WAITING TIME FOR URGENT/EMERGENCY CARE

Hapvida has a tech platform with a system that allow 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 4Q20, 78.3% of all of 0.9 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 3Q20 is due to a greater number of services related to Covid-19 concomitant with other urgent/emergency care.



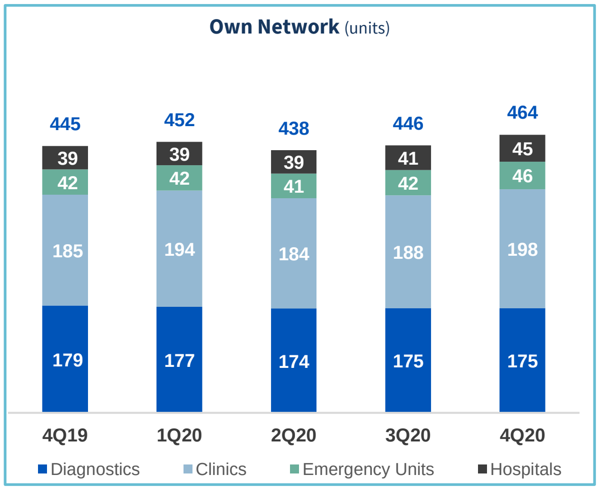
VIVER BEM – A VIDAHAP PROGRAM

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 december of 2020 the group of monitored patients presented a very significant improvement in glycated hemoglobin when compared to the control group. At the end of 2020, around 6,500 patients were enrolled in this program.



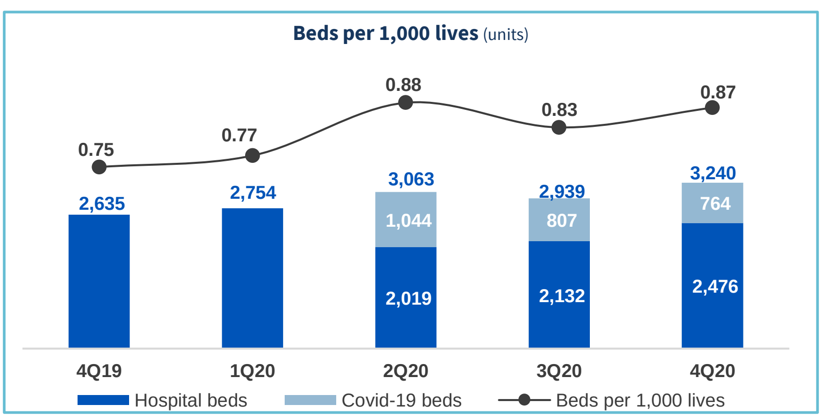
4. PROPRIETARY CARE NETWORK

In 2020, Hapvida continues to expand its own network through the inauguration of new units, and the expansion and remodeling of the existing ones. We remain focused on our strategy of increasing verticalization levels to guarantee the quality of care, cost efficiency, better control losses and frequency of utilization (usage).



The company ended the 4Q20 with 45 hospitals, 46 emergency care units, 198 clinics and 175 diagnostic imaging and laboratory collection units, thus totaling 464 service units accessible to our beneficiaries, in all five regions of the country. Included in the figures the assets from the acquired companies approved until the end of 2020.

During this quarter, 11 medical clinics were opened (6 were closed), 2 emergency care (1 closed) and 7 diagnostic units (7 closed), in line with the modernization and consolidation process in new and large units. With the closing of the operations of Grupo São José and Medical, 12 care units were added.



In the end of 2020, we had a total of 3,240 hospital beds in operation, which represents an increase of 605 beds compared to the same quarter of the previous year. The main movements were: 110 beds at Hospital Sinhá Junqueira (SP) and 27 beds at Hospital Mário Palmério (MG). In Pará, there was a net increase of 22 beds after an increase of 100 beds at Hospital Rio Mar and a reduction of 78 beds at Hospital Layr Maia, which closed for renovation. With the inclusion of the acquired companies approved in 4Q20, we have the following additions: 97 beds from Medical and 102 beds from Grupo São José.

In the quarter, there were 764 beds for the treatment of covid-19, a reduction of 43 beds compared to 3Q20.

5. MEMBERS

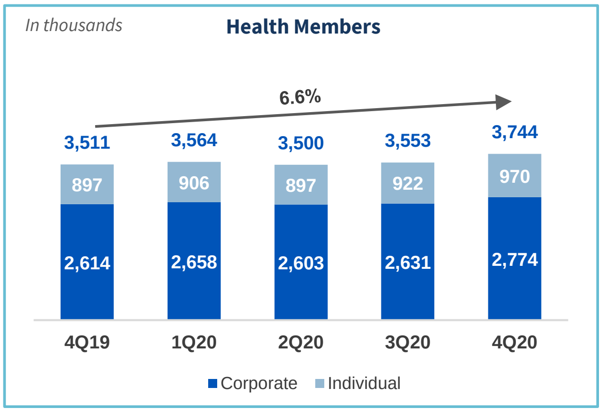
The number of health plan beneficiaries at the end of the quarter increased by 6.6% compared to the last year, influenced by:

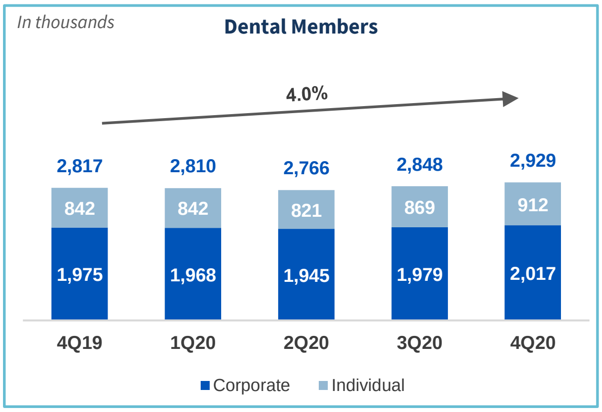
(i) the entry of 75 thousand lives from Medical (11 thousand lives in individual plans and 64 thousand lives in group plans);

(ii) 53 thousand lives from Grupo São José (14 thousand lives in individual plans and 38 thousand lives in group plans); and

(iii) 44 thousand lives from RN Saúde (7 thousand lives in individual plans and 37 thousand lives in group plans).

Regarding organic growth (excluding acquisitions), there was a net increase of 55 thousand lives (23 thousand in individual plans and 32 thousand in group plans) in Hapvida and an increase of 6 thousand lives (17 thousand in individual plans and -11 thousand group plans) on the acquired companies (GSF and América).



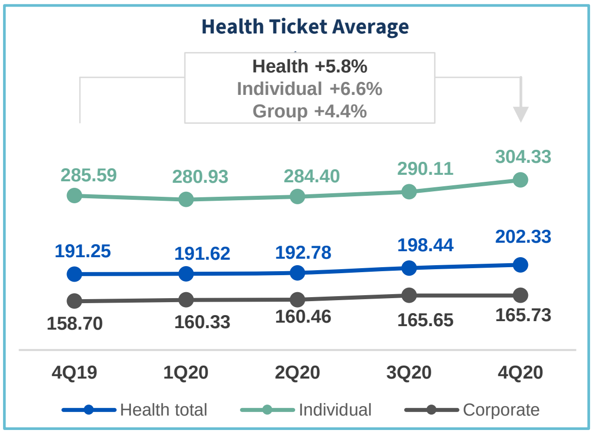


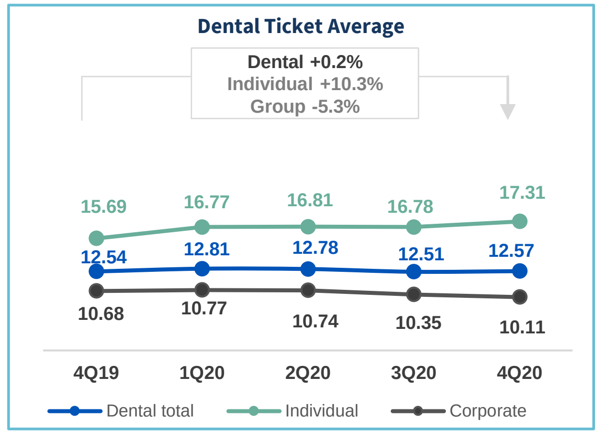
The number of dental plan beneficiaries grew by 4.0% in the quarter compared to the same period last year. Organically, there was an increase of 70 thousand lives in individual plans and 39 thousand lives in group plans. There were also the entry of 2 thousand lives in group plans with the acquisition of Medical.

6. AVERAGE TICKET

The average ticket of members with healthcare coverage grew by 5.8% compared to 4Q19, mainly due to new sales and readjustments to existing contracts, which also reached members of individual/family plans this quarter. There was also the entry of members from Medical and Grupo São José that have higher average tickets. The average GSF ticket increased by 2.8% compared to 4Q19. The amount of R$38.1 million referring to the retroactive adjustments from May to September/2020 was disregarded for the calculation of the average ticket.

6. AVERAGE TICKET (continued)





The average ticket in the dental segment grew by 0.2% in comparison with the same period of the previous year due to a lower average ticket of all companies, except for GSF. Average ticket for GSF increased by 0.7% compared to 4Q19, with emphasis on individual plans, which grew by 6.0%.

7. NET REVENUES

Net revenues in 4Q20 grew 27.3% when compared to 4Q19 mainly influenced by:

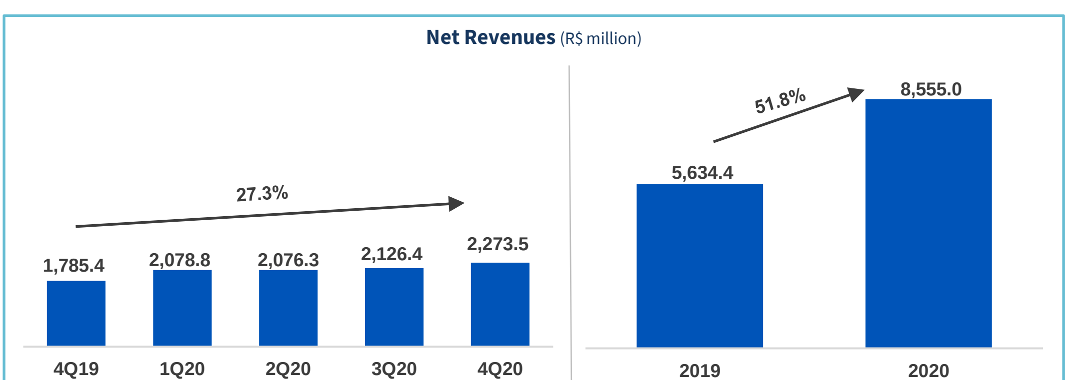
(i) an organic increase of 215 thousand lives in the base of health and dental beneficiaries, mainly in the cities of Fortaleza, Recife and Joinville;

(ii) 5.8% increase in the average ticket for medical plans, reflecting the price adjustments implemented in the existing contracts necessary for their economic balance and new sales;

(iii) R$174.5 million from Grupo São Francisco in October 2020 (in 4Q19 only the months of November and December/2019 were included), R$65.6 million from Grupo América for October and November 2020 (in 4Q19 only revenue from December/2019 was considered), for R$31.1 million from RN Saúde, R$30.8 million from Medical (November and December 2020) and R$16.9 million from Grupo São José (December/2020 only); and

(iv) R$134.8 million referring to the recognition of adjustment revenue in 2020 (R$38.1 million retroactive referring to the period from May to September/2020 and the remaining referring to 4Q20), but which will be charged in 12 installments throughout 2021 as determined by ANS applying to the individual/family contracts.

Net revenues for 2020 were R$8.6 billion, growth of 51.8% in comparison with the same period of the previous year, influenced by the same comments already mentioned.



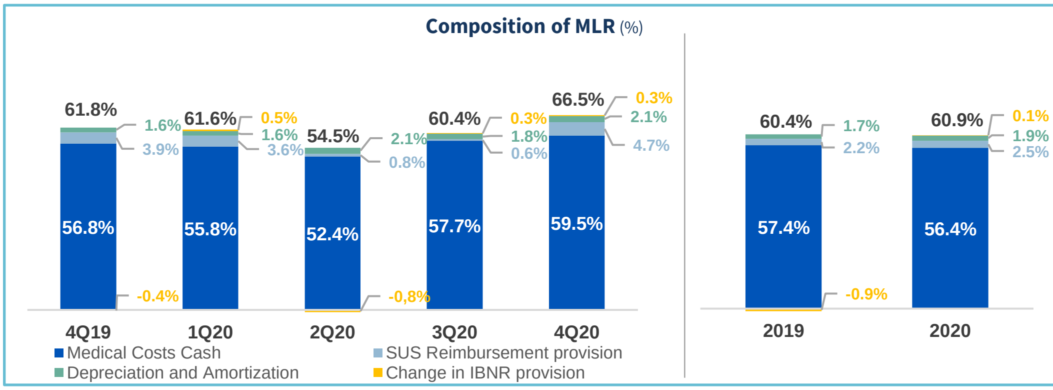
8. MLR AND MEDICAL COSTS

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.

8.1 MLR and Medical Costs

Composition of MLR and Medical Cost

(R$ million)	4Q20	4Q19	4Q20 x 4Q19	2020	2019	2020 x 2019
Medical Costs – Cash	(1,352.1)	(1,013.3)	33.4%	(4,828.3)	(3,235.3)	49.2%
Depreciation and Amortization	(47.4)	(28.6)	65.5%	(162.7)	(93.0)	74.9%
Change in IBNR provision	(7.1)	6.9	(203.1%)	(6.1)	50.8	(112.0%)
Change in SUS reimbursement provision	(105.8)	(69.0)	53.2%	(211.9)	(122.9)	72.4%
Medical Costs - Total	**(1,512.4)**	**(1,104.1)**	**37.0%**	**(5,209.0)**	**(3,400.4)**	**53.2%**
Cash MLR (ex-IBNR; ex-SUS; ex-D&A)	**59.5%**	**56.8%**	**2.7 p.p.**	**56.4%**	**57.4%**	**-1.0 p.p.**
MLR (ex-SUS)	**61.9%**	**58.0%**	**3.9 p.p.**	**58.4%**	**58.2%**	**0.2 p.p.**
Total MLR	**66.5%**	**61.8%**	**4.7 p.p.**	**60.9%**	**60.4%**	**0.5 p.p.**



Cash MLR (which excludes D&A, changes in IBNR and provision for reimbursement to SUS) was 59.5% in 4Q20 and 56.4% in 2020, an increase of 2.7 p.p. and a reduction of 1.0 p.p. in comparison with the same periods of the previous year. The main impacts on MLR were:

(i) gradual return of the volume of elective procedures. At the same time, there was a gradual increase in the number of emergency care and hospitalizations related to COVID-19 in some regions, with expenses with personnel, materials and drugs, location and operation and third parties service in the order of R$27.8 million in 4Q20, which did not occur in 4Q19. A reduction of 1.0 p.p. in the year is explained by the temporary suspension of elective procedures in 2Q20 and 3Q20, which more than offset the higher level of MLR of acquired companies and the increase in care expenses in 4Q20. In the full year of 2020, the costs of Covid-19 under the items mentioned totaled R$127.2 million;

(ii) higher level of MLR of the acquired companies that are included in Hapvida's consolidated number in 2020 but are not present in the comparative periods of 2019. The MLR of recently-acquired companies is on a downward trend due to initiatives for the integration and standardization of procedures, respecting the seasonality among the quarters;

(iii) collective bargaining agreement and hiring of new employees, including personnel expenses from new units (R$28.2 million in 4Q20 and R$108.8 million in 2020);

(iv) increase in expenses with materials of new units in operation, in particular the new laboratory processing unit - Operational Technical Center (or NTO, in Portuguese) (R$3.2 million in 4Q20 and R$5.6 million in 2020); and

(v) reclassification of amounts that were recorded as administrative expenses related to certain services provided in the operations of the companies São Francisco Resgate (medical-hospital removal) and Documenta (imaging diagnostics), but which are, by nature, medical losses (R$4.3 million in 4Q20 and R$9.6 million in 2020).

8. MLR AND MEDICAL COSTS (continued)

8.1 Medical costs and MLR (continued)

The total medical loss ratio was 66.5% in 4Q20 and 60.9% in 2020, an increase of 4.7 p.p. and 0.5 p.p. compared to the same comparative period of the previous year. In addition to the impacts on the cash loss ratio already mentioned above, there were:

(i) an increase in depreciation due to the increase in the number of care assistance units resulting from both organic and inorganic growth (R$18.8 million in 4Q20 and R$69.7 million in 2020);

(ii) increase in the provision for reimbursement to SUS due to the normalization of issuance of both ABIs and collection invoices by ANS (higher costs of R$36.7 million in 4Q20 and R$88.9 million in 2020); and

(iii) constitution of IBNR (R$7.1 million in 4Q20 and R$6.1 million in 2020) as opposed to a reversal occurred in the comparative period of 2019 (-R$6.9 million in 4Q19 and -R$50.8 million in 2019).

MLR ex-SUS, the index that best represents the performance of our operations and which excludes the variation in the provisions for reimbursement to SUS, was 61.9% in 4Q20 and 58.4% in 2020, an increase of 3.9 p.p. and 0.2 p.p. in relation to the same comparative periods.

The Company continues to show gains in operational efficiency as a result of medical loss management projects and stronger wellness promotion programs. We also presented growth in verticalization of medical costs with an increase of 1.8 p.p. and 1.2 p.p. in the volume of emergency care (medical appointments, hospitalizations and exams) performed in our own network in 4Q20 and 2020. The representativeness of care expenses in the own network increased by 12.5 p.p. in 4Q20 in comparison with 4Q19 and by 4.2 p.p. in 2020 versus 2019.

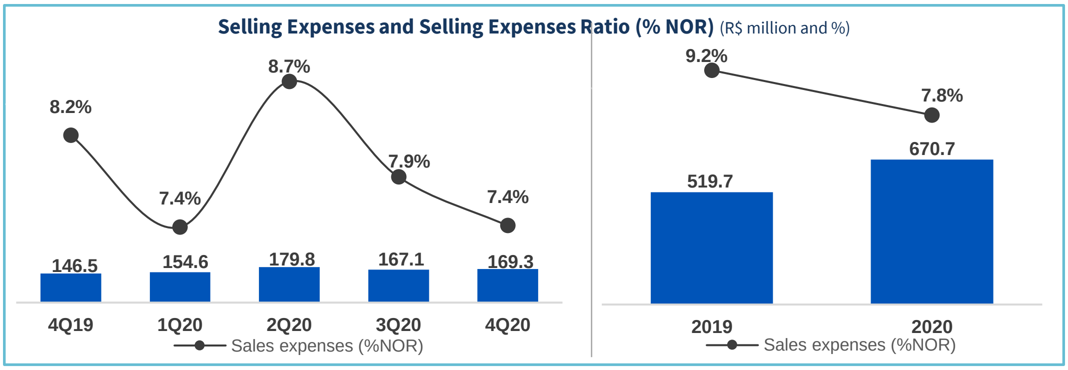
8.2 SUS reimbursement provisions

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.

Due to the pandemic, appeals terms remained suspended and, therefore, no new GRUs were received during 2Q20 and 3Q20. During the fourth quarter of 2020, ANS normalized issuance of new GRUs, with a net impact of R$106.5 million in the provision. During 4Q20, two new ABI lots were received (#s 83 and 84). Due to the acceleration of GRU emissions and changes in the percentage of the collection history sent by ANS, there were more reversals than the constitution of ABI provisions, with a positive net impact of R$16.0 million. The GRU submission and provision process was normalized in the fourth quarter of 2020 and the expectation is that the process will start to flow within normality from now on.

R$ million	**4Q20**	**4Q19**	**2020**	**2019**
ABIs' provision	(16.0)	44.6	38.9	61.0
GRUs' principal	106.5	35.0	145.3	56.5
Interest, monetary adjustments and fines	-	32.3	-	48.4
Reclassification of interest, monetary restatement and fines to Financial results	-	(48.4)	-	(48.4)
SUS Reimbursement – Acquired Companies	15.3	5.5	27.7	5.5
SUS Reimbursement – Medical Cost	**105.8**	**69.0**	**211.9**	**122.9**
Interest, monetary adjustments and fines	22.6	48.4	75.1	48.4
SUS Reimbursement – Financial Result	**22.6**	**48.4**	**75.1**	**48.4**
SUS Reimbursement - Total	**128.3**	**117.4**	**287.0**	**171.3**

9. SELLING EXPENSES



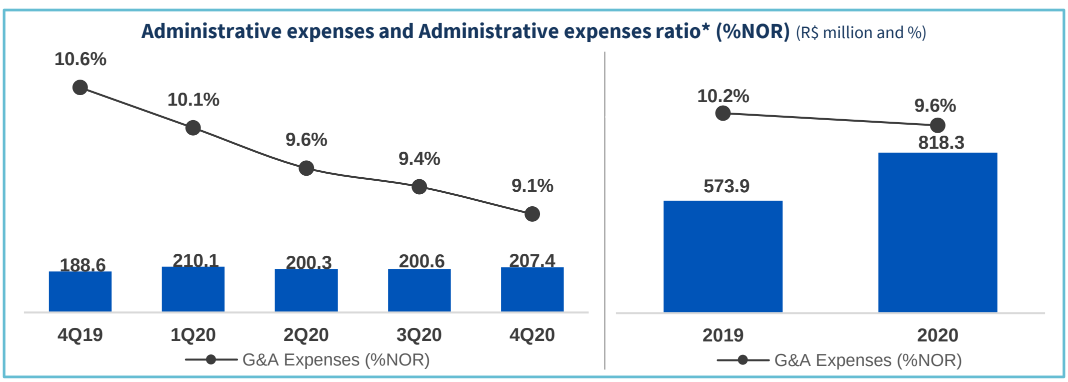
The selling expenses ratio was 7.4% in 4Q20 and 7.8% in 2020, a reduction of 0.8 p.p. and of 1.4 p.p. compared to the same periods of the previous year. The reduction in the index is justified, mainly by:

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

(ii) operating leverage with some expenses, such as publicity and advertising, showing less growth than revenue in the comparative periods; and

(iii) the reduction in the level of default, which reduced the provision for losses on receivables.

10. ADMINISTRATIVE EXPENSES



Current and past figures are being presented without depreciation and amortization charges.

The administrative expenses ratio was 9.1% in 4Q20 and of 9.6% in the year, reductions of 1.4 p.p. and 0.6 p.p. compared to the same periods of the previous year.

The main positive impacts for this reduction were:

(i) third-party services related to expenses related to M&A initiatives that occurred in 4Q19 and that were not repeated (R$39.0 million in 4Q19 and 2019); and

(ii) reclassification of amounts that were recorded as administrative expenses related to certain services provided in the operations of the companies São Francisco Resgate (medical-hospital removal) and Documenta (imaging diagnostics), which are, by nature, medical losses (R$4.3 million in 4Q20 and R$9.6 million in 2020).

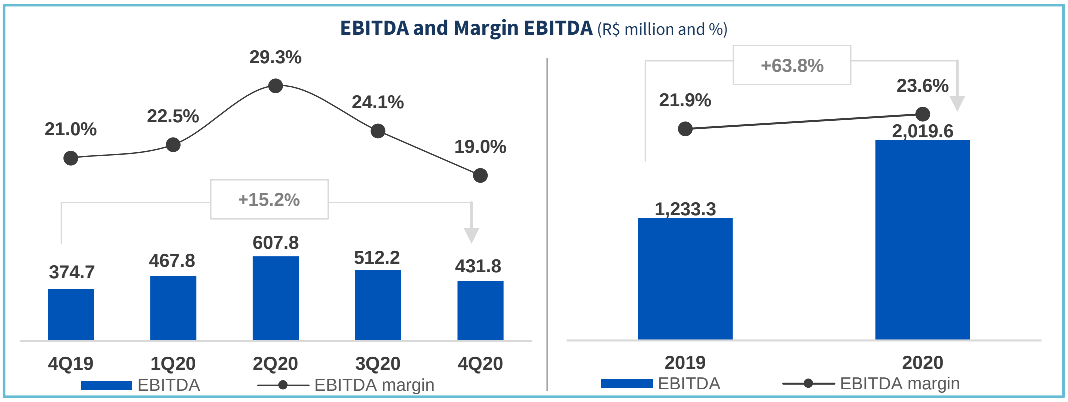
The negative impacts were:

(i) collective bargaining agreement and hiring of new employees (R$7.1 million in 4Q20 and R$25.2 million in 2020);

(ii) increase in variable compensation (R$2.4 million in 4Q20 and R$26.3 million in 2020); and

(iii) higher provision for contingencies in relation to the reversal of R$14.9 million in the recognition of the case brought forward and judged related to the reimbursement of the supplementary health fee paid in previous years, which occurred in 4Q19 and which was not repeated in 4Q20 and 2020.

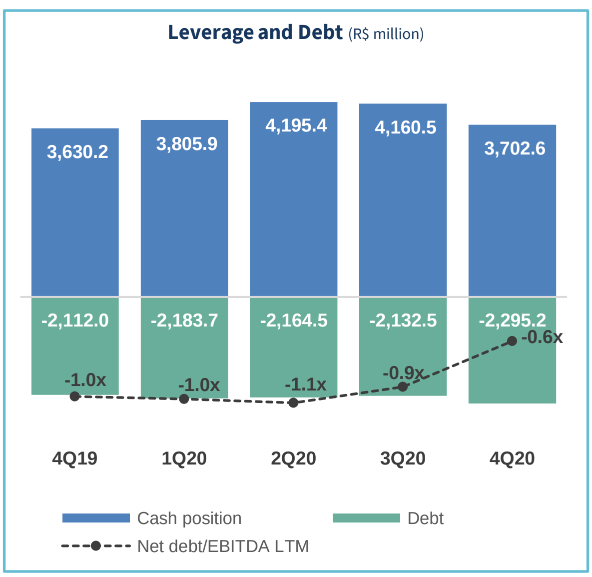
11. EBITDA



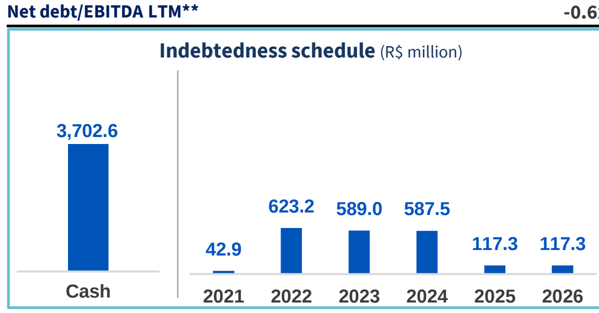
EBITDA reached R$431.8 million in 4Q20 and R$2,019.6 million in 2020, an increase of 15.2% and 63.8%, respectively, compared to the same comparative periods of 2019. EBITDA Margin in 4Q20 was 19.0% and 23.6% in 2020, reduction of 2.0 p.p. in 4Q20 and increase of 1.7 p.p. in 2020 in the same comparison.

12. DEBT

At the end of 2020, the Company had a balance of R$2,016.4 million comprised of the balance of debentures outstanding as well as the balance of outstanding debt inherited from acquired companies of R$60.9 million. The chart below shows the payment schedule for the consolidated debt. The net financial debt/EBITDA ratio in 4Q20 is -0.6x due to the net cash position of R$1.4 billion.

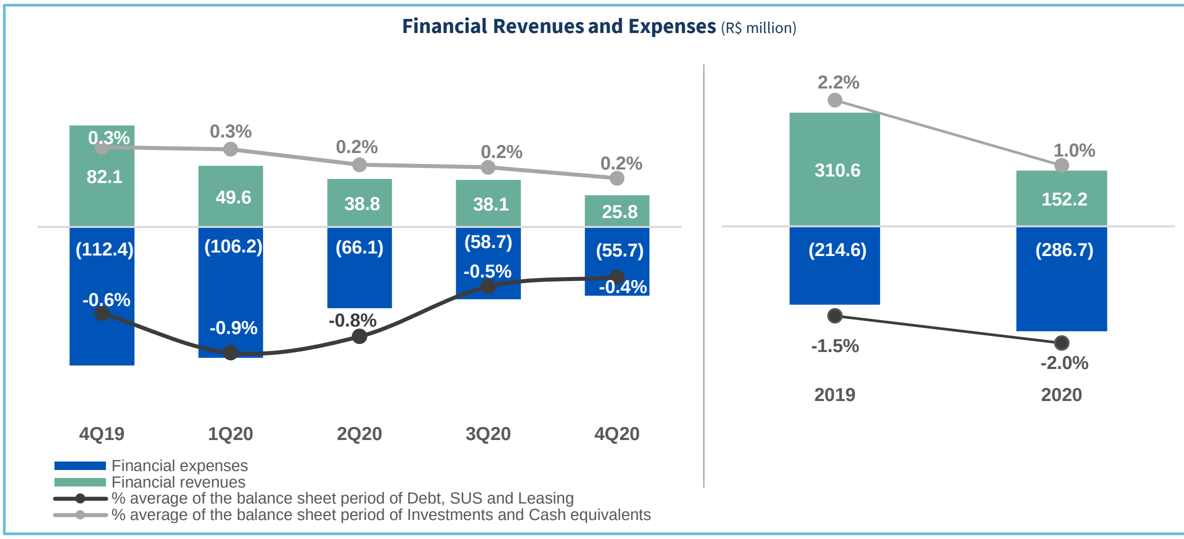


Net debt/Ebitda (R$ million)	12/31/2020
Short-term debt*	39.3
Long-term debt*	2,023.4
Other accounts payable (acquired companies)	232.5
Total debt	**2,295.2**
(-) Cash and cash equivalents and short-term and long-term investments (proforma)	3,702.6
Net debt (Net cash)	**(1,407.5)**
EBITDA LTM**	2,241.1
Net debt/EBITDA LTM**	**-0.6x**



* Debt balance considers the value of debentures net of its respective transaction costs plus other financing lines net from financial instruments.
** Adjusted EBITDA excluding provisions for impairment of accounts receivable.

13. FINANCIAL RESULTS



Net financial results in 4Q20 totaled expenses of R$30.0 million (R$55.7 million financial expenses and R$25.8 million in income) and an expense of R$134.5 million in 2020 (R$286.7 million in financial expenses and R$152.2 million in income), influenced by:

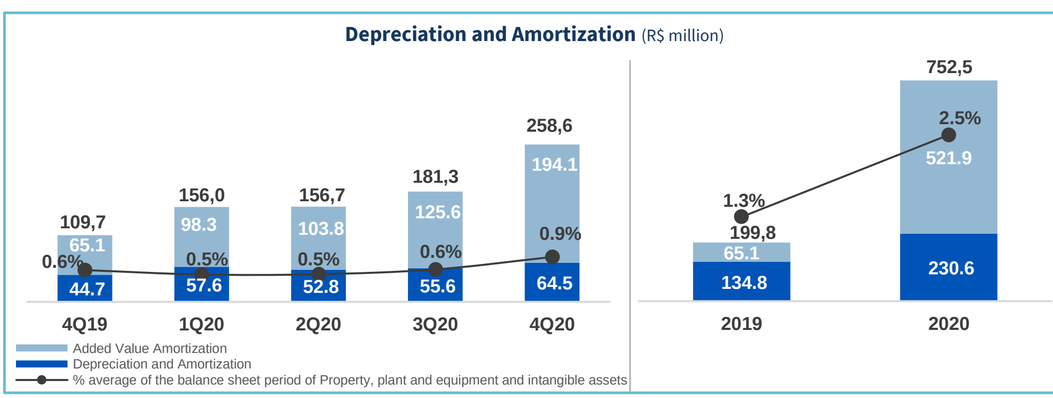
(i) the pro-rata recognition of accrued interest related to debentures issued in the amount of R$11.1 million in 4Q20 and R$61.1 million in 2020;

(ii) the recognition of lease interest of R$23.7 million in 4Q20 and R$85.3 million in 2020;

(iii) higher volume of expenses with interest, fines and monetary restatement, largely related to the reimbursement to SUS, which, as of 4Q19, started to be recorded in financial expenses, in the amount of R$23.4 million in 4Q20 and R$79.9 million in 2020; and

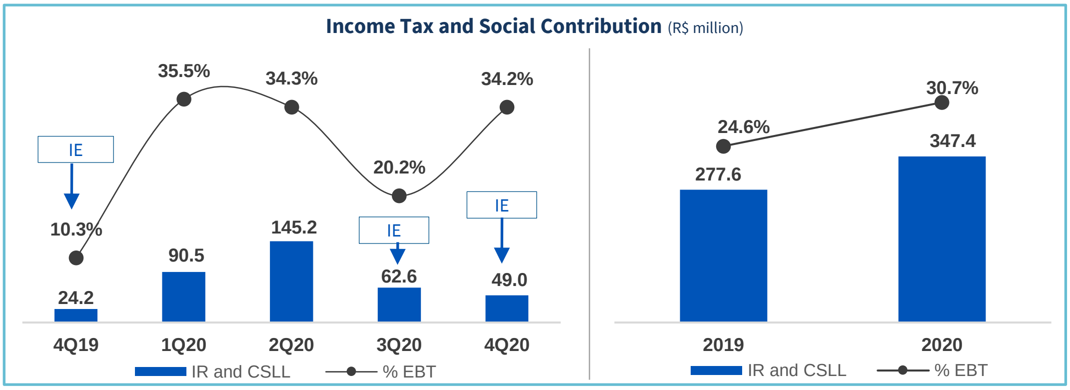
(iv) lower financial income as a result of a lower balance of investments (due to the payment of acquisitions) and a decrease on the SELIC interest rate.

14. DEPRECIATION AND AMORTIZATION



Depreciation and amortization expenses totaled R$258.6 million in 4Q20 and R$752.5 million in 2020, equivalent to 0.9% and 2.5%, respectively, 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$194.1 million in 4Q20 (R$65.0 million in 4Q19) and R$521.9 million in 2020 (R$65.0 million in 2019) .

15. INCOME TAX AND SOCIAL CONTRIBUTION



IE = Interest on equity

The effective rate was 6.1 p.p. higher compared to 2019 and 23.9 p.p. higher when compared to 4Q20 due to:

(i) a lower distribution of interest on equity in 2020 compared to 2019;

(ii) the recognition in 2019 of tax credits related to expenses with the issue of shares in that year due to the follow-up in July/19;

(iii) the derecognition of tax losses of entities acquired due to their corporate incorporation by the acquiring company; and

(iv) by updating the calculation of deferred taxes on 2019 business combinations that had their measurement period ended in 2020, in accordance with the requirements of the current accounting standard applicable to this matter.

16. NET INCOME EX-VALUE-ADDED

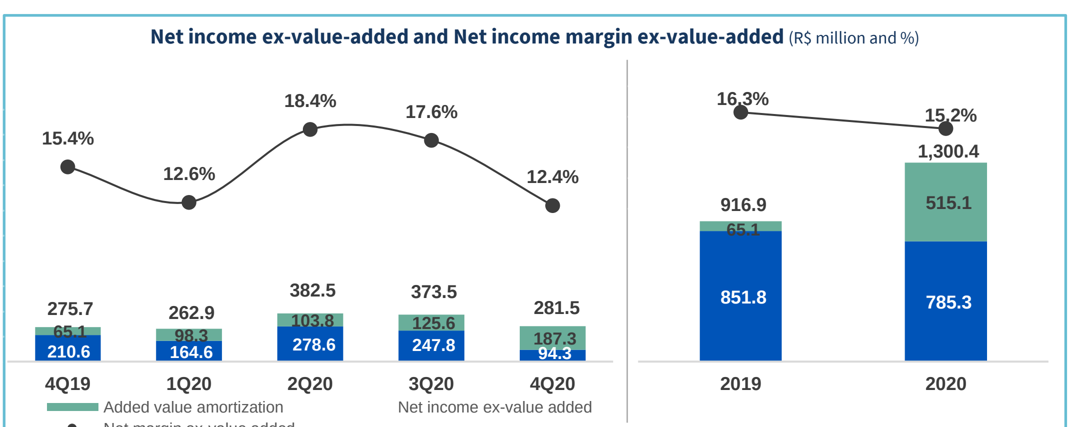
Net income ex-value-added totaled R$281.5 million in 4Q20 and R$1,300.4 million in 2020, an increase of 2.1% and 41.8% when compared with the same periods of the previous year, mainly due to:

(i) EBITDA increase of R$57.1 million in 4T20 and R$786.3 million in 2020;

(ii) non-cash items such as the increase in depreciation and amortization, which went from R$109.7 million in 4Q19 to R$258.6 million in 4Q20, and from R$199.8 million in 2019 to R$752.5 million in 2020;

(iii) higher financial expenses related to the reimbursement to SUS and lower financial income that followed the reduction of both the investment balance and the Selic rate; and

(iv) higher effective tax rate both in 4T20 and in 2020 when compared to the same periods of the previous year.



17. CASH GENERATION AND CAPEX

Free cash flow ex-acquisitions was R$341.6 million in 4Q20 and R$530.0 million in 4Q19, decrease of 35.6% negatively impacted by the change in working capital (negatively affected by the higher balance of accounts receivable) by the recognition of the revenue from retroactive adjustments of 2020 as determined by the ANS.

In 2020, the free cash flow ex-acquisitions was R$1,513.1 million, which represented an increase of 52.3% in relation to 2019, such variation is due to the increase in EBITDA explained throughout this earnings release. As an impact of cash flow consumption in the year, we have increased investments in capex in the expansion of our own network structure. Free cash flow including acquisitions was positive by R$913.0 million in 2020 due to the payment for the acquisitions of companies, mainly the companies Medical and Grupo São José, which occurred in 4Q20. In 2019, free cash flow including acquisitions was negative by R$4,077.4 million due to the payment for the acquisitions of companies (Grupo São Francisco, América, Hospital das Clínicas de Parauapebas, Hospital Geral Padre Cícero and Infoway).

R$ million	4Q20	4Q19	4Q20 x 4Q19	2020	2019	2020 x 2019
EBITDA	**431.8**	**374.7**	**15.2%**	**2,019.6**	**1,233.3**	**63.8%**
(+/-) Change in working capital[1]	35.3	229.8	(84.6%)	206.8	274.3	(24.6%)
(-) Income Tax and Social Contribution	(49.0)	(24.2)	102.9%	(347.4)	(277.6)	25.1%
(-) Cash CAPEX	(76.5)	(50.4)	51.8%	(366.0)	(236.6)	54.7%
Free cash flow (ex-acquisitions)	**341.6**	**530.0**	**(35.6%)**	**1,513.1**	**993.4**	**52.3%**
(-) Companies acquisitions	(505.8)	(5,053.4)	(90.0%)	(600.1)	(5,070.8)	(88.2%)
Free cash flow	**(164.2)**	**(4,523.4)**	**(96.4%)**	**913.0**	**(4,077.4)**	**(122.4%)**

([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.

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. The reconciliation without IFRS 16 / CPC 06 (R2) can be found in the fundamental's spreadsheet on the Company's investor relations website at ri.hapvida.com.br

Summary Report of the Audit Committee on the parent company and consolidated financial statements for the year ended December 31, 2020

The Audit Committee of Hapvida Participações e Investimentos S.A., in compliance with the legal and statutory provisions, reviewed the parent company and consolidated financial statements as of December 31, 2020, accompanied by the audit report of the independent auditor KPMG Auditores Independentes, and unanimously expressed its opinion, that such documents adequately reflect, in all material respects, the Company's equity and financial positions as of December 31, 2020. Based on the activities, information and clarifications received during the period, it believes that the aforementioned documents are in a position to be considered by the Board of Directors.

Fortaleza, March 18, 2021.

Wilson Carnevalli Filho
Member of the Audit, Risks and Compliance Committee

Maria Paula Soares Aranha
Member of the Audit, Risks and Compliance Committee

João Alberto Silva Neto
Member of the Audit, Risks and Compliance Committee

Directors' Statement on the parent company and consolidated financial statements for the year ended December 31, 2020

In accordance with article 25, paragraph 1, item VI, of CVM No. 480/09, the officers responsible for preparing the respective financial statements of the Company declare that they have reviewed, discussed and agreed with the parent company and consolidated financial statements for the year ended December 31, 2020.

Fortaleza, March 18, 2021.

Jorge Fontoura Pinheiro Koren de Lima
CEO

Maurício Fernandes Teixeira
Chief Financial and Investor Relations Officer

Directors' Statement on the Independent Auditor's Report

In accordance with article 25, paragraph 1, item V, of CVM No. 480/09, the officers responsible for preparing the financial statements of the Company declare that they have reviewed, discussed and agreed with the opinions expressed in the report of the Company's independent auditors, KPMG Auditores Independentes, on the parent company and consolidated financial statements for the year ended December 31, 2020.

Fortaleza, March 18, 2021.

Jorge Fontoura Pinheiro Koren de Lima
CEO

Maurício Fernandes Teixeira
Chief Financial and Investor Relations Officer

KPMG Auditores Independentes
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60170-002 - Fortaleza/CE - Brasil
Telefone +55 (85) 3457-9500
kpmg.com.br

Independent Auditor's Report on the Parent Company and Consolidated Financial Statements

To the Directors and Shareholders of the Company

Hapvida Participações e Investimentos S.A.

Fortaleza – CE

Opinion

We have audited the parent company and consolidated financial statements of Hapvida Participações e Investimentos S.A. ("Company") and its subsidiaries ("the Group"), which comprise the statement of financial position as at December 31, 2020 the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the parent company and consolidated financial position of the Group as at December 31, 2020, and its parent company and consolidated financial performance and its parent company and consolidated cash flows for the yearthen ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company and consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the parent company and consolidated financial statements in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our 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 parent company and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Technical reserves for health insurance contracts	
Notes 9.k and 21 to the parent company and consolidated financial statements	
Key audit matters	**How the matter was addressed in our audit**
Hapvida Group health operators has provision for insurance claim obligations. Determining and measuring the Provision for Incurred but not Reported Claims and Liability Adequacy Test, related to Group´s operation are complex procedures that require a high level of judgment, particularly to determine the methods, assumptions and estimates that include, among others, the expectation of loss rate and survival., frequency of use and cost of medical procedures. Because of the above factors, the significance of the amounts involved and the impact that possible changes in methods and assumptions could have on financial statements, we considered this a key audit matter.	We obtained an understanding of the design of significant internal controls over the calculation of provision for insurance claim obligations of Group. With the help of our actuarial experts, we evaluated the methods used for measuring the Provision of Incurred but Not Reported Claims and for Liability Adequacy Test of Group´s operations to check the consistency of data and the reasonableness of assumptions. Moreover, we recalculated provision for insurance claim Group´s obligations applying an actuarial method. Our procedures included evaluating the disclosures made in the financial statements in the notes referred to above. Based on the evidence we obtained by applying the procedures summarized above, we considered that provision for insurance claim Group´s obligations (note 21) are acceptable in the context of the financial statements for the year ended December 31, 2020 taken as a whole.

Provisions and contingent liabilities	
Notes 9.k. and 23 to the parent company and consolidated financial statements	
Key audit matters	**How the matter was addressed in our audit**
The Group is party to judicial and administrative proceedings that discuss civil, tax and labor matters, for which the Company recognized provision in its statement of financial position for cases whose unfavorable outcome is probable (more likely than not), and discloses the amounts discussed in proceedings whose unfavorable outcome was considered as possible. Determining the likelihood of unfavorable outcome involves critical judgment, because it depends on future events that are not under the Company's control. Accordingly, these proceedings may progress differently from what is expected by the Company and by its legal counsels. Moreover, changes in law may also cause changes in the estimates made by the Company. For that reason, we considered this a key audit matter.	We evaluated the design of significant internal controls over the identification and accrual of provisions and their disclosures in notes. Our procedures also included an analysis of a sample of the provisions and contingent liabilities to check for the adequacy of their measurement and recognition, reversals and sufficiency, and to assess the risk posed by the cases sponsored by the Company's in-house legal counsel. We compared the likelihood of loss evaluated by the Company with the formal confirmation made with the Group's external legal counsels. Our procedures included evaluating the disclosures made by the Company in the financial statements described in the notes referred to above. Based on the evidence we obtained by applying the procedures summarized above, we considered that the amount of provisions and related disclosures are acceptable in the context of the financial statements for the year ended December 31, 2020 taken as a whole.

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Business Combinations	
Note nº 3 to the consolidated financial statements	
Key audit matters	**How the matter was addressed in our audit**
During the fiscal year 2020, the Group acquired control from companies including health operators, clinics and hospitals. The acquisitions were completed in 2020, after approval by regulatory bodies and compliance with legal formalities. These operations are considered business combinations. The accounting standards requires the fair value measurement attributed to the assets acquired and liabilities assumed for the purposes of determining goodwill for the expectation of future profitability. Such measurement involves the Company judgment and includes the projection of future cash flows, calculation of discount rates and definition of useful life for the identified assets. Due to the relevance and high degree of judgment involved in the accounting registration process for the acquisition, we consider this matter to be significant for our audit work.	We analyzed acquisitions agreements that took place during the year 2020, and with the technical support of our specialists in corporate finance, we evaluated the reasonableness and consistency of the methodology used to measure the fair value attributed to the acquired assets and assumed liabilities, identified intangibles, as well as the assumptions used in the projection of cash flows, discount rates and useful life estimates. The assessment of the disclosures made by the Company in the consolidated financial statements was also part of our procedures. Based on the evidence obtained through the procedures described above, we believe that the recognition and disclosure of the business combination is reasonable in the context of the financial statements taken as a whole.

Other matters - Statements of value added

The parent and consolidated statements of value added for the year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted to the same audit procedures followed together with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled to the financial statements and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been adequately prepared, in all material respects, according to the criteria set on this Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole. Other information that accompanies the parent company and consolidated financial statements and the independent auditors' report

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

The Company's management is responsible for the other information. The other information comprises the Management's Report and the Performance Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management's Report and the Performance Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company and consolidated financial statements, our responsibility is to read the Management's Report and the Performance Report and, in doing so, consider whether the other information 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 performed, we conclude that there is material misstatement in the Management's Report and in the Performance Report, we are required to report on such fact. We have nothing to report on this respect.

Responsibilities of Management and Those Charged with Governance for the parent company and consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group´s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is greater than the one deriving from error, as fraud may involve the act of circumventing internal control, collusion, forgery, omission or deliberate false representations.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances,

We determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fortaleza, March 18, 2021

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Érika Carvalho Ramos
Accountant CRC 1SP224130/O-0

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Hapvida Participações e Investimentos S.A.

Statements of financial position at Decembre 31, 2020 and December 31, 2019

(Amounts stated in thousands of Reais)

		Parent company		Consolidated	
Assets	**Notes**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019** Restatement
Cash and cash equivalents	31	1,123	1,625	143,212	224,229
Short-term investments	12	-	-	2,334,120	1,180,418
Trade receivables	13	-	-	433,426	296,987
Inventory		-	-	101,677	72,704
Recoverable tax		65,383	59,385	184,105	160,483
Dividends and interest on shareholders' equity receivable	15	105	86,701	2	-
Derivative financial instruments	31	-	-	3,587	-
Other assets		36	689	137,033	137,764
Deferred commission	14	-	-	164,929	145,169
Total current assets		66,647	148,400	3,502,091	2,217,754
Long-term investments	12	406,992	1,344,854	1,225,282	2,225,563
Deferred taxes assets	30.c	242,132	150,544	579,509	289,489
Judicial deposits	23	2,132	1,198	246,528	187,636
Deferred commission	14	-	-	142,229	127,505
Derivative financial instruments	31	-	-	10,959	2,000
Related party receivable	15	91	4,638	3,448	8,135
Other assets		-	-	45,837	45,881
Total non-current assets		651,347	1,501,234	2,253,792	2,886,209
Investments	16	9,368,370	7,928,378	-	-
Property, plant and equipment	17	8,641	10,135	2,241,533	1,987,555
Intangible	18	122	175	5,522,303	5,333,712
Total		10,028,480	9,439,922	10,017,628	10,207,476
Total assets		**10,095,127**	**9,588,322**	**13,519,719**	**12,425,230**

		Parent company		Consolidated	
Liabilities and shareholders' equity	**Notes**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019** Restatement
Borrowings and financing	19	19,081	48,234	42,915	75,038
Trade payables		676	156	120,828	95,032
Technical provisions for health care operations	21	-	-	1,129,109	858,143
Health care payables		-	-	5,046	8,808
Payroll obligations	22	991	948	195,441	172,474
Taxes and contributions payable		13,648	17,293	159,736	152,432
Income and social contribution taxes	30.a	-	-	85,141	61,982
Dividends and interest on shareholders' equity payable	15 and 24.c	188,213	206,732	201,441	220,020
Leases	20	1,190	1,078	42,950	36,866
Related party payables	15	4,097	16,314	3,996	4,040
Other accounts payable		613	524	134,010	60,588
Total current liabilities		228,509	291,279	2,120,613	1,745,423
Borrowings and financing	19	1,997,254	1,996,260	2,034,312	2,036,955
Taxes and contributions payable		-	-	23,133	26,146
Technical provisions for health care operations	21	-	-	1,788	-
Leases	20	3,959	5,197	965,293	921,945
Deferred taxes liabilities	30.c	-	-	39,538	-
Provision for tax, civil and labor risks	23	36,135	35,983	401,949	388,658
Other accounts payable		58	-	102,106	44,218
Total non-current liabilities		2,037,406	2,037,440	3,568,119	3,417,922
Shareholders' equity	24				
Capital		5,650,526	5,650,526	5,650,526	5,650,526
Treasury shares		(2)	(2)	(2)	(2)
Capital reserve		222,917	222,917	222,917	222,917
Legal reserve		176,596	137,423	176,596	137,423
Profit reserve		1,779,175	1,248,739	1,779,175	1,248,739
Equity attributable to controlling shareholders		7,829,212	7,259,603	7,829,212	7,259,603
Non-controlling interest		-	-	1,775	2,282
Total shareholders' equity		7,829,212	7,259,603	7,830,987	7,261,885
Total liabilities and shareholders' equity		**10,095,127**	**9,588,322**	**13,519,719**	**12,425,230**

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of profit or loss at December 31, 2020 and December 31, 2019

(Amounts stated in thousands of Reais)

		Parent company		Consolidated	
	Notes	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Net revenue from services provided	25	-	-	8,554,961	5,634,383
Cost of the services rendered	26	-	-	(5,208,978)	(3,400,425)
Gross profit		-	-	3,345,983	2,233,958
Sales expenses	27	-	-	(670,720)	(519,727)
Administrative expenses	28	(35,002)	(35,434)	(1,413,519)	(676,080)
Equity in net income of subsidiaries	16	764,467	723,776	-	-
Other net operating income (expenses)		(6)	551	5,393	(4,675)
Total		729,459	688,893	(2,078,846)	(1,200,482)
Income before financial income and taxes		729,459	688,893	1,267,137	1,033,476
Finance income	29	24,116	128,612	152,223	310,580
Finance expenses	29	(61,699)	(50,433)	(286,702)	(214,585)
Total finance income, net		(37,583)	78,179	(134,479)	95,995
Profit before tax		691,876	767,072	1,132,658	1,129,471
Current income and social contribution taxes	30.a	-	-	(597,283)	(362,818)
Deferred income and social contribution taxes	30.c	91,588	82,753	249,924	85,193
Net income for the year		**783,464**	**849,825**	**785,299**	**851,846**
Attributable to					
Non-controlling interest		-	-	1,835	2,021
Owners of the Company		783,464	849,825	783,464	849,825
Earnings per share - basic and diluted	24.d	0.21	0.22	0.21	0.22

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of other comprehensive income at December 31, 2020 and December 31, 2019

(Amounts stated in thousands of Reais)

	Parent company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Net income for the year	783,464	849,825	785,299	851,846
Comprehensive income	-	-	-	-
Total comprehensive income	783,464	849,825	785,299	851,846
Non-controlling interest	-	-	1,835	2,021
Owners of the Company	783,464	849,825	783,464	849,825

SSee the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of changes in equity at December 31, 2020 and December 31, 2019

(Amounts stated in thousands of Reais)

		Attributable to controlling shareholder								
	Notes	**Share capital**	**Treasury shares**	**Capital reserves**	**Legal reserve**	**Profit reserve**	**Retained earning**	**Total**	**Non-controlling interest**	**Total shareholders' equity**
Balances at January 01, 2019		**2,810,219**	**-**	**-**	**94,932**	**697,393**	**-**	**3,602,544**	**3,311**	**3,605,855**
Capital increase (decrease)		2,914,495	-	-	-	-	-	2,914,495	(2,512)	2,911,983
Expenditures with issuance of shares		(74,188)						(74,188)	-	(74,188)
Option exercise		-	(2)	-	-	-	-	(2)	-	(2)
Premium in the issue of shares		-	-	222,917	-	-	-	222,917	-	222,917
Change in the equity interest of subsidiaries		-	-	-	-	(2,119)	-	(2,119)	(538)	(2,657)
Net income for the year		-	-	-	-	-	849,825	849,825	2,021	851,846
Allocations	24									
Legal reserve		-	-	-	42,491	-	(42,491)	-	-	-
Interest on own capital		-	-	-	-	-	(223,042)	(223,042)	-	(223,042)
Dividends		-	-	-	-	(18,579)	(12,248)	(30,827)	-	(30,827)
Profit retentions		-	-	-	-	572,044	(572,044)	-	-	-
Balances at December 31, 2019		**5,650,526**	**(2)**	**222,917**	**137,423**	**1,248,739**	**-**	**7,259,603**	**2,282**	**7,261,885**
Capital increase (decrease)		-	-	-	-	-	-	-	(2,342)	(2,342)
Net income for the year		-	-	-	-	-	783,464	783,464	1,835	785,299
Allocations	24									
Legal reserve		-	-	-	39,173	-	(39,173)	-	-	-
Interest on own capital		-	-	-	-	-	(204,130)	(204,130)	-	(204,130)
Dividends		-	-	-	-	-	(9,725)	(9,725)	-	(9,725)
Profit retentions		-	-	-	-	530,436	(530,436)	-	-	-
Balances at December 31, 2020		**5,650,526**	**(2)**	**222,917**	**176,596**	**1,779,175**	**-**	**7,829,212**	**1,775**	**7,830,987**

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of cash flows at December 31, 2020 and December 31, 2019

(Amounts stated in thousands of Reais)

	Parent company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Cash flows from operating activities				
Net income for the year	783,464	849,825	785,299	851,846
Adjustments to reconcile net income for the year with cash generated by operating activities:				
Depreciation and amortization	1,280	792	672,422	143,356
Depreciation of right of use assets	1,282	558	80,064	56,488
Technical reserves for health care operations	-	-	6,102	(50,831)
Equity in income of subsidiaries	(764,467)	(723,776)	-	-
Allowance for doubtful accounts	-	-	221,447	166,968
Write-off of property, plant and equipment	5	-	10,856	5,313
Write-off of intangible assets	-	104	-	23,751
Write-off of investment	-	12,021	-	-
Provision for tax, civil and labor risks	2,044	1,093	35,490	71,806
Earnings on short-term investments	(24,113)	(128,602)	(89,408)	(259,996)
Gain (loss) with derivative financial instruments	-	-	(17,136)	215
Lease	413	223	85,258	74,092
Interest and financial charges on borrowings and financing	61,121	49,641	64,313	50,342
Exchange-rate change	-	-	16,995	2,662
Income and social contribution taxes	-	-	597,283	362,818
Deferred taxes	(91,588)	(82,753)	(249,924)	(85,193)
	(30,559)	(20,874)	2,219,061	1,413,637
(Increase) decrease in asset accounts:				
Trade receivables	-	-	(329,315)	(164,798)
Inventory	-	-	(24,453)	(23,591)
Recoverable taxes	(5,998)	(59,614)	(16,519)	(86,348)
Judicial deposits	(2,827)	(760)	(87,411)	(102,706)
Other assets	(43)	(648)	38,053	(20,326)
Deferred commission expense	-	-	(32,515)	(14,487)
Increase (decrease) in liability accounts:				
Technical reserves for health care operations	-	-	208,554	221,635
Debts of health care operations	-	-	(4,629)	(63,113)
Payroll obligations	43	(1,833)	9,051	(132,216)
Trade payables	520	(139)	18,484	(43,269)
Taxes and contributions payable	(31,426)	12,013	(35,031)	57,417
Other accounts payable	146	501	(63,571)	(43,272)
Cash (used in) provided by operating activities	(70,144)	(71,354)	1,899,759	998,563
Income and social contribution taxes paid	-	-	(574,124)	(341,784)
Cash (used in) provided by operating activities	**(70,144)**	**(71,354)**	**1,325,635**	**656,779**
Cash flows from investment activities				
Related parties receivable (payable)	(7,670)	(30,901)	3,382	(43,415)
Acquisition of property, plant and equipment	(1,010)	(1,006)	(233,603)	(198,939)
Acquisition of intangible assets	-	(26)	(132,391)	(74,825)
Acquisition of investments	-	(2,657)	(600,098)	(5,070,365)
Paid-up capital in investees	(727,179)	-	-	-
Subsidiaries	-	-	9,161	7,917
Investments from short and long term investments	(59,690)	(6,460,688)	(4,800,103)	(9,324,824)
Redemption from short and long term investments	1,021,665	6,554,603	4,815,879	9,805,755
Net cash (used in) provided by investment activities	**226,116**	**59,325**	**(937,773)**	**(4,898,696)**
Cash flows from financing activities				
Issuance of debentures	-	2,000,000	-	2,000,000
Funding of borrowings and financing	-	-	2,252	-
Payment of dividends and interest on shareholders' equity	(152,242)	(191,069)	(204,653)	(192,732)
Expenditures with issuance of shares and debentures	-	(79,334)	-	(79,334)
Paid-in capital	86,596	(1,720,081)	-	2,664,495
Treasury shares acquired	-	(2)	-	(2)
Payment of Borrowings and financing	(89,279)	-	(127,666)	(501)
Payment of leasing	(1,549)	(692)	(141,060)	(108,214)
Receipt of derivative financial instruments	-	-	4,590	-
Non-controlling interest in an acquiree	-	-	(2,342)	(3,050)
Net cash from (used in) financing activities	**(156,474)**	**8,822**	**(468,879)**	**4,280,662**
Increase (decrease) in cash and cash equivalents	**(502)**	**(3,207)**	**(81,017)**	**38,745**
Cash and cash equivalents at the beginning of the year	1,625	4,832	224,229	185,484
Cash and cash equivalents at the end of the year	1,123	1,625	143,212	224,229
Increase (decrease) in cash and cash equivalents	**(502)**	**(3,207)**	**(81,017)**	**38,745**
Non-cash transactions:				
Write-off of judicial deposits with provision for risks	(1,893)	-	(33,978)	(43,225)
Accounting effect of the application of IFRS 16	-	6,744	-	892,737
Addition / Remeasurement IFRS 16	10	4,013	91,412	86,273
Accounts payable - Business combination	-	-	179,944	-

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of added value at December 31, 2020 and December 31, 2019

(Amounts stated in thousands of Reais)

	Parent company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Revenues (1)	-	-	8,700,644	5,726,868
Operating revenue	-	-	8,913,324	5,881,811
Other (expenses) revenues	-	-	8,767	12,025
Impairment loss on trade receivables	-	-	(221,447)	(166,968)
Inputs purchased from third parties (2)	(10,266)	(7,753)	(4,888,507)	(3,294,087)
Costs of services rendered	10	-	(3,251,596)	(2,120,437)
Material, energy, outsourced services and other	(10,276)	(7,753)	(1,636,911)	(1,173,650)
Gross added value (1) - (2) = (3)	(10,266)	(7,753)	3,812,137	2,432,781
Depreciation and amortization (4)	(2,561)	(1,350)	(752,486)	(199,844)
Net value added produced by the Company (3) - (4) = (5)	(12,827)	(9,103)	3,059,651	2,232,937
Added value received as transfer (6)	788,583	866,930	151,931	310,580
Equity in net income of subsidiaries	764,467	723,776	-	-
Financial revenues	24,116	143,154	152,223	310,580
Other	-	-	(292)	-
Total added-value payable (5+6)	775,756	857,827	3,211,582	2,543,517
Personnel	(18,970)	(23,107)	(1,273,816)	(778,614)
Direct remuneration	(18,916)	(23,066)	(1,066,338)	(668,984)
Benefits	(54)	(41)	(112,070)	(61,449)
FGTS	-	-	(95,408)	(48,181)
Taxes, rates and contributions	88,738	79,803	(960,171)	(687,693)
Federal	88,868	80,046	(846,840)	(599,212)
State	(69)	(118)	(1,418)	(525)
Municipal	(61)	(125)	(111,913)	(87,956)
Third-party capital remuneration	(62,060)	(64,698)	(192,296)	(225,364)
Interest	(61,121)	(64,406)	(65,080)	(122,295)
Rentals	(939)	(292)	(126,928)	(103,069)
Other	-	-	(288)	-
Remuneration of own capital	(783,464)	(849,825)	(785,299)	(851,846)
Dividends and interest on shareholders' equity	(213,855)	(235,290)	(213,855)	(235,290)
Retained earnings	(530,436)	(572,044)	(530,436)	(572,044)
Non-controlling interests in retained earnings	-	-	(1,835)	(2,021)
Other destinations	(39,173)	(42,491)	(39,173)	(42,491)
Distributed added value	(775,756)	(857,827)	(3,211,582)	(2,543,517)

See the accompanying notes to the financial statements.

Notes to the parent company and consolidated financial statements

(Amounts stated in thousands of Reais)

1 Operations

Hapvida Participações e Investimentos S.A. (the “Company”) is a holding company organized as a corporation with registered offices at Av. Heráclito Graça, 406 in the city of Fortaleza/CE, Brazil. The parent company and consolidated financial statements include the Company and its subsidiaries (jointly referred to as the “Group”). The Group is mainly engaged in: (i) the sale of health insurance plans being also responsible for the majority of medical assistance at its own network (hospitals, clinics, imaging diagnostics and laboratories); and (ii) the sale of dental insurance plans with the services provided by accredited network.

The Company obtained the registration as a publicly-held company at April 20, 2018 and started trading its shares in the Novo Mercado (New Market) special segment at [B]^3 - Brasil Bolsa Balcão, at April 25, 2018, under ticker HAPV3.

Hapvida Participações e Investimentos S.A. is a direct subsidiary of the holding company PPAR Pinheiro Participações S.A.

1.1 Coronavirus Effects (COVID-19)

In view of the macroeconomic scenario faced by the country (Brazil) due to the new coronavirus pandemic, the Company monitors the course of events and informs that it has been closely tracking the economic and financial impacts on its businesses.

Credit risk and estimated expected credit losses

The Company has been analyzing payments of monthly fees from its clients daily, as well as possible impacts on the provision for losses due to default and contract cancellation rates, aiming to verify whether there was a significant increase in credit risk.

The life cancellation ratio and the daily receipt of funds from the Company remain in line with the period before the beginning of the pandemic, indicating that until the issue of these parent company and consolidated financial statements, there was no increase in the Company’s credit risk. Client contracts are mostly pre-paid and, in the event of default, for corporate clients, after five days of delay there may be a suspension of service to the beneficiary, thus implying less risk of using the service network without the respective payment of the healthcare plan monthly fee.

Liquidity risk and cash generation

Cash generation

As of the date of issuance of these financial statements, there were no indications of deterioration in the Company’s operating cash generation ability that could result in an increased level of liquidity risk.

Leasing

The Company managed to renegotiate some contracts and obtain specific discounts on the rentals of some of its units, which are recognized in the income (loss) for the periods in which they took effect

Compliance with covenants

Despite the fact that the Company currently complies with the ratio required as a financial covenant for debt instruments, the prospects of maintaining such compliance in the next 12 months were evaluated based on the information available in the issuance of these financial statements, and no indications that the required ratios will not be reached.

Regarding non-financial covenants, elements that put their full compliance at risk for the same period mentioned above were also monitored and there were no identifications of non-compliance.

Loss Ratio

The new coronavirus pandemic impacted some sectors of the economy as of the second half of March 2020. However, several sectors, including the supplementary health sector, did not have significant impacts due to the characteristics of their activity.

In March 2020, the measures adopted by the National Agency for Supplementary Health (ANS) resulted, among others, in postponing elective medical procedures, aiming to increase the immediate availability of beds that are being prioritized for Covid-19-related hospitalizations. This measure generated a temporary situation of low occupancy in hospitals belonging to the network that is being reversed by hospitalizations of patients with Covid-19.

In June 2020, the regulatory body reviewed these measures, with the return of appointments for elective procedures, which started to be resumed gradually as of that date. More than 107 thousand medical consultations and orientations were carried out by telemedicine (by telephone or video) for our beneficiaries. There was daily monitoring of the occupancy rate in hospitals, with exclusive offers for the Group's beneficiaries, especially for regions that had an upward curve of cases. There was a suspension of the monthly fee readjustments for 90 days for individual or family medical-hospital plans, collective by adhesion and for small companies with up to 29 lives.

It is important to highlight that as of the end of June, the virus incidence and contamination curves started to show a downward trend, especially in the regions that concentrate the largest volume of the Group's operations, resulting in a gradual resumption of activities and, consequently, in a scenario that moves towards the level of normality. The backlog of elective surgeries that were held back due to the pandemic have been addressed since June.

Although there was a resumption of cases due to variant strains of the virus as of December, the experience lived in the 1st Covid-19 wave resulted in the immobilization of structures and consolidation of protocols that allow the Company, even with the resumption of the contamination curve, not to observe up to this date, important effects with an impact on loss ratio and financial security. Even in this context of fluctuations in the level of economic activity, the Company has not been affected by the deterioration of its cash position since the beginning of the global pandemic.

Recoverability of assets

Business combinations

Regarding the main assets acquired through business combinations occurred in the last year, considering current circumstances, the assumptions for updating the cash flow projections that supported the recognition of such assets were reviewed, and no indications of non-recoverability requiring the recording of impairment losses were observed. The assumptions and considerations of the annual impairment test performed by the Company are shown in Note 18.

Financial instruments

The Company adopts a very conservative investment policy, only investing in fixed income funds and securities in the largest Brazilian financial institutions. The assumptions for measuring financial instruments were reviewed and the Company found that the position represented in these financial statements is realizable, without the need for recording any impairment.

2 List of subsidiaries

The parent company and consolidated financial statements includes the following direct and indirect subsidiaries of Hapvida Participações e Investimentos S.A.:

	12/31/2020		12/31/2019	
Entity	**Direct**	**Indirect**	**Direct**	**Indirect**
Hapvida Assistência Médica Ltda. (a)	99.99%	-	99.99%	-
Mais Odonto Assistência Odontológica Ltda.	99.99%	-	99.99%	-
Hospital Antônio Prudente Ltda.	99.99%	-	99.99%	-
Ultra Som Serviços Médicos S.A. (b)	100.00%	-	100.00%	-
RN Metropolitan Ltda.	-	99.99%	-	-
Hapvida Participações em Tecnologia Ltda. (c)	99.99%	-	99.99%	-
Maida Health Participações Societárias S.A. (c)	-	74.99%	-	74.99%
Haptech Soluções Inteligentes Ltda. (c)	-	74.99%	-	74.99%
Infoway Tecnologia e Gestão em Saúde Ltda. (c)	-	74.99%	-	74.99%
Centro Avançado Oncológico Ltda.	-	100.00%	-	100.00%
São Francisco Odontologia Ltda. (d)	-	100.00%	-	100.00%
SF Health Up Desenvolvimento e Consultoria em Tecnologia da Informação Ltda.	-	100.00%	-	100.00%
São Francisco Resgate Ltda.	-	100.00%	-	100.00%
Documenta Clínica Radiológica Ltda.	-	100.00%	-	100.00%
São Francisco Atendimento Ltda.	-	100.00%	-	-
São Francisco Sistemas de Saúde S/E Ltda. (e)	-	99.93%	-	99.93%
Hospital São Francisco Ltda.	-	99.93%	-	99.93%
GSF Administração de Bens Próprios Ltda.	-	99.93%	-	99.93%
Laboratório Regional Ltda.	-	99.93%	-	99.93%
Laboratório Regional I Ltda.	-	99.93%	-	99.93%
Laboratório Regional II Ltda.	-	99.93%	-	99.93%
São Francisco Rede de Saúde Assistencial Ltda.	-	99.93%	-	-
Hemac Medicina Laboratorial e Hemoterapia.	-	100.00%	-	100.00%
Hospital das Clínicas de Paraupebas Ltda.	-	100.0%	-	100.00%
Branquinho Participações Ltda.	-	100.00%	-	-
Maiorino Participações Ltda.	-	100.00%	-	-
Cyrio Nogueira Participações Ltda.	-	100.00%	-	-
Lopes Biaggioni Participações Ltda.	-	100.00%	-	-
RRP – Emp. e Participações Ltda.	-	99.96%	-	-
Nakagawa Participações Ltda.	-	100.00%	-	-
Ururahy Participações Ltda.	-	100.00%	-	-
Clínica São José Saúde Ltda. (f)	-	99.99%	-	-
Clínica São José Ltda.	-	99.99%	-	-
Pro-Infância SJC Hospital e Pronto Socorro Pediátrico Ltda.	-	55.80%	-	-
Medical Medicina Assistencial S.A.	-	100.00%	-	-
Medical Planos de Saúde S.A.	-	99.99%	-	-
Clínica Nossa Senhora Aparecida Ltda.	-	100.00%	-	-

	12/31/2020		12/31/2019	
Entity	**Direct**	**Indirect**	**Direct**	**Indirect**
Hospital Jardim América Ltda.*	-	-	-	100.00%
Hospital Multi Especialidades Ltda-EPP. *	-	-	-	100.00%
Jardim América Saúde Ltda.*	-	-	-	99.99%
América Clínicas Ltda.-EPP*	-	-	-	99.99%
Hospital Promed Ltda.*	-	-	-	100.00%
Centro de Diagnóstico e Laboratório Santa Cecília Ltda.*	-	-	-	100.00%
Clínica de Oftalmologia Jardim América Ltda.*	-	-	-	100.00%
Promed Assistência Médica Ltda.*	-	-	-	99.99%
Ame Planos de Saúde Ltda.*	-	-	-	99.99%
* Companies incorporated in fiscal year 2020.				
Exclusive Funds				
BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo	38.38%	61.62%	58.50%	41.50%
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI	45.3%	54.7%	21.77%	78.23%
Itaú Hap Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Crédito Privado	60.9%	39.1%	85.28%	14.72%

The Group's relevant subsidiaries are engaged with the following activities:

(a) Hapvida Assistência Médica Ltda.
The insurance company came into operation on July 15, 1991 and is registered in National Agency for Supplementary Health (ANS) under the number 36825-3. It is primarily engaged in the sale of health and dental insurance plans focused on providing healthcare assistance through the network of companies under Hapvida Participações e Investimentos S.A.'s control.

(b) Ultra Som Serviços Médicos S.A.
It started operating on February 25, 1988 and is mainly engaged in: providing medical and paramedical services, laboratory, diagnostic, imaging and ultrasound services, embracing all fields of medicine, as well as holding interests in other companies as partner or shareholder. On May 15, 2019, as registered with Ceará State Board of Trade, partners decided to transform the organization into a corporation.

(c) Hapvida Participações em Tecnologia Ltda. and consolidated
It started its activities in May, 2011 and its social objective is to participate as a partner or shareholder in other companies, predominantly technology companies.

Group segment of activities (healthtech) with the purpose of promoting access to health through technology, innovation and transformation. Subsidiaries operate in the provision of health management systems services, advice and implementation of health management models.

In 2019, 25% of the shares of Haptech Soluções Inteligentes Ltda. were delivered as consideration transferred for the acquisition of Maida Health Participações Societárias S.A. as disclosed in Note 3.7.

(d) São Francisco Odontologia Ltda.
Established in 1998 in the city of Ribeirão Preto, in the state of São Paulo, it is engaged in the provision of dental services, administration, advisory and implementation of exclusive operation systems for private health care plans in the dental segment, as well as the organization of courses, lectures, seminars and other events in its area of operation. São Francisco Odontologia meets the requirements of Law 9656/98 and has the definitive registration with the National Agency for Supplementary Health (ANS) under number 36531-9.

(e) São Francisco Sistema de Saúde S/E Ltda.
Headquartered in Ribeirão Preto, in the state of São Paulo, its purpose is the administration, advisory, implementation and sale of individual, family and collective health systems and plans, through its own means of execution or by hiring and/or accrediting legally qualified third parties and reimbursing medical, dental, hospital and healthcare expenses to its beneficiaries; healthcare assistance; and the organization of courses, lectures, seminars and other events in its area of expertise. São Francisco Sistema de Saúde S/E Ltda. meets the requirements of Law number 9656 / 98 and has a definitive registration with the National Supplementary Health Agency - ANS under number 30209-1.

(f) Clínica São José Saúde Ltda.
Founded in 2009 in the city of São José dos Campos, it has the purpose of operating private individual/family and collective health care plans, carrying out the hiring and/or accreditation of legally qualified third parties and reimbursement of medical expenses and healthcare assistance services to its beneficiaries. Clínica São José Saúde Ltda. meets the requirements of Law number 9656/98 and has a definitive registration with the National Supplementary Health Agency - ANS under number 41327-5.

3 Business combination

3.1 Acquisition of São José Group

On October 19, 2020, the Share Purchase and Sale Agreement and other covenants was signed between Ultra Som Serviços Médicos SA (“Ultra Som”), a subsidiary of the Company, and São José Group, related to the acquisition by Ultra Som integrity of the common shares issued by the São José Group, transaction that was approved by the Economic Defense Board of Directors (CADE) on August 13, 2020 and approved by the National Health Agency (ANS) on November 17, 2020. On December 1, 2020, date of the acquisition of control, the new members of São José Group's board of directors were appointed by the Company.

The São José Group includes the following companies, holdings exclusively for holding direct and indirect interest in the São José Group: Branquinho Participações Ltda., Maiorino Participações Ltda., Cyrio Nogueira Participações Ltda., Lopes Biaggioni Participações Ltda., RRP Empreendimentos e Participações Ltda., Nakagawa Participações Ltda. and Ururahy Participações Ltda.

The holding companies, mentioned above, were created exclusively to hold a direct and indirect interest in the São José Group, consisting of the following companies: Clínica São José - Saúde Ltda., Clínica São José Ltda. and Pró-Infância SJC Hospital e Pronto Socorro Pediátrico Ltda. In addition, these holding companies: (i) do not have, nor have ever owned, any investment or participation in companies other than the São José Group; (ii) do not have, nor have they ever owned, employees, customers or suppliers; and (iii) is not a party to any type or type of contract or agreement, whether written or verbal.

These holdings are the direct holders of 100% of the shares issued by Clínica São José - Saúde Ltda. and Clínica São José Ltda.; and (b) indirect, through Clínica São José Ltda., 56% of the shares issued by Pró-Infância SJC Hospital e Pronto Socorro Pediátrico Ltda.

Therefore, the business combination of the São José Group occurs in the following companies: Clínica São José - Saúde Ltda., Clínica São José Ltda. and Pró-Infância SJC Hospital e Pronto Socorro Pediátrico Ltda., whose total net assets acquired at fair value are presented in item “(d)” of this note.

The identifiable assets acquired and liabilities assumed from the São José Group include inputs (hospital and beneficiary portfolio, for example), health plan sales processes with health care cost coverage and an organized workforce. The Company determined that, together, the inputs and processes acquired contribute significantly to the capacity to generate revenue (outputs). The Company concluded that the group acquired is a business.

Founded in 1965, the São José Group is one of the main supplementary health players in the Vale do Paraíba region, in the state of São Paulo. Headquartered in São José dos Campos, 90 km from the city of São Paulo, it has a portfolio of approximately 51 thousand health plan beneficiaries (consolidated average ticket of R$ 241, 74.5% of which in collective plans), with two hospitals totaling 104 beds (20 of which are in the Intensive care unit), a clinic located in São José dos Campos and an healthcare assistance unit with emergency care in Jacareí. As one of the main reasons for the combination, the São José Group has an operational strategy similar to that of the Company, with a high degree of verticalization in hospital admissions and consultations carried out in its own network. In addition, its region of operation considers a group of municipalities with around 1.6 million inhabitants and about 600 thousand beneficiaries of health plans, further strengthening the Company's presence in the state of São Paulo. The Company, through the São Francisco Group, currently has a portfolio of about 20 thousand beneficiaries in dental plans in this region.

(a) Consideration transferred

In thousands of Reais	
Consideration transferred (cash payment)	R$ 236,713
Contingent consideration	R$ 120,000
Total of consideration transferred	R$ 356,713

Contingent consideration

The Company recorded the amount of R$ 120,000 as a contingent consideration, which represents on the acquisition date, the maximum fair value depending on the achievement of the consolidated EBITDA targets of São José Group during the fiscal year ended on December 31, 2020. If the stipulated target is not reached, the minimum contingent amount of R$ 80,000 will be paid. This contingent installment will be paid within up to 10 working days from the partial or full acceptance of the balance sheet for the fiscal year 2020 and the calculations of this contingent installment, whose acceptance and calculation process, estimated by the Administration, must be completed in the second quarter of 2021. Additionally, as presented in the purchase and sale agreement for quotas and other covenants, the maximum amount of this contingent consideration is R$ 160,000.

(b) Acquisition cost

The Company incurred costs related to the acquisition in the approximate amount of R$ 632, mainly related to legal fees, brokerage and due diligence costs. The acquisition costs were recorded as “Administrative expenses” in the income statement for the year 2020.

(c) Measurement of fair value

The item "(d)" below, of this explanatory note, shows the consideration transferred and the provisional fair values of the assets acquired and liabilities assumed on the acquisition date, considering a reasonable effort by the Company to determine such measurement considering the proximity of the date of acquisition in relation to the base date of these financial statements. They were obtained through fair value measurement techniques prepared by an independent consultant hired by the Company to support the conclusion of the Management. The measurement of the fair value of the assets acquired and liabilities assumed was carried out on a provisional basis and its conclusion must occur within a period of up to one year after the acquisition date.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows, whose choice of methodology applied to each asset class is related to the nature and function of these in the business operation:

Assets	**Valuation method**
Property, plant and equipment	Replacement cost
Intangible assets – Life portfolio	Income approach (Multi-Period Excess Earnings Model - "MPEEM")
Intangible asset - Non-compete agreement	Discounted cash flows

We describe the valuation methods below:

- **Replacement cost –** It is the current cost of a similar new asset, whose equivalent utility is the closest to the asset being evaluated.

- **Discounted Cash Flow –** Calculation of the present value of predetermined future cash flows, discounted at a discount rate that reflects the uncertainties of the asset in question.

- ***Multi-Period Excess Earnings Model* –** MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. Operating costs and expenses are discounted from future cash flows directly attributable to the asset, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (Contributory Charges) to arrive at the free flows to be discounted to calculate present value.

Information obtained on the facts and circumstances existing at the date of acquisition may result in adjustments in the allocation of identifiable assets, identifiable liabilities and goodwill. This analysis will be completed within a maximum period of 12 months as of the date of acquisition.

It is estimated that the amounts related to goodwill and fair value of assets acquired will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

(d) Goodwill and measurement made on provisional basis

The following table demonstrates the consideration transferred and fair values, on a provisional basis, of the assets and liabilities at the date of acquisition, obtained in a technical report drawn up by independent consultants hired by the Company to support the Administration. The measurement of the fair values of the identified assets and liabilities was done in a provisional basis, and its finalization occurs within a period of up to one year after the date of the acquisition:

	Clínica São José - Saúde Ltda.	Clínica São José Ltda.	Pro-Infância SJC Hospital e Pronto Socorro Pediátrico Ltda.	Fair value	Note
Consideration transferred in temporary base (1)				356.713	Note 3.1 (a)
Assets acquired at fair value					
Cash and cash equivalents	180	143	35	358	
Short-term investments	29.969	-	-	29.969	
Trade receivables	4.687	1.951	187	6.825	
Deferred commission	1.969	-	-	1.969	
Inventory	104	1.257	59	1.420	
Advances	13.971	-	-	13.971	
Other assests	3.643	2.376	27	6.046	
Property, plant and equipment	19.600	45.163	3.062	67.825	
Intangilble	52.472	296	24	52.792	
Total assets acquired at fair value (2)	126.595	51.186	3.394	181.175	
Liabilities assumed at fair value					
Technical provisions for health care operations	13.632	-	-	13.632	
Taxes and contributions payable	997	1.755	34	2.786	
Borrowings and financing	8.286	-	32	8.318	
Payroll obligations	844	5.114	160	6.118	
Trade payables	1.290	3.013	255	4.558	
Other accounts payable	7.014	10.274	3.323	20.611	
Provision for tax, civil and labor risks	3.175	2.848	588	6.611	
Total liabilities assumed at fair value (3)	35.238	23.004	4.393	62.635	
Assets acquired and liabilities assumed at fair value in temporary base (2) - (3)	91.357	28.182	(999)	118.540	
Total goodwill in temporary base (1) - (2) - (3)				238.173	

As of the date of acquisition until December 31, 2020, the São José Group contributed to the Company with consolidated net revenues of R$ 16,913 and consolidated net income of R$ 3,143. If the acquisition had taken place on January 1, 2020, the Company estimates that consolidated net revenues would have been R$ 8,756,321 and he consolidated profit would have been R$ 784,756.

The "Trade accounts receivables" comprises gross contractual amounts due of R$ 9,726, of which R$ 2,753 are estimated as non-recoverable on the acquisition date.

3.2 Acquisition of Medical Medicina Group

On July 7, 2020, the Share Purchase and Sale Agreement and other covenants was signed between Ultra Som Serviços Médicos SA (“Ultra Som”), a subsidiary of the Company, and Medical - Medicina Cooperativa Assistencial de Limeira (“Medical”), referring to the acquisition by Ultra Som of the integrity of the common shares issued by Medical, Transaction that was approved by the Economic Defense Board of Directors (CADE) on March 18, 2020 and approved by the National Health Agency (ANS) on October 22, 2020. On November 4, 2020, the date of acquisition of control, the new members of Medical's board of directors were appointed by the Company.

The identifiable assets acquired and liabilities assumed from Medical include inputs (hospital and beneficiary portfolio, for example), health plan sales processes with health care costs coverage and organized workforce. The Company determined that, together, the inputs and processes acquired contribute significantly to the ability to generate revenue (outputs). The Company concluded that the group acquired is a business.

Headquartered in Limeira, 145 km from the capital of the state of São Paulo, Medical has a portfolio of around 80,000 health plan beneficiaries. Medical has an operation with a high degree of verticalization in hospital admissions performed in a highly complex own hospital with about 100 beds, including adult and neonatal intensive care unit, emergency care, chemotherapy and hemodialysis sectors and a high standard surgical center, whose transaction is synergistic, as the Company, through the São Francisco Group, has approximately 60 thousand beneficiaries in the region of Limeira and the surrounding area, which has a total population of approximately 1.75 million inhabitants, further strengthening its presence of the Company in the state of São Paulo.

(a) Consideration transferred

In thousands of Reais	
Consideration transferred (cash payment)	R$ 264,600
Consideration transferred (Benefits of former shareholders)	R$ 7,906
Contingent consideration	R$ 48,038
Total of consideration transferred	R$ 320,544

Consideration transferred (Benefits of former shareholders)

In consideration of the realization of the business combination, and as part of the payment for the shares sold, Ultra Som will provide former shareholders, for a period of five years, with a medical and hospital assistance plan, in the form of a corporate or collective membership plan, with executive standard and delimitation in the Limeira region, measured at the fair value of R$ 7,906.

Contingent consideration

The Company recorded the amount of R$ 48,038 as a contingent consideration to guarantee any contingent liabilities of Medical that may materialize after the closing date of the Transaction, but whose operative event is prior to the closing date of the

Transaction, which will be released to the previous shareholders within a 6-year from the acquisition date.

(b) Acquisition cost

The Company incurred costs related to the acquisition in the approximate amount of R$ 4,085, mainly related to legal fees, brokerage and due diligence costs. The acquisition costs were recorded as “Administrative expenses” in the income statement for the year 2020.

(c) Measurement of fair value

The item “(d)” below, of this explanatory note, shows the consideration transferred and the provisional fair values of the assets acquired and liabilities assumed on the acquisition date, considering a reasonable effort by the Company to determine such measurement considering the proximity of the date of acquisition in relation to the base date of these financial statements. They were obtained through fair value measurement techniques prepared by an independent consultant hired by the Company to support the conclusion of the Management. The measurement of the fair value of the assets acquired and liabilities assumed was carried out on a provisional basis and its conclusion must occur within a period of up to one year after the acquisition date.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows, whose choice of methodology applied to each asset class is related to the nature and function of these in the business operation:

Assets	Valuation method
Property, plant and equipment	Replacement cost
Intangible assets – Life portfolio	Income approach (Multi-Period Excess Earnings Model - “MPEEM”)
Intangible asset - Non-compete agreement	Discounted cash flows

We describe the valuation methods below:

- **Replacement cost –** It is the current cost of a similar new asset, whose equivalent utility is the closest to the asset being evaluated.

- **Discounted Cash Flow –** Calculation of the present value of predetermined future cash flows, discounted at a discount rate that reflects the uncertainties of the asset in question.

- ***Multi-Period Excess Earnings Model* –** MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. Operating costs and expenses are discounted from future cash flows directly attributable to the asset, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (Contributory Charges) to arrive at the free flows to be discounted to calculate present value.

Information obtained on the facts and circumstances existing at the date of acquisition may result in adjustments in the allocation of identifiable assets, identifiable liabilities and goodwill. This analysis will be completed within a maximum period of 12 months as of the date of acquisition.

It is estimated that the amounts related to goodwill and fair value of assets acquired will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

(e) Goodwill and measurement made on provisional basis

The following table demonstrates the consideration transferred and fair values, on a provisional basis, assets and liabilities at the date of acquisition, obtained in a technical report drawn up by independent consultants hired by the Company to support the Administration. The measurement of the fair values of the identified assets and liabilities was done in a temporary basis, and its finalization occurs within a period of up to one year after the date of the acquisition:

	Fair value	Note
Consideration transferred in temporary base (1)	320.544	Note 3.2 (a)
Assets acquired at fair value		
Cash and cash equivalents	3.739	
Short-term investments	27.255	
Trade receivables	13.822	
Inventory	2.637	
Other assests	6.656	
Property, plant and equipment	46.858	
Intangilble	61.535	
Total assets acquired at fair value (2)	162.503	
Liabilities assumed at fair value		
Technical provisions for health care operations	11.704	
Trade payables	2.408	
Taxes and contributions payable	5.423	
Payroll obligations	6.793	
Other accounts payable	6.388	
Provision for tax, civil and labor risks	3.192	
Total liabilities assumed at fair value (3)	35.909	
Assets acquired and liabilities assumed at fair value in temporary base (2) - (3)	126.594	
Total goodwill in temporary base (1) - (2) - (3)	193.950	

As of the date of the acquisition until December 31, 2020, Medical Medicina contributed to the Company with consolidated net revenues of R$ 30,806 and consolidated net income of R$ 1,550. If the acquisition had taken place on January 1, 2020, the Company estimates that the consolidated net revenues would have been R$ 8,697,444 and the consolidated profit would have been R$ 796,749.

The "Trade accounts receivables" comprises gross contractual amounts due of R$ 14,782, of which R$ 960 are estimated as non-recoverable on the acquisition date.

3.3 Acquisition of Clínica Nossa Senhora Aparecida

On September 10, 2020, the Group entered into the Quotas Sale and Purchase Agreement and Other Covenants for the acquisition of all the quotas representing the share capital of Clínica Nossa Senhora Aparecida Ltda. through its subsidiary Ultra Som Serviços Médicos S.A. Upon completion of certain suspensive contractual conditions, the process was completed in October 2020.

The acquisition was made for the amount of R$ 6,000, of which R$ 2,026 was paid in cash, and R$ 2,000 retained by the Company to guarantee any contingencies of a taxable event prior to closing that may materialize, and R$ 1,974 assuming the acquired company's net debt. In the event that the retained portion is not used, it will be paid to the sellers according to the schedule pre-established in the Contract.

The technical report of fair values of identifiable assets and liabilities on the acquisition date is in the process of being prepared by the Company's management with the collaboration of independent consultants. This analysis will be completed within a maximum period of 12 months as of the date of acquisition.

3.4 Acquisition of RN Saúde

In July 2019, the Company entered into an agreement for the acquisition of RN Metropolitan Ltda. (“RN Saúde”). The acquisition was completed in January 2020, through Hapvida Assistência Médica Ltda, a subsidiary of the Company.

The acquisition will bring operational synergies that will be used by the Company, in addition to corroborating with its strategy of geographic expansion, through the use of a growth platform in the Triângulo Mineiro region, a region with approximately 620 thousand beneficiaries of private health plans and approximately 2.4 million inhabitants, in line with the consolidation of the Company's national scope.

Demonstrated below, adjustments, during the measurement period, of provisional amounts of consideration transferred by the control of RN Metropolitan Ltda., goodwill and identifiable assets acquired recognized on the acquisition date:

	Initial Allocation (c)	Adjustments in the measurement period		Final Allocation
Total of consideration transferred (1)	94,349	2,436	(a)	96,785
Assets acquired and liabilities assumed at fair value (2)	63,070	991	(b)	64,061
Goodwill (1) – (2)	**31,279**	**1,445**		**32,724**

(a) Due to the variation in the fair value of the consideration transferred after the measurement period.

(b) Refers substantially to updating the assumptions for valuation at fair value of acquired assets, discount rate and useful life of the customer portfolio.

(c) Amounts presented in the interim financial statement of June 30, 2020.

Assets acquired and liabilities assumed

The following are the final fair values of the assets acquired and liabilities assumed on the acquisition date:

	Fair value
Assets	
Cash and cash equivalents	5,212
Short-term investments	22,557
Trade accounts receivable	7,827
Inventories	417
Recoverable taxes	2,533
Other assets	2,990
Judicial deposits	1,076
Property, plant and equipment	6,905
Intangible assets	41,334
Total assets	**90,851**
Liabilities	
Technical reserves for health care operations	22,070
Payroll obligations	1,077
Taxes and contributions payable	1,409
Other accounts payable	1,190
Provision for tax, civil and labor risks	1,045
Total liabilities	**26,790**
Total identifiable net assets at fair value	**64,061**

The valuation techniques used to measure the fair value of the significant assets acquired were as follows. The choice of methodology applicable to each class of assets is related to the nature and function of these in the business operation.

Assets	Valuation method
Intangible assets - Trademark	Income Approach (Relief from Royalties)
Intangible assets – Life portfolio	Income Approach (Multi-Period Excess Earnings Model - "MPEEM")

We describe the evaluation methods below:

Income Approach (Relief from Royalties) – In this technique we estimate the value of the asset by capitalizing royalties that are saved since the company owns the intangible assets. In other words, the owner of the brand receives the benefit from owning the Intangible Asset, rather than paying a rent or royalties for the use of the asset.

Multi-Period Excess Earnings Model – MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. Operating costs and expenses are discounted from future cash flows directly attributable to the asset, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (Contributory Charges) to arrive at the free flows to be discounted to calculate present value.

It is estimated that the amounts related to goodwill and fair value adjustments will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

As of the date of the acquisition until December 31, 2020, RN Metropolitan contributed to the Company with consolidated net revenues of R$ 138,879 and consolidated net income of R$ 29,136. If the acquisition had taken place on January 1, 2020, the Company estimates that the consolidated net revenues would have been R$ 8,696,948 and the consolidated profit would have been R$ 796,803.

The "Trade accounts receivables" comprises gross contractual amounts due of R$ 18,571, of which R$ 10,744 are estimated as non-recoverable on the acquisition date.

3.5 Acquisitions in 2019

3.5.1 Acquisition of São Francisco Group

In May 2019, the Group signed the Share Purchase and Sale Agreement and Other Covenants for the acquisition of all the shares representing the share capital of GSFRP Participações S.A. ("São Francisco Group") through the subsidiary Ultra Som Serviços Médicos S.A. After conclusion of certain suspensive contractual conditions, the process was finalized on November 1, 2019.

The following table shows the consideration transferred and the final fair values of the assets and liabilities on the acquisition date, obtained in a technical report prepared by independent consultants hired by the Company to support the Management's conclusion. The measurement of the fair values of assets acquired and liabilities assumed, disclosed in the financial statements of December 31, 2019 on a provisional basis, was completed within one year after the acquisition date:

	Initial Allocation	Adjustments in the measurement period		Final Allocation
Total of consideration transferred (1)	5,143,766	(56,452)	(a)	5,087,314
Assets acquired and liabilities assumed at fair value (2)	3,165,818	94,997	(b)	3,260,815
Goodwill (1) – (2)	**1,977,948**	**(151,449)**		**1,826,499**

(a) Due to the variation in the fair value of the consideration transferred after the measurement period.
(b) Refers substantially to updating the assumptions for valuation at fair value of acquired assets, discount rate and useful life of the customer portfolio.

Assets acquired and liabilities assumed

The following are the final fair values of the assets acquired and liabilities assumed on the acquisition date:

	Fair value
Assets	
Cash and cash equivalent	2,116
Short-term financial investments	215,691
Trade accounts receivable	121,809
Inventory	25,914
Taxes recoverable	30,007
Other credits	19,619
Deferred expense	19,989
Deferred taxes	73,907
Judicial deposits	14,581
Derivative financial instruments	2,215
Other long-term assets	372
Property, plant and equipment	432,017
Intangible assets	3,094,354
Total of assets	**4,052,591**
liabilities	
Borrowings and financing	62,434
Trade payables	57,871
Technical provisions for health care operations	202,480
Health care debts	6,740
Social obligations	180,515
Taxes and contributions payable	34,120
Dividends and interest on own capital payable	4,887
Lease payable	87,133
Income tax and social contribution	422
Other liabilities	80,222
Provision for tax, civil and labor risks	74,952
Total of liabilities	**791,776**
Total identifiable net assets at fair value	**3,260,815**

The valuation techniques used to measure the fair value of the significant assets acquired were as follows: The choice of methodology applicable to each class of assets is related to the nature and function of these in the business operation.

Assets	**Valuation method**
Intangible assets - Trademark	Income Approach (Relief from Royalties)
Intangible assets – Life portfolio	Income Approach (Multi-Period Excess Earnings Model - “MPEEM”)
Intangible asset - Non-compete agreement	Discounted cash flows
Intangible asset - Agreements with Hospitals	Income Approach (Multi-Period Excess Earnings Model - “MPEEM”)
Intangible asset - Agreements with Third Parties	Income Approach (Multi-Period Excess Earnings Model - “MPEEM”)
Intangible assets - Software	Replacement Cost
Property, plant and equipment	Replacement Cost

We describe the valuation methods below:

- **Income Approach (Relief from Royalties) –** In this technique we estimate the fair value adjustments of the asset by capitalizing royalties that are saved since the company owns the intangible assets. In other words, the owner of the brand, core technology and patents receives the benefit from owning the Intangible Asset, rather than paying a rent or royalties for the use of the asset.

- ***Multi-Period Excess Earnings Model* –** MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. Operating costs and expenses are discounted from future cash flows directly attributable to the asset, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (Contributory Charges) to arrive at the free flows to be discounted to calculate present value.

- **Discounted Cash Flow –** Calculation of the present value of predetermined future cash flows, discounted at a discount rate that reflects the uncertainties of the asset in question.

- **Replacement cost –** It is the current cost of a similar new asset, whose equivalent utility is the closest to the asset being evaluated.

It is estimated that the amounts related to goodwill and capital gains will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

3.5.2 Acquisition of América Group

In June 2019, the Group signed the Quota Purchase and Sale Agreement and Other Covenants for the acquisition of all the shares representing the share capital of América Group companies through its subsidiaries Ultra Som Serviços Médicos S.A. and Hapvida Assistência Médica Ltda. After conclusion of certain suspensive contractual conditions, the process was concluded on December 2, 2019. The acquisition of América Group aims to improve the performance of the Company and its Economic Group in the Midwest region, through the operation of América Group in the metropolitan region of Goiânia and Anápolis.

The America Group´s include the following companies: Hospital e Maternidade Jardim América, Jardim América Saúde, Hospital Multi Especialidades, Hospital PROMED Ltda., PROMED Assistência Médica Ltda., AME Planos de Saúde Ltda., Américas Clínicas Ltda., Oftalmologia Jardim América and Centro de Diagnóstico e Laboratório Santa Cecília Ltda.

The following table shows the consideration transferred and the final fair values of the assets and liabilities on the acquisition date, obtained in a technical report prepared by independent consultants hired by the Company to support the Management's conclusion. The measurement of the fair values of assets acquired and liabilities assumed, disclosed in the financial statements of December 31, 2019 on a provisional basis, was completed within one year after the acquisition date:

	Initial Allocation	**Adjustments in the measurement period**		**Final Allocation**
Total of consideration transferred (1)	430,258	(46,840)	(a)	383,418
Assets acquired and liabilities assumed at fair value (2)	73,374	6,821	(b)	80,195
Goodwill (1) – (2)	**354,884**	**(53,661)**		**303,223**

(a) Due to the variation in the fair value of the consideration transferred after the measurement period.
(b) Refers substantially to updating the assumptions for valuation at fair value of acquired assets, discount rate and useful life of the customer portfolio.

Assets acquired and liabilities assumed

The following are the final fair values of the assets acquired and liabilities assumed on the acquisition date.

	Fair value									
	Hospital e Maternidade Jardim América	**Jardim América Saúde**	**Hospital Multi Especialidades**	**Hospital PROMED Ltda.**	**PROMED Assistência Médica Ltda.**	**AME Planos de Saúde Ltda.**	**Américas Clínicas Ltda.**	**Oftalmologia Jardim América**	**Centro de Diag e Lab Santa Cecília Ltda.**	**Total fair value**
Assets										
Cash and cash equivalents	269	136	(1)	11	2,467	182	-	17	-	3,081
Short-term financial investments	217	753	8	-	9,890	1,222	-	-	81	12,171
Trade accounts receivables	5,250	767	35	425	3,555	1,403	-	176	255	11,866
Other assets	3.843	763	308	1,806	3,756	1,881	-	41	29	12,427
Deferred taxes	-	123	1	-	1,979	713	-	-	-	2,816
Judicial deposits	109	522	-	-	6,472	2,502	-	-	-	9,605
Investments	54,082	73	-	-	-	-	-	-	-	54,155
Property, plants and equipment	2,669	3,551	414	3,401	6,658	10,110	15	2,506	1,183	30,507
Intangible assets	-	2,828	-	-	15,667	6,452	-	-	-	24,947
Total of assets	**66,439**	**9,516**	**765**	**5,643**	**50,444**	**24,465**	**15**	**2,740**	**1,548**	**161,575**
Liabilities										
Bowring and financial	2,786	52	98	-	-	-	-	-	758	3,694
Technical provisions for health care operation	-	3,193	-	-	26,312	4,810	-	-	-	34,315
Taxes and contributions payable	3,620	411	258	1,364	1,274	506	1	21	12	7,467
Income tax and social contribution	5,490	-	-	-	-	-	-	-	76	5,566
Lease payable	-	751	-	691	-	1,689	-	-	-	3,131
Other liabilities	4,895	646	123	996	1,105	7,525	2	314	179	15,785
Deferred taxes	-	-	-	112	-	-	-	-	-	112
Provision for tax, civil and labor risk	110	582	3	-	7,836	2,779	-	-	-	11,310
Total liabilities	**16,901**	**5,635**	**482**	**3,163**	**36,527**	**17,309**	**3**	**335**	**1,025**	**81,380**
Total fair value of net identifiable assets	**49,538**	**3,881**	**283**	**2,480**	**13,917**	**7,156**	**12**	**2,405**	**523**	**80,195**

The valuation techniques used to measure the fair value of the significant assets acquired were as follows: The choice of methodology applicable to each class of assets is related to the nature and function of these in the business operation.

Assets	**Valuation method**
Intangible assets - Trademark	Income Approach (Relief from Royalties)
Intangible assets – Life portfolio	Income Approach (Multi-Period Excess Earnings Model - "MPEEM")
Property, plant and equipment	Replacement Cost

We describe the evaluation methods below:

Income Approach (Relief from Royalties) – In this technique we estimate the value of the asset by capitalizing royalties that are saved since the company owns the intangible assets. In other words, the owner of the brand, core technology and patents receives the benefit from owning the Intangible Asset, rather than paying a rent or royalties for the use of the asset.

***Multi-Period Excess Earnings Model* –** MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. Operating costs and expenses are discounted from future cash flows directly attributable to the asset, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (Contributory Charges) to arrive at the free flows to be discounted to calculate present value.

Replacement cost – It is the current cost of a similar new asset, whose equivalent utility is the closest to the asset being evaluated.

It is estimated that the amounts related to goodwill and fair value adjustments will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

3.5.3 Acquisition of Maida Health Participações Societárias S.A.

In September 2019, the Company, through its subsidiary Hapvida Participações em Tecnologia Ltda., acquired control of Maida Health Participações Societárias S.A. ("MAIDA"), with a 75% interest in the total of subscribed shares. MAIDA is a holding company of Infoway Tecnologia e Gestão em Saúde Ltda. ("Infoway") on the date of the transaction, a technology company that operates in the provision of health management systems services, advisory and implementation of health management models, ranging from their conception to the maintenance of their operation. As well as in the development of innovative health technologies, mainly through an artificial intelligence-based technological platform, in addition to other proprietary software, aimed at bringing efficiency to the health care plan management processes.

The capital contribution made to MAIDA was as follows: R$ 7,500 paid on the date of the transaction, R$ 5,000 to be paid until the end of 2020, earn-out in the present value of R$ 5,395 based on a % from EBITDA and Net Revenue, which will be paid in the next 5 years, and 100% of Haptech's shares, Company´s subsidiary

Assets acquired and liabilities assumed

The following table shows the consideration transferred and final fair values of assets and liabilities at the acquisition date, obtained from the technical report prepared by independent consultants hired by the Company to support the Administration conclusion. The measurement of the fair values of the acquired assets and assumed liabilities was made within a period of up to one year after the date of acquisition.

	Final allocation on September 30, 2020
Consideration transferred	17,895
Non controlling interest	5,797
Net assets acquired	(23,753)
Goodwill	61

	At acquistion on August 31, 2019
Assets	
Cash and cash equivalents	5,052
Short-term investments	565
Trade accounts receivable	3,679
Recoverable taxes	4,356
Other assets	1,284
Property, plant and equipment	5,020
Intangible assets	21,764
Total assets	**41,720**
Liabilities	
Borrowings and financing	171
Trade payables	1,384
Payroll obligations	11,736
Taxes and contributions payable	3,585
Other accounts payable	326
Provision for tax, civil and labor risks	765
Total liabilities	**17,967**
Equity	**23,753**

The valuation techniques used to measure the fair value of the significant assets acquired were as follow. The choice of methodology applicable to each class of assets is related to the nature and function of these in the business operation.

Assets	**Valuation method**
Intangible asset - Contract with clients	Income Approach (Multi-Period Excess Earnings Model - “MPEEM”)
Intangible assets - Software	Replacement Cost

We describe the evaluation methods below:

Multi-Period Excess Earnings Model – MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. Operating costs and expenses are discounted from future cash flows directly attributable to the asset, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (Contributory Charges) to arrive at the free flows to be discounted to calculate present value.

Replacement cost – It is the current cost of a similar new asset, whose equivalent utility is the closest to the asset being evaluated.

It is estimated that the amounts related to goodwill and fair value adjustments will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

3.5.4 Acquisition of Hospital das Clínicas e Fraturas do Cariri Ltda.

In August 2019, the Company, through its subsidiary Ultra Som Serviços Médicos S.A., acquired for the amount of R$ 13,526, 100% of quotas of Hospital das Clínicas e Fraturas do Cariri Ltda., a hospital company headquartered in the city of Juazeiro do Norte, State of Ceará.

Assets acquired and liabilities assumed

The following table shows the consideration transferred and final fair values of identifiable assets and liabilities at the acquisition date, obtained from the technical report prepared by independent consultants.

Total consideration transferred	13,526
(-) Equity of the acquiree	(4,622)
Fair value adjustments	9,178
Goodwill	8,970

	Fair value
Assets	
Property, plant and equipment	9,580
Other assets	227
Total assets	**9,807**
Liabilities	
Trade payables	789
Labor and social security obligations	1,905
Other liabilities	2,557
Total liabilities	**5,251**
Equity	**4,556**

The valuation techniques used to measure the fair value of property, plant and equipment were based on the replacement cost, which determines that the current cost of a similar new good, the equivalent utility of which is closest to the good being assessed.

It is estimated that the amounts related to goodwill and fair value adjustments will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

3.5.5 Acquisition of Hospital das Clínicas de Parauapebas Ltda.

In November of 2019, the Group signed the Quota Purchase and Sale Agreement and Other Covenants for the acquisition of all the quotas representing the share capital of HCP - Hospital das Clínicas de Parauapebas Ltda. through the subsidiary Ultra Som Serviços Médicos S.A. After conclusion of certain suspensive contractual conditions, the process was finalized in December 2019.

The acquisition was made for the amount of R$ 4,438, of which R$ 2,285 was paid in cash, R$ 1,239 paid on September 2020 after adjustments of the Hospital das Clínicas de Parauapebas net debt and working capital according determined on the Share Purchase Agreement and Other Covenants, and R$ 914 will be retained by the Company to guarantee eventual contingencies of taxable events prior to the closing that may materialize.

3.5.6 Effects of adjustments during measurement period

The disclosure of net assets acquired from the acquisitions of São Francisco Group and América Group, in the financial statements of December 31, 2019 was made based on a provisional basis, since the Company was in the measurement period of the net assets at fair value. The table below shows the variation between these provisional effects presented on December 31, 2019 and the final effects presented in the consolidated financial statements. And, as required by CPC 15 - Business Combination, the amounts corresponding to the final assessments, recorded in the measurement period, were adjusted, retrospectively, to the amounts related to the financial statements of December 31, 2019:

	Consolidated		
Assets	**Previously**	**Adjusts**	**Final**
Current assets	2,079,990	-	2,079,990
Other current assets	81,312	56,452	137,764
Total current assets	2,161,302	56,452	2,217,754
Total long-term assets	2,886,209	-	2,886,209
Property, plant and equipment	2,100,319	(112,764)	1,987,555
Intangible assets	5,305,856	27,856	5,333,712
Total non-current assets	10,292,384	(84,908)	10,207,476
Total of assets	**12,453,686**	**(28,456)**	**2,425,230**

	Consolidated		
Liabilities and shareholders' equity	**Previously**	**Adjusts**	**Final**
Total current liabilities	1,745,423	-	1,745,423
Other non-current liabilities	3,373,704	-	3,373,704
Other liabilities to pay	72,674	(28,456)	44,218
Total non-current liabilities	3,446,378	(28,456)	3,417,922
Total shareholders' equity	7,261,885	-	7,261,885
Total liabilities and shareholders' equity	**12,453,686**	**(28,456)**	**12,425,230**

4 Corporate reorganization

Aiming to simplify the Group's corporate structure and obtain greater synergy gains by reducing operating costs by sharing administrative structures, the following corporate restructurings were approved:

4.1 Partial spin-off of Hospital Maternidade Jardim América Ltda.

On April 30, 2020, the Extraordinary General Meeting (AGE) approved the partial spin-off of Hospital Jardim América Ltda., with the transfer of certain assets to Jardim América Saúde Ltda., in the amount of R$ 59,695. Moreover, Jardim América Saúde Ltda. share capital was maintained through the cancellation of the quotas received in the spin-off and the consequent issuance of an equal amount of new quotas assigned to Ultra Som Serviços Médicos S.A., which becomes a direct partner of Jardim América Saúde Ltda.

4.2 Acquisition of América Clínicas Ltda. by Ultra Som Serviços Médicos S.A.

On May 29, 2020, a Contract for the Purchase and Sale of Quotas of América Clínicas Ltda. was signed between Jardim América Saúde Ltda. and Ultra Som Serviços Médicos S.A. The total price paid was R$ 1.00, since América Clínicas had negative equity at the time.

4.3 Partial spin-off of Ultra Som Serviços de Saúde Médicos S.A.

On May 31, 2020, the Extraordinary General Meeting approved the partial spin-off of Ultra Som Serviços Médicos S.A. with the transfer of certain assets to Hapvida Assistência Médica Ltda. in the amount of R$ 162,497, consubstantiated by the investment in Jardim América Saúde Ltda. As a result of this transaction, Hapvida Assistência Médica Ltda. becomes the holder of all the quotas representing the voting capital of Jardim América Saúde Ltda.

4.4 Merger of Operators Ame Planos de Saúde Ltda., Promed Assistência Médica Ltda. and Jardim América Saúde Ltda. into Hapvida Assistência Médica Ltda.

On August 31, 2020, the merger of Operators Ame Planos de Saúde Ltda., Promed Assistência Médica Ltda. and Jardim América Saúde Ltda. into Hapvida Assistência Médica Ltda. was approved, under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged companies.

Net assets merged on August 31, 2020 were comprised as follows:

Net assets of Ame Planos de Saúde Ltda.	08/31/2020
Assets	25,129
Liabilities	(24,878)
Merged net assets	251

Net assets of Promed Assistência Médica Ltda.	08/31/2020
Assets	77,076
Liabilities	(61,779)
Merged net assets	15,297

Net assets of Jardim América Saúde Ltda.	08/31/2020
Assets	174,040
Liabilities	(139,352)
Merged net assets	34,688

The aforementioned corporate reorganization does not change the Company's shareholding structure or result in any dilution to its shareholders.

4.5 Merger of Clínica de Oftalmologia Jardim América Ltda. and América Clínicas Ltda. into Ultra Som Serviços Médicos S.A.

On August 31, 2020, the merger of Clínica de Oftalmologia Jardim América Ltda. and América Clínicas Ltda. into Ultra Som Serviços Médicos S.A. was approved by the Extraordinary General Meeting, under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged companies.

Net assets of Oftalmologia Jardim América Ltda.	08/31/2020
Assets	12,013
Liabilities	(14,523)
Merged net assets	(2,510)

Net assets of Américas Clínicas Ltda.	08/31/2020
Assets	2,095
Liabilities	(2,226)
Merged net assets	(131)

The aforementioned corporate reorganization does not change the Company's shareholding structure or result in any dilution to its shareholders.

4.6 Merger of Hospital Multi Especialidades Ltda. into Ultra Som Serviços Médicos S.A.

On October 31, 2020, the merger of Hospital Multi Especialidades Ltda. into Ultra Som Serviços Médicos S.A. under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged company.

Net asset of Hospital Multi Especialidades Ltda.	10/31/2020
Assets	16,051
Liabilities	(29,805)
Merged net assets	(13,754)

The aforementioned corporate reorganization does not change the Company's shareholding structure or result in any dilution to its shareholders.

4.7 Merger of Hospital Jardim América Ltda., Hospital Promed Ltda. and Centro de Diagnóstico e Laboratório Santa Cecília Ltda. into Ultra Som Serviços Médicos S.A.

On November 30, 2020, the Extraordinary General Meeting approved the merger of Hospital Jardim América Ltda., Hospital Promed Ltda. and Centro de Diagnóstico e Laboratório Santa Cecília Ltda. into Ultra Som Serviços Médicos S.A. under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged companies.

Net assets of Hospital Jardim América Ltda.	11/30/2020
Assets	8.053
Liabilities	(30.153)
Merged net assets	(22.101)

Net assets of Hospital Promed Ltda.	11/30/2020
Assets	23.060
Liabilities	(42.881)
Merged net assets	(19.821)

Net assets of Centro de Diagnóstico e Laboratório Santa Cecília Ltda.	11/30/2020
Assets	696
Liabilities	(984)
Merged net assets	(287)

5 Preparation basis

Statement of compliance

The parent company and consolidated financial statements were prepared in accordance with the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil (BR GAAP).

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

The issue of the financial statements was authorized by the Board on March 18, 2021.

6 Functional and presentation currency

These Parent company and consolidated financial statements are being presented in Brazilian Reais, functional currency of the Company. All balances have been rounded to the nearest thousand, except otherwise indicated.

7 Use of estimates and judgments

The preparation of these financial statements, Management used judgments, estimates and assumptions that affect the application of accounting policies of the Company and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a continuous basis. Reviews of estimates are recognized on a prospective basis.

(i) Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized the financial statements are included in the following notes:

Note 3 – Business combination. The fair value of assets acquired and assumed liabilities.
Note 20 – Leases: to determine if the agreement has a lease, the term, renewal and classification.
Note 21 – Technical reserves for healthcare operations. Evaluation of insurance liabilities.
Note 23 – Provision for tax, civil and labor risks. Key assumptions about the likelihood and magnitude of an outflow of resources.

(ii) Uncertainties on assumptions and estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimates are made. The actual results in future periods may be different from those estimates and judgements.

Information about uncertainties related to the underlying assumptions and significant estimates that could lead to actual results differing from estimates has been included primarily in the following notes:

Note 3 - acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and the fair value of assets acquired and assumed liabilities, measured on a provisional basis.
Note 13 - Provision for impairment of accounts receivable. Recognition and provision for impairment of trade accounts receivable.
Note 14 - Deferred sales expenses. Identification of average time that clients remain in the Company's portfolio under the same contract to determine the recognition of deferral of commissions and, consequently, its appropriation to the profit (loss) for the year.

Note 17 - Review of economic useful life of property, plant and equipment. Determination of estimated useful life of assets, and as a result, of the depreciation rate to be used in the calculation and book records in the income (loss) for the year.
Note 18 - Determination of estimated useful life of intangible assets, and as a result, of the amortization rate to be used in the base of calculation and book records in the profit (loss) for the year. Intangible asset and goodwill impairment test: main assumptions regarding recoverable values, including recoverability of development costs.
Note 21 - Technical reserves for healthcare operations. Recognition and measurement of liabilities related to cost of insurance service.
Note 23 - Provision for tax, civil and labor risks. Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of funds.
Note 30 - Deferred income tax and social contribution: availability of future taxable income against which deductible temporary differences and tax losses may be used.

(iii) Measurement at fair value

A series of Group's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

The Group established a control structure for measuring fair value. This includes an evaluation team with general responsibility of reviewing all significant fair value measurements, including Level 3 fair values, which are reported directly to the CFO, which discusses the strategies to establish the breakdown of investment portfolio within the Finance and Capital Market Committee.

Appraisal team regularly reviews significant non-observable data and valuation adjustments. If third-party information, such as brokerage firms' quotes or pricing services, is used to measure fair value, the appraisal team analyzes the evidence obtained from the third parties to support the conclusion that such evaluations meet the requirements of IFRS standards, including the level in fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Group uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

Level 1: prices quoted (not adjusted) in active markets for identical assets and liabilities.
Level 2: inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
Level 3: inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Group recognizes transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

Additional information on the assumptions adopted in the measurement of fair values is included in the following notes:

Note 3 - Business Combinations; and
Note 31 - Financial instruments.

8 Basis of measurement

The financial statements were prepared based on the historical cost, except for the following material items which are measured at fair value on each reporting date and recognized in the statements of financial position:

- derivative financial instruments measured at fair value;
- debt and equity securities at FVTPL are measured at fair value;
- contingent payments assumed in a business combination are measured at fair value.

9 Significant accounting policies

The Group applied the accounting policies described below consistently to all the years presented in these financial statements, unless otherwise indicated.

a. Consolidation basis

(i) Business combinations

Business combinations are recorded using the acquisition method, when control is transferred to the Group. The consideration transferred is measured at fair value, as well as the identifiable net assets acquired. Gains in a bargain purchase are immediately recognized in profit (loss). Transaction costs are recorded in profit (loss) as incurred, except the costs related to the issue of debt or equity instruments.

Consideration transferred does not include amounts referring to payment of pre-existing relations. These amounts are recognized in income (loss) for the year.

Any contingent consideration payable is measured at its fair value on acquisition date. If the payment is classified as an equity instrument, it is not remeasured and the liquidation is recorded in equity. The remaining contingent consideration is remeasured at fair value on each reporting date, and subsequent changes in fair value are recorded in the income statement for the year.

If the plans of payment based on shares held by the employees of the acquiree need to be replaced (plan replacement), all or part of the new amount of the replacement plan issued by the acquirer is included in the measurement of the consideration transferred in the business combination. This determination is based on the market value of the replacement plan compared to the market value of the share-based payment of the acquiree and to the extent that such replacement plan refers to services rendered before the combination.

(ii) Subsidiaries

The Group controls an entity when it is exposed to or has a right over the variable returns arising from its involvement with the entity and has the ability to affect those returns exerting its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements as from the date the Group obtains the control until the date such control ceases.

The individual financial statements in the parent company financial statements, financial information of subsidiaries is recognized under the equity method.

(iii) Non-controlling interest

The Group chose to measure non-controlling interest initially at their proportion in identifiable net assets of the acquiree on the acquisition date.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the company loses control over a subsidiary, the Group derecognizes assets and liabilities and any non-controlling interest and other components recorded in equity referring to that subsidiary. Any gain or loss resulting from loss of control is recognized in income (loss). If the Group holds any in interest in former subsidiary, this interest is measured at fair value on the date control is lost.

(v) Transactions eliminated in the consolidation

Intragroup balances and transactions, and any unrealized revenues or expenses derived from intragroup transactions, are eliminated. Unrealized gains originating from transactions with investee recorded using the equity method, are eliminated against the investment in the proportion of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of impairment loss.

b. Revenue from contracts with customers

The Group operates by selling health and dental care plans and providing clinical, hospital, laboratory and diagnostic services.

Services are sold in separate contracts, individually per customer or bundled together as a service package. Health and dental care plans are treated in accordance with the requirements of CPC 11 / IFRS 4 - Insurance Contracts. For items not covered by this pronouncement, the Company adopts as a policy for the recognition of revenue the criteria set out in CPC 47 / IFRS15 - Contracts with customers.

(i) Revenues from consideration

The health and dental care services are performed through its hospitals and accredited network. These services are sold separately in contracts with clients. The Group assessed that the services are provided over time as the client receives and consumes the benefits provided concurrently. Revenues from considerations are appropriated at the amount corresponding to the daily apportionment - *pro rata d*ay - of the individual coverage period of each contract, starting as of the first day of coverage.

(ii) Revenues from other activities

Revenues generated by medical and hospital assistance to third parties and which are recognized through the actual provision of services and when economic benefits arising from the transaction are considered probable.

c. Financial revenues and financial expenses

The Group's financial revenues and expenses are comprised of:

- interest revenue.
- interest expense.
- dividend revenue.
- net gains/losses in exchange-rate change of financial assets and liabilities.
- impairment losses (and reversals) on investments in debt securities accounted for at amortized cost or at fair value through other comprehensive income.

Interest revenue and expenses are recognized in income (loss) at the effective interest method. The Group classifies interests received and dividends and Interest on shareholders' equity received as cash flows from investment activities.

The effective interest rate is the rate that exactly discounts payments or receipts in estimated future cash flows over the expected life of the financial instrument at:

- gross book value of financial assets or
- amortized cost of financial liabilities.

In the calculation of interest revenue or expenses, the actual interest rate is levied on the gross book value of the assets (when the assets have no recovery issues) or at amortized cost of liabilities. However, interest revenue is calculated by applying the actual interest rate at amortized cost of financial assets with recovery issues after the initial recognition. If the asset no longer presents recovery issues, the calculation of interest revenue is again based on the gross value.

d. Income tax and social contribution

The income tax and social contribution for the year, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of the taxable income for the year.

Income tax and social contribution expense comprises both current and deferred income tax and social contribution. Current and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in equity or other comprehensive income.

(i) Expenses with income tax and social contribution - current

Current tax expense is the tax payable or receivable on the taxable income or loss for the year and any adjustments to taxes payable in relation to prior years. The amount of current taxes payable or receivable is recognized in the statement of financial position as an asset or tax liability under the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on tax rates enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Expense with income tax and social contribution - deferred

Deferred tax assets and liabilities are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement and used for taxation purposes. The changes in deferred tax assets and liabilities for the year are recognized as deferred income tax and social contribution expense. Deferred taxes are not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination, and not affecting the taxable, income (loss);
- temporary differences related to investments in subsidiaries, associated companies and joint ventures, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not be reversed in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits and unused deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the credits can be utilized. Future taxable income is determined based on the reversal of relevant taxable temporary differences. If the amount of the taxable temporary differences is insufficient to fully recognize a deferred tax asset, the future taxable income, adjusted for reversals of the existing temporary differences, will be considered, based on the business plans of the parent company and of its subsidiaries, individually.

Deferred tax assets are reviewed at each balance sheet date and reduced when their realization is no longer probable.

Deferred tax assets and liabilities are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates decreed up to the reporting date and results in an uncertainty related to income tax (if any).

Measurement of deferred tax assets and liabilities reflects tax consequences deriving from the way in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

e. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are stated at historical acquisition or construction cost, including loan cost capitalized, net of accumulated depreciation and impairment losses.

When significant parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of a property, plant and equipment item are recognized in profit (loss).

(ii) Subsequent costs

Subsequent costs are capitalized in accordance with the probability that associated future economic benefits may be earned by the Group.

(iii) Depreciation

Depreciation is calculated to amortize the cost of fixed asset items, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Depreciation is recognized in income (loss). Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

f. Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

Goodwill is measured at cost, less accumulated impairment losses.

Other intangible assets

Other intangible assets acquired by the group with definite useful lives are carried at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally-generated goodwill and trademarks and patents, are recognized in income (loss) as incurred.

(iii) Amortization

Amortization is calculated using the straight-line method based on estimated useful lives of such items, net of estimated residual values. Amortization is recognized in income (loss). Goodwill is not amortized.

Amortization methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

g. Deferred commission disbursements/expenses

Represented by commissions paid for the sale of collective and individual plans recognized in profit or loss over the average period of permanence of the beneficiaries in the customer portfolio. The client permanence indicators are calculated based on the observation of the weighted average time between the date of contracting the plans and the date on which the cancellation of such contracts takes effect. Only sales expenses related to active contracts remain deferred; that is, when a contract is canceled during the deferral period, the remaining residual balance is fully recognized as an expense for the period in which the cancellation is made.

h. Financial instruments

(i) Initial recognition and measurement

Trade accounts receivable and debt securities issued are initially recognized on the date that they were originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the instrument's contractual provisions.

A financial asset (unless it is trade accounts receivable without a material financing component) or a financial liability is initially measured at fair value, plus, for an item not measured at FVTPL, transaction costs which are directly attributable to its acquisition or issue. Trade accounts receivable without a significant financing component is initially measured at the price of operation.

(ii) Subsequent classification and measurement

Financial assets

In the initial recognition, a financial asset is classified as measured: at amortized cost; at FVTPL - debt instrument; at FVTOCI - equity instrument; or at FVTPL.

Financial assets are not reclassified after initial recognition, unless the Group changes the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at FVTPL:

- it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and
- its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at FVTOCI if it meets both conditions below and is not designated as measured at FVTPL:

- it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and
- its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on outstanding principal value.

In the initial recognition of an investment in an equity instrument not held for trading, the Group may irrevocably choose to present subsequent changes in the fair value of the investment in Other comprehensive income (OCI). This choice is made on an investment basis.

All financial assets not classified as measured at amortized cost as described above or at FVTOCI, are classified as FVTPL. This includes all derivative financial assets. At initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or as FVTOCI, as FVTPL if it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Evaluation of business model
The Group carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to management. The information considered is comprised by:

- the policies and goals established for the portfolio and practical operation of these policies. They include the question of whether management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets:
- how the performance of the portfolio is evaluated and reported to the Group's management;
- risks that affect the performance of the business model (and the financial assets held in that business model) and the way those risks are managed;
- how business managers are remunerated - for example, if the remuneration is based on the fair value of managed assets or in contractual cash flows obtained; and
- the sales rate, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, which is consistent with the ongoing recognition of the Group's assets.

Financial assets held for trading or managed with a performance evaluated based on fair value are measured at fair value through profit or loss.

Financial assets - Subsequent measurement and gains and losses

Financial assets (FVTPL)	These assets are subsequently measured at fair value. Net income (loss), plus interest or dividend revenue, is recognized in income (loss).
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is reduced due to impairment losses. Interest revenue, foreign exchange gains and impairment losses are recognized in income (loss). Any gain or loss on derecognition is recognized in income (loss).
Debt instruments at FVTOCI	These assets are subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in the income (loss). Other net income is recognized in OCI. In derecognition, the retained earnings in OCI are reclassified to the income (loss).
Equity instruments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as gain in income (loss), unless the dividend clearly represents a recovery of part of the investment cost. Other net income is recognized in OCI and are never reclassified to the income (loss).

Financial liabilities - classification, subsequent measurement and gains and losses
Financial liabilities were classified as measured as amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, if it is a derivative or assigned as such in initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income (loss), plus interest, is recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in income (loss). Any gain or loss on derecognition is also recognized in income (loss).

(iii) Derecognition

Financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flow of the asset expire, or when the Group transfers the contractual rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and rewards of ownership of the financial asset are transferred or in which the Group nor transfers or maintains all ownership risks and rewards of the financial assets and also does not hold the control over the financial asset.

The Group carries out transactions in which it transfers assets recognized in the Statements of Financial Position, but retains all or substantially all risks and rewards of the assets transferred. In such cases, financial assets are not derecognized.

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged or canceled or expired. The Group also derecognizes a financial liability

when terms are modified, and the cash flows of the modified liability are substantially different if a new financial liability based on the terms changed is recognized at fair value.

In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in income (loss).

(iv) Offset
Financial assets or liabilities are offset and the net value reported in the Statements of Financial Position only when the Group currently has a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

i. Share capital

(i) Common shares
Additional costs directly attributable to the issue of shares and share options are recognized as reducers from equity.

(ii) Repurchase and re-issuance of shares (treasury shares)
When shares recognized as equity are repurchased, the value of the consideration paid which includes any costs directly attributable is recognized as a deduction from equity. The repurchased shares are classified as treasury shares and presented as a deduction from equity. When treasury shares are sold or reissued subsequently, value received is recognized as an increase to equity, and gains or losses resulting from transactions are presented as capital reserve.

j. Impairment

(i) Non-derivative financial assets

Measurement of expected credit losses
Expected credit losses are estimates weighted by the probability of credit losses. Credit losses are measured at present value based on all cash insufficiencies (that is, the difference between the cash flows owed to the Group in accordance with the contract and the cash flows that the Group expects to receive). The expected credit losses are discounted by the effective interest rate of the financial asset.

For trade accounts receivable and contract assets, the Group adopts a simplified approach in calculating expected credit losses. The Group has established a reserve matrix based on its historical experience with credit losses, adjusted for specific prospective factors for debtors and for the economic environment, considering independent variables such as type of coverage, contract term, number of days in that the note is overdue and the client’s outstanding amount.

(ii) Non-financial assets
On each reporting date, the Group reviews book values of non-financial assets (except for inventories, contract assets and deferred taxes) to determine if there is an indication

of impairment. If certain evidence exists the recoverable amount of the asset is determined. In case of goodwill, recoverable value is tested on an annual basis.

For impairment tests, assets are grouped into Cash Generating Units (CGUs), that is, the smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or cash generating units. Goodwill in a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit combination synergy.

Recoverable value of an assets or CGU is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of time value of money and the specific risks of the assets or CGU.

An impairment loss is recognized when the book value of an asset or its CGU exceeds its recoverable value.

Impairment losses are recognized in income (loss). Recognized losses referring to CGUs are initially allocated to reduce any goodwill allocated to that CGU (or CGU group) and then to reduce the book value of other assets of that CGU (or CGU group) on a *pro rata* basis.

An impairment loss related to goodwill is not reversed. Regarding other assets, impairment losses are reversed only with the condition that the new book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

k. Provisions

Provisions are determined by discounting the estimated future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability in question. Effects from derecognition of discount for elapsing of time are recognized in income (loss) as financial expense.

Provision for tax, civil and labor risks

They are recorded considering: the opinion of the legal advisors, the nature of the lawsuits, similarity with previous cases with the same complexity and the pronouncements of courts, whenever the loss is considered probable, which would give rise to a probable outflow of funds for settlement of the obligations and when the amounts involved are measurable with sufficient assurance. The contingent liabilities classified as possible losses are not recorded; however, are disclosed in notes (when significant), classified as remote are neither accrued nor disclosed.

Technical reserves for health care operations
The Reserve for Incurred but Not Reported Claims (IBNR) is calculated actuarially based on the estimate of claims occurred but not yet reported, based on monthly run-off triangles, which consider the historical development of the claims reported in the last 12 months, future payments of claims related to events prior to the calculation base date, aiming to establish a future projection by occurrence period.

The outstanding claims reserve is recorded based on the claim notices received up to the balance sheet date, including judicial claims and monetarily restated costs.

The provision for events to be settled to the Unified Health System (SUS) is calculated based on the notifications sent by SUS, representing the refund of expenses in eventual care to its beneficiaries that have already been effectively charged, and an estimate of future collection notifications that are under analysis, calculated according to a court decision obtained by the Company to adopt its own methodology.

The Unearned Premium Reserve (UPR) is calculated on a pro rata basis based on health and dental plan premiums, representing the amount charged by the operator in proportion to the days not yet elapsed within the month in which the risk coverage term becomes effective for the benefit of the client.

l. Lease

At the beginning of a contract, the Group assesses whether a contract is or contains a lease. The Company assesses whether the contracts entered into are or contain elements of leases and recognizes the rights to use the leased assets and liabilities for the future flow of the contracts entered into, they are the ones that transfer the right to control and obtain benefits over the use of asset identified for a period of time in exchange for consideration. In addition to the adoption, the Group used the practical expedients provided for in the standard for short-term contracts, for low value assets and for the leasing of properties in which there are multiple components involved, the scope was considered as a single component.

The Group recognizes a right-of-use asset and a lease liability on the lease start date. The right-to-use asset is initially measured at cost, which comprises the initial measurement value of the lease liability, adjusted for any lease payments made up to the start date, plus any initial direct costs incurred by the lessee, less any incentives of received apartments.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the lease. right-of-use asset reflects that the lessee will exercise the call option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not made on the start date, discounted at the incremental interest rate calculated by the company. The incremental rate on the lessee's loan is the interest rate that the lessee would have to pay when borrowing, for a similar term and with a similar guarantee, the resources necessary to obtain the asset with a value similar to the right-of-use asset in a similar economic environment.

The Group leases several assets, including real estate, hospital equipment and IT equipment.

The lease liability is measured at amortized cost, using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in index or rate, if there is a change in the amounts that are expected to be paid in accordance with the residual value guarantee, if the Group changes its valuation, an option will be exercised. purchase, extension or termination or if there is a fixed revised lease payment in essence.

When the lease liability is remeasured in this way, an adjustment is made corresponding to the book value of the right-of-use asset or is recorded in the income statement if the book value of the right-of-use asset has been reduced to zero.

Leasing of low value assets
The Group opted not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes lease payments associated with these leases as an expense on a straight-line basis over the lease term.

m. Measurement of fair value

Fair value is the price that would be received upon the sale of an asset or paid for the transfer of a liability in an non-forced transaction between market participants a the measurement date, on the primary market or, in the absence thereof, on the most advantageous market to which the Group has access on such date. Fair value of a liability reflects its risk of not being performed.

A series of accounting policies and disclosures of Group requires the measurement of fair value, for financial and non-financial assets and liabilities.

When available, the Group measures the fair value of a security using the price quoted on an active market for such securities. A market is considered as active if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no price quoted on an active market, the Group uses valuation techniques that maximize the use of relevant observable data and minimize the use of unobservable data. The chosen valuation technique incorporates all the factors market participants would consider when pricing a transaction.

If an asset or a liability measured at fair value has a purchase price and a selling price, the Group measures assets based on purchase prices and liabilities based on selling prices.

The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the fair value upon initial recognition differs from the transaction price and the fair value is not evidenced by either a price quoted on an active market for an identical asset or liability or based on a valuation technique for which any non-observable data are judged to be insignificant in relation to measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value upon initial recognition and the transaction price. Later, this difference is recognized in the income (loss) at an appropriate basis over the life of the instrument, or to the moment when the assessment is fully supported by observable market data or the transaction is terminated, whichever occurs first.

10 New pronouncements issued, but not effective

(i) IFRS 17 - Insurance Contracts

IFRS 17 introduces a new measurement model for insurance contracts. It establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The objective of IFRS 17 is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The standard is effective for accounting periods beginning on January 1, 2023.

The Company's management is currently analyzing the impacts of adopting IFRS 17.

(ii) Onerous contracts – cost to fulfill a contract (changes to IAS 37)

The amendments specify what costs an entity includes when determining the cost of performing a contract in order to assess whether the contract is costly. The changes apply to annual periods beginning on or after January 1, 2022 for existing contracts on the date the changes are applied for the first time. On the date of initial application, the cumulative effect of applying the changes is recognized as an adjustment to the opening balance in retained earnings or other components of equity, as appropriate. Comparatives are not restated. The Group will evaluate the contracts to measure the possible impacts, if any, before the changes take effect.

(iii) Reform of the reference interest rate – phase 2 (Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that may affect the financial statements as a result of the reform of the interest rate benchmark, including the effects of changes in contractual cash flows or hedge relationships arising from the replacement of the interest rate benchmark with an alternative benchmark rate. The amendments provide a practical expedient for certain requirements of IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to: (a) changes in the basis for determining contractual cash flow from financial assets, and (b) hedge accounting.

- *Change in the basis for determining cash flows*
  The changes will require an entity to account for the change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the reform of the interest rate benchmark by updating the effective interest rate of the financial asset or financial liability.

- *Disclosure*
  The changes will require the Group to disclose additional information on the entity's exposure to risks arising from the reform of the reference interest rate and related risk management activities.

- *Transition*
  The Group plans to apply the changes as of January 1, 2021. The application will have no impact on the amounts reported for 2020 or earlier periods.

(iv) Other standards
The following new and changed standards are not expected to have a significant impact on the individual and consolidated financial statements:

- Rental concessions related to COVID-19 (amendment to IFRS 16);
- Property, plant and equipment: Revenue before intended use (changes to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3); and
- Classification of Liabilities in Current or Non-Current (Amendments to IAS 1).

11 Operating segments

The Group operates in the healthcare sector and focuses its strategy on providing services in a vertical way, in which the service to the beneficiary is carried out primarily through its own service network. The Group provides medical and dental insurance plans, operating in only one operating segment, whose operating and financial results are regularly reviewed by the Board of Directors on aggregate, on which it conducts its decision-making.

While the Group’s structure comprises a large number of hospitals, clinics and other units, these all serve the Group health and dental plan customers in a vertically integrated model ultimately designed to maximize consolidated (healthcare plans + medical care units) value creation for shareholders.

The Company has determined that the Statutory Board is the Chief Operating Decision Maker (CODM). It receives, reviews and analyzes information about the operational and financial results of the business and makes strategic decisions, use of technologies and marketing strategies for different products and services in a centralized way. The Group’s revenues are entirely derived from customers geographically located in Brazil and there is no customer sales concentration. In addition, all noncurrent assets are located in Brazil. The Group’s earnings do not fluctuate based on seasonality.

12 Short-term and long-term investments

	Monthly average remuneration	Maturities	Parent Company 12/31/2020	Parent Company 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
Government and private bonds						
Repurchase and resale agreements (a)	100.2% CDI	Without maturity	-	-	-	5,717
Bank Deposit Certificates - Collateral Assets (b)	100% CDI	June 2021	-	-	10,101	-
Bank deposit certificates	102.4% CDI	Jan 2021- Aug 2026	-	-	1,419,084	494,697
NTN-B	IPCA + 1.8%	August 2024	-	-	35,896	-
Investment fund			-	-	-	-
Fixed income - Collateral assets (b)	107.8% CDI	Without maturity	-	-	993,726	661,223
Fixed income - Exclusives (c)	99.3% CDI	Without maturity	91,704	1,051,077	549,838	1,748,247
Fixed income - Non-exclusive	83.2% CDI	Without maturity	315,211	293,777	548,500	488,778
Other						
Other short and long term investments	-	Without maturity	77	-	2,257	7,319
			406,992	**1,344,854**	**3,559,402**	**3,405,981**
Short-term investments			-	-	2,334,120	1,180,418
Long-term investments			406,992	1,344,854	1,225,282	2,225,563

(a) Reverse-sale-and-repurchase agreements basically consist of government bonds with a repurchase commitment from the financial institution, with a definite maturity.

(b) Fixed income investment funds and Bank Deposit Certificates - Collateral Assets: They are used as a guarantee for technical reserves of the health care companies, as detailed in Note 21.

(c) Exclusive funds are administered and managed by Banco do Brasil, Banco Santander and Banco Itaú. These funds invest their resources in quotas of other funds administered by the managing banks. The investment policies of exclusive funds determine the concentration of resources in financial assets with low credit risk (ANBIMA classification).

13 Trade receivables

Primarily refers to amounts receivable from members of the Company's health care insurance plans, as follows:

	Consolidated	
	12/31/2020	**12/31/2019**
Medical and hospital plans		
Health and dental care plans	601,674	380,166
Agreements and individuals plans	43,248	53,444
Other	16,441	14,624
Subtotal	**661,363**	**448,234**
Impairment loss on trade receivables	(227,937)	(151,247)
Total	**433,426**	**296,987**

Breakdown of amounts receivable by maturity age is as follows:

	Consolidated	
	12/31/2020	**12/31/2019**
Neither past due nor impaired (a)	**234,683**	**84,182**
Overdue (days)	**426,680**	**364,052**
Up to 30	128,803	140,582
31–60	45,948	54,719
61–90	22,630	29,562
>90	229,299	139,189
Total	**661,363**	**448,234**

(a) Increase due to the recognition of the readjustment of health plans, in the amount of R$ 142 thousand, which charges were suspended during the COVID-19 Pandemic period, according to ANS communication number 85/2020 (an action by Brazilian Government to face the pandemic) whose collection from beneficiaries will start from January 2021.

Changes in the provision for impairment losses in accounts receivable are as follows:

	Consolidated	
	12/31/2020	**12/31/2019**
Balances at the beginning of the year	151,247	38,738
Acquirees	-	89,452
Provisions	221,447	166,968
Net write-offs (a)	(144,757)	(143,911)
Total	**227,937**	**151,247**

(a) Recognizes the cancellation of client contracts implemented in the period against the provision, as a result of default.

The Group has no concentration of revenue. It is worth noting that the Group's client base is not concentrated. In the year ended on December 31, 2020, the major client represented 1.0% (1.2% as of December 31, 2019) of net revenue, while the 10 largest clients represented 5.1% (5.9% as of December 31, 2019) of net revenue in the same period. In the year ended December 31, 2020 and December 31, 2019 no clients represented more than 5% in net revenue.

14 Deferred commission

	Consolidated	
	12/31/2020	**12/31/2019**
Deferred commissions with Health Care Plan - Current	164,929	145,169
Deferred commissions with health care plan - Non-current	142,229	127,505
Total	**307,158**	**272,674**

The weighted average term of the agreements in the client portfolio is detailed below in months, applied based on active agreements that generated expense with commissions:

	12/31/2020	**12/31/2019**
Individual contracts	33	32
Collective contracts	58	56

15 Related party transactions and balances

The main balances of assets and liabilities on December 31, 2020 and December 31, 2019, as well as the transactions that influenced the income (loss), relating to operations with related parties, are presented below:

	Parent company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Assets				
Interest on own capital receivable of investees	105	86,701	2	-
	105	**86,701**	**2**	**-**
Other debits with related parties				
Receivables with shareholders	-	-	1,296	1,421
PPAR COM Investimentos Ltda. - Amounts receivable (b)	-	-	1,988	1,988
Other	91	4,638	164	4,726
	91	**4,638**	**3,448**	**8,135**
Total	**196**	**91,339**	**3,450**	**8,135**
Liabilities				
Dividends payable	11,704	14,207	24,518	27,022
Interest on own capital	176,509	192,525	176,923	192,998
	188,213	**206,732**	**201,441**	**220,020**
Other liabilities with related parties				
Amounts payable to individual shareholders (a)	2,516	2,517	2,552	2,552
Debts with subsidiaries (a)	-	12,312	-	-
Canadá Administradora de Bens Imóveis Ltda. - Purchase of property, plant and equipment	1,343	1,343	1,343	1,343
Other	238	142	101	145
	4,097	**16,314**	**3,996**	**4,040**
Lease payable with related parties (c)	154	144	660,285	622,878
	154	**144**	**660,285**	**622,878**
Total	**192,464**	**223,190**	**865,722**	**846,938**
Transactions				
Revenue from medical care services (d)	-	-	1,415	2,010
Media broadcasting expenses (e)	-	-	(1,289)	(1,201)

	Parent company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Reimbursement of shared use of assets (f)	-	-	(1,057)	(1,515)
Interest on leases with Canadá Administradora de Bens Imóveis Ltda. (g)	(12)	(12)	(16,507)	(16,156)
Interest on leases with Fundação Ana Lima (g)	-	-	(345)	(516)
Interest on leases with Quixadá Participações Ltda. (g)	-	-	(36,973)	(36,235)
	(12)	**(12)**	**(54,756)**	**(53,613)**

The main balances and transactions refer to:

(a) It's a liability from the company´s shareholders and subsidiaries for acquisition of assets in the previous years. Liabilities were recorded with no interest and without fixed maturity. The balance has been decreasing over time due to debt settlement, payments and debt compensation with the same shareholders.

(b) Amount paid by the subsidiary Ultra Som Serviços Médicos S.A. in favor of the company PPAR Com. Investimentos Ltda. ("PPAR"), an unconsolidated entity under the same control as the Group's shareholders, on acquisitions of media companies carried out by the company PPAR.

(c) Lease of commercial real estate and furniture and fixtures for the development of economic activities, according to a contract signed between related parties (unconsolidated entity under common control of the same shareholders of the Group) with an average term of 20 years, being agreed based on the assessment of the market value realized by specialized companies, with the following provisions: (i) annual update based on the accumulated variation of the General Price Index – Market (IGP-M Brazilian index); and (ii) revision of the base value every 60 months of the lease term.

(d) Revenues from health care plans of the Group companies with services to the companies that are part of Sistema Opinião de Comunicação, under common shareholding control, in the category of collective plans.

(e) Advertising expenses contracted by the Group for advertising in companies belonging to the Sistema Opinião de Comunicação, under common control of the shareholders, with the objective of promoting sales of health and dental plans through marketing actions.

(f) This balance mainly refers to the use of aircraft, when Senior Management needs to travel on business.

(g) Effect of interest on lease agreements with related parties.

Remuneration of key management personnel

The Group's Management is comprised by the Board of Directors and a Statutory Executive Board of the Group. Expenses with total management remuneration were R$ 26,398 in the year ended on December 31, 2020 (R$ 27,110 as of December 31, 2019).

16 Investments

(i) Parent company

a. Subsidiary information

	Capital	Assets	Liability	Equity	Profit (loss) for the period	Number of quotas/shares	Percentage of Interest	Investments on 12/31/2020	Investments on 12/31/2019 (Restatement)
Hapvida Assistência Médica Ltda.	1,147,491	4,039,026	1,412,300	2,626,762	728,228	1,147,491	99.99%	2,626,762	1,720,633
Ultra Som Serviços Médicos S.A.	6,127,467	8,207,145	1,591,389	6,615,756	16,079	5,904,550	100%	6,615,756	6,102,067
Hospital Antônio Prudente Ltda.	53,180	173,069	73,826	99,241	21,244	53,180	99.99%	99,242	77,998
Hapvida Participações em Tecnologia Ltda.	23,400	27,215	3,867	23,349	(1,100)	23,400	99.99%	23,348	24,434
Mais Odonto Assistência Odontológica Ltda.	3,303	3,555	292	3,262	16	3,303	100%	3,262	3,246
								9,368,370	**7,928,378**

b. Changes

	Balance at 01/01/19	Equity in net income of subsidiaries	Interest on shareholders' equity	Capital increase	Acquisition	Merge	Write-off	Balance at 12/31/19 (Resubmitted)	Equity in net income of subsidiaries	Dividends	Capital increase	Split (a)	Advance for future capital increase	Other	Balance at 12/31/2020
Hapvida Assistência Médica Ltda.	1,476,166	244,467	-	-	-	-	-	1,720,633	728,228	(52,349)	63,274	162,497	-	4,479	2,626,762
MaisOdonto Assistência Odontológica Ltda.	3,144	102	-	-	-	-	-	3,246	16	-	-	-	-	-	3,262
Hospital Antônio Prudente Ltda.	48,677	29,321	-	-	-	-	-	77,998	21,244	-	-	-	-	-	99,242
Ultra Som Serviços Médicos S.A. (b)	811,011	442,697	(14,542)	4,834,092	-	28,809	-	6,102,067	16,079	-	693,440	(162,497)	(29,535)	(3,798)	6,615,756
OPS Administração e Participações Ltda. (c)	1,120	-	-	-	-	-	(1,120)	-	-	-	-	-	-	-	-
Haptech Soluções Inteligentes Ltda. (d)	11,417	(516)	-	-	-	-	(10,901)	-	-	-	-	-	-	-	-
Vida & Imagem Radiologia e Diagnóstico Ltda.	21,599	6,672	-	-	538	(28,809)	-	-	-	-	-	-	-		-
Hapvida Participações em Tecnologia Ltda. (d), (e)	-	1,033	-	23,401	-	-	-	24,434	(1,100)	-	-	-	-	14	23,348
Total	**2,373,134**	**723,776**	**(14,542)**	**4,857,493**	**538**	**-**	**(12,021)**	**7,928,378**	**764,467**	**(52,349)**	**756,714**	**-**	**(29,535)**	**(695)**	**9,368,370**

(a) On May 31, 2020, the Extraordinary General Meeting approved the partial spin-off of Ultra Som Serviços Médicos S.A. with the transfer of spun-off assets to Hapvida Assistência Médica Ltda. in the amount of R$ 162,497. Due to the spin-off and immediate transfer, Hapvida Assistência Médica Ltda. becomes a quotaholder of Jardim América Saúde Ltda.

(b) In December 01, 2019, a meeting of the partners of Ultra Som Serviços Médicos S/A approved the capital increase through the contribution of the partner Hapvida Participações S.A., as well as with the merger of shares of the investee GSFRP Participações S.A.

(c) In July 2019, the subsidiary was extinguished.

(d) In April 2019, as registered with the Commercial Registry of the State of Ceará, the partners of Haptech Soluções Inteligentes Ltda., resolved to assign all the company's shares to Hapvida Participações em Tecnologia Ltda, previously called Prática Importação, Comércio e Distribuição de Produtos Farmacêuticos Ltda.

(e) In June 2019, as registered with Ceará State Board of Trade, partners of Prática Importação, Comércio e Distribuição de Produtos Farmacêuticos e Hospitalares Ltda. approved change in business purpose of Hapvida Participações em Tecnologia Ltda. and its capital increase.

c. *Acquisition of companies*

Promed Assistência Médica Ltda.
On September 4, 2020, the Company, through its wholly owned subsidiary Ultra Som Serviços Médicos S.A., entered into a quota purchase and sale agreement and other covenants for the acquisition of 100% of Promed Assistência Médica Ltda., Promed Brasil Assistência Médica Ltda., Saúde – Sistema Assistencial Unificado de Empresas Ltda., Centro Médico Progroup Ltda., Med Clínicas Serviços Médicos Ltda., Hospital Progroup Ltda. and 96.5% of the equity interest in Hospital Vera Cruz S.A., entities belonging to a structure composed of 3 healthcare operators, 3 hospitals, 1 day hospital and 7 primary care clinics. The transaction is subject to certain precedent conditions that may or may not include the successful negotiation of the respective contractual acquisition instruments and their respective formalizations, as well as the appraisal and approval of regulatory bodies. In March 2021 the operation was approved by CADE and the process is being analyzed by ANS.

Santa Filomena Group
Hapvida Participações e Investimentos S.A. entered into a memorandum of understanding involving the acquisition of the shares of the following entities: 100% of Filosanitas Saúde Ltda. (Filosanitas), 97.24% of Casa de Saúde e Maternidade Santa Filomena S.A. (Hospital Santa Filomena), 95.5% of Centro Médico Santa Filomena Ltda. and 80% of Centro de Diagnóstico por Imagem Santa Filomena Ltda. (Grupo Santa Filomena and Transaction, respectively) in line with its national expansion and consolidation strategy. The purchase price, which includes part of the hospital's property, was negotiated at R$ 45.0 million. As usual, the conclusion of transaction is subject to the successful negotiation of the respective contractual acquisition instruments and their respective formalizations.

Up to the date of issue of these financial statements, transactions with Plano de Assistência Médica e Hospitalar do Estado de Goiás S.A. and Grupo Santa Filomena were still under analysis by the regulatory bodies. Thus, due to the conclusion of the negotiations, there are no effects to be reported in the financial statements for the year ended on December 31, 2020.

17 Property, plant and equipment

The composition of property, plant and equipment is as follows:

	Consolidated				
	Annual depreciation rate	Cost	Accumulated depreciation	Net 12/31/2020	Net 12/31/2019 (Restatement)
Right of use assets	7.24%	1,106,501	(148,817)	957,684	932,716
Land	-	63,509	-	63,509	10,608
Real Estate	4.0%	344,069	(73,193)	270,876	278,463
Vehicles	20.0%	50,945	(28,454)	22,491	15,624
IT equipment	14.7%	134,871	(69,961)	64,910	26,462
Machinery and equipment	9.7%	505,501	(195,436)	310,065	220,818
Furniture and fixtures	10.0%	127,137	(44,338)	82,799	58,232
Facilities	4.0%	354,577	(38,739)	315,838	288,014
Construction in progress	-	151,518	-	151,518	156,618
Other		1,843	-	1,843	-
Total		**2,840,471**	**(598,938)**	**2,241,533**	1,987,555

Changes in property, plant and equipment for the year ended December 31, 2020 and December 31, 2019 are as follows:

	Consolidated							
	12/31/2019 (Restatement)	Addition	Net write-offs	Depreciation	Transfers	Acquisition of companies	Reclassification	12/31/2020
Right of use assets	932,716	95,275	(3,484)	(80,064)	52	13,189	-	957,684
Land	10,608	49,195	(1)	-	-	2,512	1,195	63,509
Real estate	278,463	(336)	(2,228)	(21,082)	-	9,142	6,917	270,876
Vehicles	15,624	14,296	(31)	(6,495)	(1,485)	582	-	22,491
IT equipment	26,462	57,108	(863)	(15,136)	(4,779)	2,118	-	64,910
Machinery and equipment	220,818	103,228	(4,461)	(40,713)	25,208	4,118	1,867	310,065
Furniture and fixtures	58,232	22,719	339	(9,666)	8,619	2,415	141	82,799
Facilities	288,014	19,765	(127)	(12,675)	16,224	4,637	-	315,838
Construction in progress (a)	156,618	28,030	-	-	(42,046)	8,916	-	151,518
Other	-	7,954	-	(4,318)	(1,793)	-	-	1,843
Total	1,987,555	397,234	(10,856)	(190,149)	-	47,629	10,120	2,241,533

	Consolidated							
	01/01/2019	Addition	Initial adoption – IFRS 16	Net write-offs	Depreciation	Transfers	Acquisition of companies	12/31/2019 (Restatement)
Right of use assets	-	86,312	806,425	-	(56,488)	-	96,467	932,716
Land	-	(26,308)	-	-	-	-	36,916	10,608
Real estate	3,801	129,901	-	-	(4,333)	4,584	144,510	278,463
Vehicles	2,656	(2,166)	-	(27)	(1,855)	368	16,648	15,624
IT equipment	22,735	(8,725)	-	(25)	(7,313)	2,744	17,046	26,462
Machinery and equipment	130,741	52,822	-	(459)	(24,634)	17,436	44,912	220,818
Furniture and fixtures	35,253	14,682	-	(83)	(5,570)	4,131	9,819	58,232
Facilities	171,633	37,026	-		(8,554)	85,691	2,218	288,014
Construction in progress (a)	46,334	159,253	-	(4,719)	-	(113,579)	69,329	156,618
Other	1,375	-	-	-	-	(1,375)	-	-
Total	414,528	442,797	806,425	(5,313)	(108,747)	-	437,865	1,987,555

(a) The balance of construction in progress refers substantially to investments made in hospitals and clinics to improve and expand the physical facilities.

18 Intangible

The composition of the intangible asset is as follows:

		Consolidated			
	Annual amortization rate	Cost	Accumulated amortization	2020 Net	2019 Net (Restatement)
Customer portfolio (i)	17.70%	2,851,473	(613,426)	2,238,047	2,590,240
Software	19.49%	137,961	(41,566)	96,395	76,875
Patents and trademarks (ii)	20.00%	413,997	(41,226)	372,771	393,972
Non-compete	20.00%	37,520	(12,649)	24,871	27,610
Goodwill (iii)	-	2,713,749	-	2,713,749	2,240,701
Other	21.52%	81,699	(5,229)	76,470	4,314
Total		6,236,399	(714,096)	5,522,303	5,333,712

Changes in intangible asset for the year ended December 31, 2020 and December 31, 2019 are as follows:

	Consolidated							
	12/31/2019 (Resubmited)	**Addition**	**Amortization**	**Net write-offs**	**Transfers**	**Reclassification**	**Acquisition of companies**	**12/31/2020**
Customer portfolio (i)	2,590,240	144,517	(496,710)	-	-	-	-	2,238,047
Software	76,875	10,669	(20,866)	-	28,734	-	983	96,395
Patents and trademarks (ii)	393,972	8,893	(30,100)	-	-	-	6	372,771
Non-compete	27,610	1,217	(4,044)	-	-	-	88	24,871
Goodwill (iii)	2,240,701	483,168	-	-	-	(10,120)	-	2,713,749
Other	4,314	111,507	(10,617)	-	(28,734)	-	-	76,470
Total	5,333,712	759,971	(562,337)	-	-	(10,120)	1,077	5,522,303

	Consolidated						
	01/01/2019	**Addition**	**Amortization**	**Net write-offs**	**Transfers**	**Acquisition of companies**	**12/31/2019** (Resubmited)
Customer portfolio (i)	23,611	2,565,845	(76,121)	(23,751)	-	100,656	2,590,240
Software	16,195	3,375	(9,382)	-	39,652	27,035	76,875
Patents and trademarks (ii)	1,701	392,243	-	-	-	28	393,972
Non-compete	6,300	24,659	(3,349)	-	-	-	27,610
Goodwill (iii)	36,452	2,123,747	-	-	-	80,502	2,240,701
Advances	30,835	8,817	-	-	(39,652)	-	-
Other	-	6,559	(2,245)	-	-	-	4,314
Total	115,094	5,125,245	(91,097)	(23,751)	-	208,221	5,333,712

(i) These are client portfolios arising from the acquisition of São Francisco Group, América Group, RN Saúde, Medical Medicina Assistencial e Gurpo São José, as highlighted in note 3 – Business combination. and the client portfolio of the companies Assistência Médica Hospitalar Ltda. (UNIPLAM) and Free Life Operadora de Planos de Saúde Ltda., transferred in 2018 after authorization by ANS as per letter number 15/2018 / GGREP / DIRAD-DIPRO / DIPRO and nº 18/2018 / GGREP / DIRAD-DIPRO / DIPRO, respectively.

(ii) The added value of the brands of the acquired companies are amortized over a period of 5 years, which is the estimated time that the company works on the commercial discontinuation of the brand.

(iii) Goodwill from business combination.

Goodwill

Goodwill balances and intangible assets with indefinite useful lives were tested for impairment on December 31, 2020 through the discounted cash flow for each cash-generating unit ("CGU"), giving rise to the value in use.

For the purpose of evaluation of recoverable value, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. In determining the book value of each CGU, the Group considers not only the recorded intangibles, as well as all the tangible assets necessary for conducting business, as it is only through the use of this set that the Group will obtain the generation of economic benefits.

According to CPC 01 (R1) - Impairment of Assets, goodwill for expected future profitability does not generate cash flows independently of other assets or groups of assets and often contributes to cash flows from multiple CGUs and should be tested for impairment at a level that reflects the way in which the entity manages its operations and with which the goodwill would naturally be associated.

In this way, the Company prepared an impairment test for the Group, considering the history of business combinations, according describing on Note 3 and present at table below, which, for example, operate in other geographic regions, aiming at revenue synergy when accessing new markets, leveraging the marketing and sales force. sale of health and dental plans with coverage of medical / dental assistance costs.

	Grupo São Francisco	Grupo América	Medical	São José	Others	Total
Book value of goodwill	1,826,499	303,223	193,950	238,173	151,904	2,713,749

Therefore, the Company adopted the following assumptions in the impairment test:

Assumptions	
Volume growth (beneficiaries)	4.5% per year
Discount rate	11.5% per year
Perpetuity growth rate	6% per year

According to the recoverability analysis prepared by management, the Company concluded that the value in use of the CGUs is higher than their respective book value, indicating that there is no evidence of loss due to impairment.

The assumptions adopted in the impairment tests of intangibles are in accordance with the internal projections for the five-year period. For the period after five years, extrapolation is applied using a perpetuity growth rate. The discounted cash flow that determined the value in use of the cash-generating units was prepared in accordance with the Company's business plan.

The Company also considered market variables such as Gross Domestic Product (“GDP”) and the Brazilian general price index - IPCA Long Term. The cost was projected from the last realized cost plus the expected inflation over time. The portion of the cost that is variabilized was still scaled according to the growth of lives. In addition, the cost projection incorporated the expected result of synergy projects already underway by acquired companies. In relation to commissions, the projection considered the maintenance of the percentage of net revenue realized by company / portfolio.

Acquisitions of portfolio

Plamed Planos de Assistência

On December 13, 2019, a protocol of understanding was signed for the voluntary transfer of the full portfolio of beneficiaries of Plamed Plano de Assistência Médica Ltda. The transaction amount was initially set at R$ 57.5 million, considering an advance paid to sellers in February 2020 in the amount of R$ 2 million. The conclusion of this transaction is subject to appreciation and approval by the National Supplementary Health Agency (ANS) and of the Administrative Council for Economic Defense (Cade).

Plano de Assistência Médica e Hospitalar do Estado de Goiás S.A.
On September 18, 2020, the Company entered into a protocol of understanding for the voluntary acquisition of the full portfolio of PLAMHEG's beneficiaries through its wholly-owned subsidiary Hapvida Assistência Médica Ltda. The acquisition price was initially set at R$ 23 million. The amount may be changed due to a price adjustment resulting from changes in the average monthly receipt of the Portfolio at the date of completion of the transaction. The transaction is subject to certain precedent conditions that may or may not include the successful negotiation of the respective contractual acquisition instruments and their respective formalizations, as well as the appraisal and approval of regulatory bodies. On January 19, 2021, ANS authorized the voluntary transfer of the portfolio.

Multi Saúde – Assistência Médica e Hospitalar Ltda. - SAMEDH
In September of 2020, the Company signed a protocol of understanding for the voluntary acquisition of the full portfolio of beneficiaries of Samedh - Multi Saúde – Assistência Médica e Hospitalar Ltda. (Samedh) by its wholly owned subsidiary Hapvida Assistência Médica Ltda. The acquisition price was initially set at R$ 20,000. This amount may be changed due to a price adjustment resulting from changes in the average monthly receipt of the Portfolio during the first two months following the conclusion of the transaction. On January 19, 2021, ANS authorized the voluntary transfer of the portfolio.

19 Borrowings and financing

a. Borrowings and financing

			Parent company		Consolidates	
Type	**Maturity**	**Interest rate**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Working capital	December 2022	0.99% a 4.64 per year	-	-	56,793	63,362
Finame	July 2023	4.44% a 12.91% per year	-	-	1,491	4,089
Debentures	July 2026	109% a 110.55% DI rate	2,016,335	2,044,494	2,016,335	2,044,494
Other	November 2021	121.19% DI rate	-	-	2,608	48
Total			**2,016,335**	**2,044,494**	**2,077,227**	**2,111,993**
Current			19,081	48,234	42,915	75,038
Non-current			1,997,254	1,996,260	2,034,312	2,036,955

b. Changes - Borrowings and financing

	Parent company	Consolidated		
	Debentures	Borrowings and financing	Debentures	Total
Balances at December 31, 2018	**-**	**-**	**-**	**-**
Acquisition of companies (a)	-	64,637	-	64,637
Issuance	2,000,000	-	2,000,000	2,000,000
Issuance costs	(5,146)	-	(5,146)	(5,146)
Recognition of issuance costs	414	-	414	414
Interest accrual	49,226	701	49,226	49,927
Payment of principal	-	(149)	-	(149)
Interest payment	-	(352)	-	(352)
Exchange-rate change (b)	-	2,662	-	2,662
Balances at December 31, 2019	**2,044,494**	**67,499**	**2,044,494**	**2,111,993**
Acquisition of company	-	9,340	-	9,340
Proceeds	-	1,252	-	2,252
Transaction costs	994	-	994	994
Interest accrual	60,127	3,192	60,127	63,319
Payment of principal	-	(30,402)	-	(30,402)
Payment of interest and exchange rate change	(89,280)	(7,984)	(89,280)	(97,264)
Exchange-rate change (b))	-	16,995	-	16,995
Balances at December 31, 2020	**2,016,335**	**60,892**	**2,016,335**	**2,077,227**

(a) Amount related to loans of companies acquired by the Company during the year ended December 31, 2019.

(b) The Company raises funds in foreign currency in the "4131" modality, bearing prefixed interest (1.81 to 4.64% p.a.), maturing in March 2022. Aiming to hedge the foreign exchange exposure of these operations, the Company contracted swaps linked to "4131" operations, duly matched with the same terms, rates and amounts. The foreign credit lines are known in Brazil as "4131" loans in a reference to the law that regulates foreign capital in Brazil and the remittance of funds abroad.

The Group's loans and financing are guaranteed by: (i) guarantee, (ii) fiduciary alienation of the financed hospital assets or (iii) financial investments held in the same institutions where the credits were contracted.

The working capital credit agreements have restrictive contractual clauses specific to the nature of the operation, which, in the event of not being met, may lead to the early maturity of the respective operations.

Such clauses, among other conditions, require that the Company and its subsidiaries do not default on their obligations; actions, demands or processes pending or about to be proposed, which, if decided against the Company, would have a detrimental effect on its financial condition or impair its ability to meet its obligations.

c. Aging - Borrowings and financing

As of December 31, 2020, borrowings and financing have the following maturity schedule:

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
2020	-	48,234	-	75,038
2021	19,081	-	42,915	21,793
2022	587,537	587,900	623,161	606,508
2023	587,547	586,914	588,981	587,208
2024	587,544	586,915	587,544	586,915
2025	117,313	117,268	117,313	117,268
2026	117,313	117,263	117,313	117,263
	2,016,335	**2,044,494**	**2,077,227**	**2,111,993**

d. Debentures

d.1 Issuance of Debentures

In July 2019, the Company made the first issue of simple debentures, unsecured, not convertible into shares, in 2 series, with unit value of one thousand reais (R$ 1,000), totaling R$ 2,000,000, comprised of 1,764,888 debentures of the 1st series, with maturity on July 10, 2024 and 235,112 debentures of the 2nd series, maturing on July 10, 2026. The debentures of the 1st series will be amortized in three annual installments, the first on maturing on July 10, 2022, and, the debentures of the 2nd series will be amortized in two annual installments, the first one maturing on July 10, 2025. The payment of interest is made on a half-yearly basis, with the first payment made on January 10, 2020.

d.2 Guarantees

The debentures of the 1st and 2nd series have unsecured guarantee as suretyship provided by the guarantor Ultra Som Serviços Médicos S.A., the Company's subsidiaries, as joint and several debtor and main payer of all obligations assumed.

d.3 Covenants

The debentures issued by the Company have contractual clauses and restrictions related to advanced maturity, including, but not limited to, those that oblige the Company to keep a "financial index" equal or lower than 3.0 measure on a quarterly basis. Said financial index is composed by the net debt divided by net income (loss) for the period before the financial result, income tax and social contribution, depreciation and amortization, *stock option non-cash expenses*, *impairment*, non-recurring revenues or expenses, gains (losses) in the sale of assets. As of December 31, 2020, the Company is in compliance with financial covenants.

In addition to the financial covenants, the debentures have restrictive non-financial contractual clauses that involve a series of conditions such as default, transfer of corporate control and others, which, in the event of not being met, may lead to the early maturity of the respective operations. On December 31, 2020, the Company is in compliance with financial and non-financial covenants.

20 Leases

The Company has lease agreements for Real estate rented from third parties and related parties, as well as other leasing and service agreements with terms exceeding 12 months.

	Consolidated	
	12/31/2020	**12/31/2019**
Balance at the beginning of the period	**958,811**	**-**
Leases acquired in business combinations	13,821	100,325
Initial adoption	-	806,425
New contracts	52,661	31,575
Remeasurements	38,752	54,698
Interest accrual	85,258	74,092
Payments	(141,060)	(108,214)
Balance at the end of the period	**1,008,243**	**958,811**
Current	42,950	36,866
Non-current	965,293	921,945

Below, we detail future payments of leasing agreement considerations:

	Consolidated	
	12/31/2020	**12/31/2019**
2020	-	56,270
2021	53,173	49,446
2022	47,867	43,838
2023	42,915	38,624
2024	38,584	34,805
>2025	825,704	735,828
Present value of minimum payments of leasing	**1,008,243**	**958,811**

The weighted average rate used to calculate the discount to present value of leasing minimum payments is 9.07% p.a. as of December 31, 2020 (9.10% p.a. as of December 31, 2019). There are no significant differences between the present value of lease minimum payments and the market value of these financial liabilities.

21 Technical provision for health care operations

	Consolidated	
	12/31/2020	**12/31/2019**
Unearned premium reserve - UPR (a)	169,610	157,889
Outstanding SUS claims reserve (b)	629,299	399,283
Outstanding claims reserve (c)	130,826	123,075
Incurred but Not Reported claims - IBNR (d)	199,677	176,531
Other provisions	1,485	1,365
Total	1,130,897	858,143
Current	1,129,109	858,143
Non-current	1,788	-

(a) Unearned premiums reserve (UPR) consists of the accounting recognition of the amount charged by the Group to its clients a pro rata die basis within the monthly coverage period. The recognition as revenue only happens in the subsequent period, when the period of the coverage is actually incurred.

(b) The Group records events referring to reimbursement of medical expenses to SUS in this account, including the collection notifications already sent and an estimate of future notifications that are under analysis, calculated according to its own methodology, from judicial decision.

(c) Provision for claims that have occurred but not yet been paid. The provision is made for the full amount informed by the hospitals/clinics or by the beneficiary upon submission of documents to the company. It is subsequently adjusted for reductions after the validation of Group's employees (medical auditors).

(d) Provision to cover payment of losses that occurred but had not yet been reported to the company before the end of the year, which was made based on actuarial calculations. The calculations are obtained based on quarterly run-off triangles considering historic development of claims paid in the past 12 months, to establish a future forecast per occurrence period. For certain providers, for which it is possible to measures the volume of unbilled services, this provision is not constituted on a statistical basis but rather at the real amount of accounts not yet submitted.

Health operators, subsidiaries of the Company, issue health insurance and dental assistance contracts in which they assume insurance risks, which include the frequency of use and fluctuation of costs.

The Company prepared the liability adequacy test for all contracts that meet the definition of an insurance contract under IFRS 4 Insurance Contracts and that are in effect on the date of the test. This test is prepared on a quarterly basis, considering current estimates of future cash flows, using the reference base date of active customers, with no new entrants. The methodology projects inflows and outflows of financial resources, considering the technical and financial readjustments, changes in value due to age changes, changes in assistance costs, administrative and commercial expenses, investment returns and value of money over time using the discount rate Term Structures of Risk-Free Interest Rates.

The groupings carried out at liability adequacy test were individual, corporate and collective membership plans.

The liability adequacy tests were carried out on the base date of December 31, 2020, and their results did not present insufficiencies on the date of their realization, demonstrating the long-term viability of the portfolios.

If any deficiency is identified, the Company records the loss immediately as an expense in the income statement for the year, first reducing acquisition costs to a limit of zero and then constituting additional provisions for insurance liabilities already recorded on the test date.

The technical provisions represent the calculation of the expected risks inherent to the health care operations of the Group's operators, which are subject to the mandatory maintenance of financial guarantees to cover such risks, established by RN ANS nº 209/09 and subsequent amendments, described below:

- **Adjusted minimum equity and solvency margin**: in order to operate in the health plan market regulated by ANS, the health plan operator must maintain the adjusted net worth for economic purposes as established in RN ANS nº 209/09 and subsequent amendments. Adjusted shareholders' equity is calculated as shareholders' equity less non-current intangible assets, tax credits arising from tax losses, deferred sales expenses and anticipated expenses. The Group determines the adjusted shareholders' equity on a monthly basis and assesses the sufficiency of the solvency margin, in accordance with ANS Normative Instruction 373/15 and subsequent amendments.

  The Group has achieved the sufficiency of this requirement in all the years presented, as shown in the following comparative table:

	12/31/2020	12/31/2019
Adjusted Minimum Equity	2,648,086	1,616,292
Required Solvency Margin	1,296,236	1,197,091
Calculated sufficiency	1,351,850	419,201

- **Collateral related assets**: according to the rules established by RN ANS nº 392/15 and other subsequent amendments, health and dental plan operators must have sufficient guarantee assets to cover all the technical provisions recognized on the balance sheet date and deducted from the Unearned premium reserve and the installment of the events to be settled referring to the charges presented by the providers in the last 30 or 60 days.

The Group has achieved the sufficiency of this requirement in all periods presented, as shown in the following comparative table:

	12/31/2020	12/31/2019
Required linked guarantee assets (i)	802,193	458,759
Effective linked guaranteeing assets (see Note 12- b)	1,003,827	660,750
Other linked assets	1,975	-
	1,005,802	660,750
Sufficiency calculation	203,609	201,991

(i) Corresponding to the amount of technical provisions for which coverage of guaranteeing assets is required, under the terms of current legislation.

Changes in technical provisions

	UPR	Outstanding SUS claims reserve	Outstanding claims reserve	IBNR	Other provisions	Total
Balance at 01/01/2019	**36,537**	**162,463**	**58,028**	**151,097**	**-**	**408,125**
Provisions	5,949,861	122,927	2,077,416	12,570	10	8,162,784
Acquisitions of companies	48,653	67,516	85,425	76,265	1,355	279,214
Appropriations /Reversals	(5,877,162)	-	-	(63,401)	-	(5,940,563)
Restatements	-	48,421	-	-	-	48,421
Settlements	-	(2,044)	(2,097,794)	-	-	(2,099,838)
Balance at 12/31/2019	**157,889**	**399,283**	**123,075**	**176,531**	**1,365**	**858,143**
Provisions	8,697,706	211,873	2,757,180	21,908	393	11,689,060
Acquisitions of companies	8,012	9,911	23,131	17,044	-	58,098
Appropriations /Reversals	(8,693,997)	-	-	(15,806)	(273)	(8,710,076)
Restatements	-	76,401	-	-	-	76,401
Settlements	-	(68,169)	(2,772,560)	-	-	(2,840,729)
Balance at 12/31/2020	**169,610**	**(629,299)**	**130,826**	**199,677**	**1,485**	**1,130,897**

22 Payroll obligations

	Parent company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Provision for vacation and 13th salary	-	-	125,900	147,211
Salaries payable	991	-	66,890	11,920
Other social security obligations	-	948	2,651	13,343
Total	991	948	195,441	172,474

23 Provision for tax, civil and labor risks

The Group's is party (as defendant) to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil issues and contingencies with the regulatory agency (ANS).

The Company record provisions for all proceedings, classified as probable risk of loss, which it considers sufficient to cover probable losses.

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Provision for tax lawsuits (i) (contain ANS)	36,106	35,954	228,240	249,756
Provision for civil risk (ii)	29	3	118,540	87,353
Provision for labor risk (iii)	-	26	55,169	51,549
Total	**36,135**	**35,983**	**401,949**	**388,658**

We detail below the changes in the provision for risks for the year ended December 31, 2020 and December 31, 2019:

Provision for tax, civil and labor risks	**Parent company**
Balances at December 31, de 2019	**34,890**
Provision	1,093
Balances at December 31, 2019	**35,983**
Provision and reversals, net	2,045
Settlements	(1,893)
Balances at December 31, 2020	**36,135**

	Consolidated			
	Civil	**Labor**	**Tax**	**Total**
Balances at January 1, 2019	**66,338**	**25,779**	**171,324**	**263,441**
Acquisitions and reversal, net	31,265	8,847	32,150	72,262
Acquisitions of companies	23,788	21,563	50,829	96,180
Settlements	(33,758)	(4,920)	(4,547)	(43,225)
Transfers	(280)	280	-	-
Balances at December 31, 2019	**87,353**	**51,549**	**249,756**	**388,658**
Acquisitions and reversal, net	53,086	(200)	(17,396)	35,490
Acquisitions of companies	4,004	4,919	2,836	11,759
Settlements	(25,903)	(1,099)	(6,956)	(33,958)
Balances at December 31, 2020	**118,540**	**55,169**	**228,240**	**401,949**

Risks with probable loss:
The main issues of the lawsuits and administrative proceedings, classified as probable losses by the Company are described below:

(i) Provisions for tax lawsuits and proceedings

Theme: ANS administrative fines/ reimbursement to SUS (regulatory aspects) - Administrative proceedings and tax foreclosures filed by ANS, in which administrative fines are charged due to alleged noncompliance with the norms regulating the activity of health plan providers, and amounts related to reimbursement to Unified Health System (SUS), resulting from the attendance of beneficiaries of the Group in the public network and in the SUS, based on article 32 of law 9656/98. In relation to the theme presented herein, the Company and its subsidiaries have provisioned the amount of R$ 144,145 (R$ 169,982 as of December 31, 2019), to support probable losses arising from lawsuits, and probable losses arising from administrative claims.

Theme: Tax on Services (ISS) – This contingency derives from administrative and legal proceedings filed by Municipal Finance Departments through which tax on services allegedly owed by the Company and/or its subsidiaries is collected as a result of their operating activities. The Company and its subsidiaries have provisioned the amount of R$ 5,193 (R$ 5,734 as of December 31, 2019).

The amounts of provisions related to judicial and administrative proceedings of a tax nature that are not covered by the aforementioned themes are pulverized into groups of less representative claims, constituting a less significant part of the provision presented herein.

(ii) Provisions for civil lawsuits and proceedings

Theme: Contractual Grace Period - Lawsuits filed by beneficiaries seeking to obtain health care coverage from the health care plan without proper compliance with the grace periods. In this scenario, many court decisions are made disregarding the applicable legislation, without due obedience to the grace periods provided by law and/or contracts. The Company and its subsidiaries have provisioned the amount of R$ 13,736 (R$ 10,887 as of December 31, 2019).

Theme: Legal and/or Contractual Coverage Exclusion - Civil proceedings filed by beneficiaries seeking to obtain coverage for services not covered by law or contract, such as: medical procedures not provided for in the ANS list, aesthetic and experimental procedures outside the mandatory list, such as aesthetic treatments, and home care service. In this scenario, many judicial decisions are made in non-compliance with the applicable legislation, without due obedience to the care limits defined by law and/or contracts. The Company and its subsidiaries have provisioned the amount of R$ 22,713 (R$ 16,223 as of December 31, 2019).

Theme: Indemnity lawsuits - Medical Acts - Civil proceedings filed by beneficiaries seeking compensation for damages suffered by allegedly inadequate medical conduct. In such cases, the beneficiaries seek to assign joint liability to the Group for the medical act practiced by their accredited professionals. The Company and its subsidiaries have provisioned the amount of R$ 24,558 (R$ 15,652 as of December 31, 2019).

Theme: Debts with Providers in General - Civil lawsuits filed by service providers, seeking to obtain payment of amounts supposedly owed by the Group on several grounds, such as: improper charge from hospitals, contractual rescissions, etc. The Company and its subsidiaries have provisioned the amount of R$ 14,563 (R$ 10,502 as of December 31, 2019).

The amounts of provisions related to judicial and administrative proceedings of a civil nature that are not covered by the aforementioned themes are aggregated into groups of less representative claims, constituting a less significant part of the provision presented herein.

(iii) Provisions for labor lawsuits and proceedings

Theme: Acknowledgment of employment relationship - Labor lawsuits filed by service providers, seeking to obtain recognition of an alleged employment relationship maintained with the Group, even without the presence of the typical assumptions of an employment relationship. In this scenario, we can give the following examples: physicians, radiology technicians, physiotherapists, phonoaudiologists etc. The Company and its subsidiaries have provisioned the amount of R$ 20,149 (R$ 23,729 as of December 31, 2019).

Theme: Labor amounts and severance pay - Labor lawsuits individually or jointly filed by former employees or employees, who claim the receipt of labor amounts and severance pay related to the period in which they worked for the Company and its subsidiaries, including: overtime, additional pays related to health hazard and night work allowances, salary equalization, deviation and accumulation of functions, fines provided for in articles 467 and 477 of the Brazilian Labor Code (CLT), etc. The Company and its subsidiaries have provisioned the amount of R$ 26,259 (R$ 27,268 as of December 31, 2019).

The amounts of provisions related to judicial and administrative proceedings of a labor nature that are not covered by the aforementioned themes are aggregated into groups of less representative claims, constituting a less significant part of the provision presented herein.

Risks with possible loss:
The Company discusses other actions for which management and its legal advisors' estimate are of possible losses and for which no provision was recorded.

We present below the composition of the amounts of risk arising from judicial and administrative proceedings, classified with a possible risk of loss, in which the Company and/or its subsidiaries are party, related to the year ended December 31, 2020 and December 31, 2019:

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tax (i)	7,447	2,682	896,802	643,015
Civil (ii)	200	50	401,081	288,911
Labor (iii)	236	3,283	290,509	229,437
Total	7,883	6,015	1,588,392	1,161,363

(i) Contingent liabilities for lawsuits and tax lawsuits

Theme: ANS Administrative Fines/Reimbursement to SUS - In relation to the theme presented, the Group presented a contingent liability of R$ 324,802 (R$ 181,790 as of December 31, 2019), related to proceedings and administrative proceedings of regulatory nature, classified as possible loss risk.

Theme: Tax foreclosures - Service Tax (ISS) - In relation to the theme presented, the Group presented a contingent liability of R$ 156,087 (R$ 125,619 as of December 31, 2019), related to tax lawsuits and proceedings, classified as possible loss risk.

Theme: Tax foreclosures - Business Succession - The contingency herein refers to tax foreclosures originally filed against other health care companies, in which the National Treasury requested the redirection to the Group, on the grounds of alleged business succession arising from operations of disposal of the portfolio of beneficiaries. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 147,733 (R$ 118,490 as of December 31, 2019), related to tax lawsuits and proceedings, classified as possible loss risk.

Theme: Social Security Matters - The contingency herein mainly results from tax notices of violation filed against the Group for tax credits due to alleged irregularities or lack payment of social security contributions, among other social security matters. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 209,801 (R$ 217,116 as of December 31, 2019), related to tax lawsuits and proceedings, classified as possible loss risk.

(ii) Contingent liabilities for civil lawsuits and proceedings

Theme: Contractual Grace Period - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 24,021 (R$ 10,547 as of December 31, 2019), related to civil, judicial and administrative proceedings, classified as possible loss risk.

Theme: Legal and/or Contractual Exclusion of Coverage - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 34,941 (R$ 28,897 as of December 31, 2019), related to civil lawsuits, lawsuits and proceedings, classified as possible loss risk.

Theme: Indemnity lawsuits - Medical Acts - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 225,996 (R$ 210,804 as of December 31, 2019), related to civil lawsuits, lawsuits and proceedings, classified as possible loss risk.

Theme: Debts with Providers in General - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 38,910 (R$ 38,663 as of December 31, 2019), related to civil, judicial and administrative proceedings, classified as possible loss risk.

(iii) Contingent liabilities for lawsuits and labor lawsuits

Theme: Recognition of employment relationship - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 57,051 (R$ 49,747 as of December 31, 2019), related to labor lawsuits and proceedings, classified as possible loss risk.

Theme: Labor and Severance Charges - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 65,308 (R$ 35,999 as of December 31, 2019), related to labor lawsuits and proceedings, classified as possible loss risk.

Theme: Assessment Notices / Notice of Debt from the Guarantee Fund and Social Contribution (NDFC) / Notification for payment of FGTS and Social Contribution (NFGC) / Notification for withdrawal of FGTS and Social Contribution (NFRC) - The contingency currently addressed arises from Assessment Notices and Debt/Tax Notices related to the Employee Government Severance Fund (FGTS) filed against the Company and its subsidiaries claiming administrative fines and FGTS payments arising from alleged violations of the legal rules governing labor and employment relationships. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 158,618 (R$ 143,691 as of December 31, 2019), related to labor lawsuits, classified as possible loss risk.

Judicial deposits

The Company has judicial deposits held in assets in the following amounts:

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tax judicial deposits	1	-	166,872	129,041
Civil judicial deposits	2,022	1,049	64,202	46,985
Labor judicial deposits	110	149	15,454	11,610
Total	2,133	1,198	246,528	187,636

24 Shareholders' equity

The Company approved at the Extraordinary Shareholders' Meeting, on November 19, 2020, a proposal to split the totality of shares, in the proportion of 5 common shares for each share of the same type, without any change in the Company's capital stock. Thus, the number of shares increased from 742,985,906 to 3,714,929,530, all common, registered, book-entry shares with no par value.

a. Share capital

On December 31, 2020 and December 31, 2019, the subscribed and paid-up share capital is broken down as follows:

	12/31/2020	12/31/2019
Number of shares	3,714,929,530	742,985,906
Share capital	5,825,522	5,825,522
Costs with issuance of shares	(174,996)	(174,996)
	5,650,526	**5,650,526**

b. Legal reserve

The legal reserve is mandatorily recognized at 5% of net income for the year until reaching 20% of the share capital.

c. Dividends

Changes in dividends and interest on shareholders' equity payable are as follows:

Balance of dividends and shareholders' equity as of December 31, 2018	184.513
Dividends proposed on December 31, 2019 - minority shareholders	7.616
Dividends proposed on December 31, 2019 - owners of the company	23.210
Interest on own capital proposed to minority shareholders, net of corporate income tax (i e ii)	51.738
Interest on own capital proposed to the Owners of the Company, net of withholding corporate income tax (i e ii)	140.788
Dividends payable from investments acquired	4.887
Dividends and interest on own capital effectively paid in the year (i)	(192.732)
Balance of dividends and interest on own capital as of December 31, 2019	220.020
Dividends proposed on December 31, 2020 - minority shareholders	3.034
Dividends proposed on December 31, 2020 - owners of the company	6.691
Interest on own capital proposed to minority shareholders, net of corporate income tax (iii)	53.528
Interest on own capital proposed to the Owners of the Company, net of withholding corporate income tax (iii)	122.821
Dividends and interest on own capital effectively paid in the year (iv)	(204.653)
Balance of dividends and interest on own capital as of December 31, 2020	201.441

(i) On June 27, 2019, the Board of Directors' meeting resolved on the payment of Interest on own capital in the gross amount of R$ 104,396, equivalent to R$ 0.15 per share issued by the Company, with a 15% retention, except for the shareholders that proved to be immune or exempt, as well as for the remaining legal hypotheses.

(ii) On December 27, 2019, the Board of Directors' meeting resolved on the payment of interest on own capital in the gross amount of R$ 118,646, equivalent to R$ 0.16 per share issued by the Company, with a 15% retention, except for the shareholders that proved to be immune or exempt, as well as for the remaining legal hypotheses.

(iii) On September 3, 2020, the Board of Directors' meeting resolved on the distribution of interest on equity in the gross amount of R$ 110,770 (R$ 95,739, net of withholding income tax), equivalent to R$ 0.15 per share issued by the Company. On December 30, 2020, at a meeting of the Board of Directors, it resolved on the distribution of interest on shareholders' equity in the amount of R$ 93,360 (R$ 80,610, net of withholding income tax), withholding income tax, except for shareholders who have proven to be immune or exempt, as well as the other legal hypotheses.

(iv) At a meeting dated July 13, 2020, the Company's Board of Directors decided to anticipate the payment of part of the amounts declared as interest on own capital and dividends related to the year ended December 31, 2019, to July 24 2020, in the net amount of R$ 102,296. On September 3, 2020, the Company's Board of Directors decided to anticipate the remainder of the payment of the amounts declared as interest on own capital and dividends for the year ended December 31, 2019, to September 18, 2020, in the net amount from R$ 102,357.

d. Earnings per share

The calculation of basic earnings per share was based on net income attributed to common shareholders and the weighted average of common shares outstanding.

The calculation of diluted earnings per share was based on net income attributed to common shareholders and the weighted average of common shares outstanding after adjustments for all potential dilutive common shares. Basic and diluted earnings per share are being presented considering the retrospective effects of the stock split approved on November 19, 2020.

	12/31/2020	12/31/2019
Net income attributable to the Company (R$ thousand)	785,299	851,846
Net income attributable to controlling shareholders (In thousands of Reais)	783,464	849,825
Weighted average number of shares (thousands of shares)	3,714,930	3,863,494
Basic and diluted earnings per share (R$ thousand)	0.21	0.22

25 Net revenue from services provided

	Consolidated	
	12/31/2020	**12/31/2019**
Insurance revenue	8,693,997	5,877,162
Revenue from other activities	318,940	54,015
Deductions (a)	(457,976)	(296,794)
Total	8,554,961	5,634,383

(a) Deductions refer substantially to taxes levied on revenue.

26 Cost of services rendered

	Consolidated	
	12/31/2020	**12/31/2019**
Medical, hospital and other costs	(5,202,876)	(3,451,256)
Change in IBNR	(6,102)	50,831
Total	(5,208,978)	(3,400,425)

27 Sales expenses

	Consolidated	
	12/31/2020	**12/31/2019**
Expenses on advertising and marketing	(53,687)	(45,005)
Commission expenses	(370,398)	(304,255)
Provision for credit losses	(221,447)	(166,968)
Other sales expenses	(25,188)	(3,499)
Total	(670,720)	(519,727)

28 Administrative expenses

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Own personnel expenses	(21,685)	(25,594)	(359,060)	(222,508)
Outsourced service expenses	(7,069)	(4,569)	(213,097)	(158,204)
General services, rentals and utilities (i)	(3,818)	(2,786)	(702,650)	(202,776)
Tax expenses	(135)	(462)	(12,939)	(5,568)
Indemnity, court costs and allowance for doubtful accounts and provisions for contingencies	(2,247)	(2,023)	(93,743)	(76,437)
Other expense, net	(48)	-	(32,030)	(10,587)
	(35,002)	(35,434)	(1,413,519)	(676.080)

(i) The main nature of this group refers to depreciation and amortization expenses, which total R$ 589,810 (R$ 106,851 as of December 31, 2019) of the consolidated financial statement. The variation in the account, in 2020, is substantially because of the capital gain of property, plant and equipment and intangible assets recognized in business combinations.

29 Net Financial Result

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finance income				
Revenue from investments, except for guarantee assets	24,113	128,602	66,259	241,223
Revenue from investments - Collateral Assets	-	-	23,149	18,773
Revenue from late receipt	-	-	31,658	26,615
Financial revenues from derivative instruments	-	-	17,136	2,204
Other	3	10	14,021	21,765
	24,116	128,612	152,223	310,580
Finance expenses				
Interest in debentures	(61,121)	(49,227)	(61,121)	(49,227)
Interest on leases	(413)	(223)	(85,258)	(74,052)
Discounts granted	-	-	(21,253)	(23,812)
Bank expenses	(48)	(358)	(16,181)	(10,057)
Expense on exchange rate change	-	-	-	(2,445)
Tax charges	-	-	(325)	(215)
Exchange variation expense	-	-	(16,995)	-
Monetary variance	(109)	(193)	(79,957)	(50,369)
Interest on loans and borrowings	-	-	(3,192)	-
Other	(8)	(432)	(2,420)	(4,408)
	(61,699)	(50,433)	(286,702)	(214,585)
Total	**(37,583)**	**78,179**	**(134,479)**	**95,995**

30 Income tax and social contribution

a. Reconciliation of effective rate of income tax and social contribution recognized in profit or loss

Since the amounts determined in parent company financial statements are not relevant, it is being presented only the consolidated reconciliation of consolidated financial statements:

		12/31/2020		12/31/2019
Income before income tax and social contribution		1,132,658	-	1,129,471
Rates				
IRPJ, plus the additional tax rate		25%	-	25%
CSLL		9%	-	9%
Expense with income tax and social contribution at the statutory rate	34.00%	385,104	34.00%	384,020
Permanent differences				
Tax loss for which a deferred tax asset was not recognized	2.13%	24,154	-	-
Expenditures with issuance of shares	-	-	(2.23%)	(25,224)
Interest on own capital	(6.13%)	(69,404)	(6.71%)	(75,834)
Non-deductible provisions	0.41%	4,670	0.05%	614
Other additions and exclusions	0.04%	458	(0.47%)	(5,317)
Subtotal	**(3.54%)**	**(40,122)**	**(9.36%)**	**(105,761)**
Impacts of the tax on entities taxed by deemed profit (i)				
Reversal of the tax effect by the actual income tax regime rate	0.57%	(6,476)	(0.11%)	(1,241)
Income and social contribution taxes calculated by presumed profit	0.78%	8,853	0.05%	607
Subtotal	**0.21%**	**2,377**	**(0.06%)**	**(634)**
Expense with income tax and social contribution (rate at %)	30.67%	347,359	24.58%	277,625
Current income tax and social contribution		597,283		362,818
Deferred income tax and social contribution		(249,924)		(85,193)
Expense with income tax and social contribution	**30.67%**	**347,359**	**24.58%**	**277,625**

(i) Exclusion of the effects of the application of the official rates on the profit before income tax and social contribution of the result of the entities of the Group that are taxed under the presumed profit regime, under the terms of the current legislation.

Changes in balances of income tax and social contribution payable in the year are as follows:

	Consolidated	
	12/31/2020	**12/31/2019**
Balance at the beginning of the year	61,982	33,860
Income tax and social contribution	597,283	362,818
Balance of income tax and social contribution of acquiree	10,984	7,470
(-) Payments made	(574,124)	(342,166)
Balance at end of the year	85,141	61,982

The Company and its subsidiaries do not have income tax and social contribution losses directly on equity.

b. Recoverable taxes

The balance refers mainly to income tax and social contribution credits as a result of withholdings on the distribution of interest on shareholders' equity and income from short and long term investments, as well as overpayments recorded as recoverable taxes that will be offset throughout the next period, without no need for impairment, considering the Group's ability to generate income for such purposes.

c. Deferred income tax and social contribution

	Parent company				
	Balance at 12/31/2018	**Recognized in income (loss)**	**Balance at 12/31/2019**	**Recognized in income (loss)**	**Balance at 12/31/2020**
Provision for tax, civil and labor risks	11,863	372	12,235	51	12,286
Credit on tax loss and negative basis	55,916	80,732	136,648	91,630	228,278
Issuance cost of debentures	-	1,609	1,609	(338)	1,271
Deferred tax on right-of-use assets	-	24	24	55	79
Other tax credits	12	16	28	190	218
Total	**67,791**	**82,753**	**150,544**	**91,588**	**241,132**

	Consolidated						
	Balance at 12/31/2018	**Recognized in income (loss)**	**Acquisition of companies**	**Balance at 12/31/2019**	**Recognized in income (loss)**	**Acquisition of companies**	**Balance at 12/31/2020**
Provision for tax, civil and labor risks	89,569	(1,202)	32,663	121,030	2,083	-	123,113
Provision for credit losses	13,171	2,353	10,101	25,625	12,395	-	38,020
Deferred commissions expenses	(46,655)	(1,631)	(11,151)	(59,437)	(5,951)	-	(65,388)
Credit on tax loss and negative basis (i)	55,916	101,554	-	157,470	100,500	-	257,970
Amortization of surplus	-	22,218	-	22,218	162,376	-	184,594
Deferred tax on goodwill (ii)	-	-	-	-	(39,538)	-	(39,538)
Deferred tax on right-of-use assets	-	7,591	-	7,591	9,347	236	17,174
Issuance cost of debentures	-	1,661	-	1,661	(338)	-	1,323
Other tax credits	14,004	(47,351)	46,678	13,331	9,050	322	22,703
Total	**126,005**	**85,193**	**78,291**	**289,489**	**249,924**	**558**	**539,971**
Deferred tax (asset)	**126,005**			**289,489**			**579,509**
Deferred tax (liability)	**-**			**-**			**(39,538)**

(i) Only the transaction of entities for which it is probable that future taxable income is made available for the Group to be able to use the respective benefits were included in the calculation of deferred income tax and social contribution.

(ii) Deferred tax liabilities recorded on the tax amortization of goodwill arising from business combinations, according to article 22 of Brazilian Law 12,973/14

The Company has tax losses and negative bases of social contribution in the determination of taxable profit that represent a right without prescription term to be used in the following years, under the terms of the current legislation. After carrying out the business combinations that took place as of 2019, the Company carried out its strategic corporate restructuring plan in order to support the realization of it, having already implemented the steps described in Note 4. By the year 2024, the Company should substantially allocate tax credits on goodwill arising from concluded business combinations and have a greater volume of realization of credits between the years 2025 to 2028.

31 Financial instruments

(i) Accounting classification and fair values

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are classified at different levels in a hierarchy based on the information used in the valuation techniques as presented in Note 9.

In the years ended December 31, 2020 and 2019, the Company and its subsidiaries did not transfer between financial assets, nor did they transfer between hierarchical levels.

The financial instruments of the Company and its subsidiaries are shown in the table below and present the book values of financial assets and liabilities, including their levels in the valuation hierarchy:

	Consolidated						
December 31, 2020	**Book value**			**Fair value**			
Financial assets measured at fair value	**Amortized cost**	**Fair value through profit or loss**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short- and long-term investments							
Investment Funds	-	2,094,321	2,094,321	-	2,094,321	-	2,094,321
Derivative financial instruments	-	14,546	14,546	-	14,546	-	14,546
Total	**-**	**2,108,867**	**2,108,867**	**-**	**2,108,867**	**-**	**2,108,867**
Financial assets not measured at fair value							
Short- and long-term investments							
Brazilian Treasury Bill - NTN-B	35,896	-	35,896	-	-	-	-
Total	**35,896**	**-**	**35,896**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value							-
Borrowings and financing	(60,891)	-	(60,891)		-	-	-
Debentures	(2,016,336)	-	(2,016,336)	-	-	-	-
Dividends and interest on own capital	(191,716)	-	(191,716)	-	-	-	-
Leases	(1,008,243)	-	(1,008,243)	-	-	-	-
Contingent consideration	-	(178,169)	(178,169)	-	-	(178,169)	(178,169)
Total	**(3,277,186)**	**(178,169)**	**(3,455,355)**	**-**	**-**	**(178,169)**	**(178,169)**

	Consolidated					
December 31, 2019	**Book value**			**Fair value**		
Financial assets measured at fair value	**Amortized cost**	**Fair value through profit or loss**	**Total**	**Level 1**	**Level 2**	**Total**
Short- and long-term investments						
Investment Funds	-	2,898,248	2,898,248	-	2,898,248	2,898,248
Derivative financial instruments	-	2,000	2,000	-	2,000	2,000
Total	**-**	2,900,248	2,900,248	-	2,900,248	2,900,248
Financial liabilities not measured at fair value						
Borrowings and financing	67,499	-	67,499	-	-	-
Debentures	2,044,494	-	2,044,494	-	-	-
Dividends and interest on own capital	220,020	-	220,020	-	-	-
Leases	958,811	-	958,811	-	-	-
Total	**3,290,824**	**-**	**3,290,824**	**-**	**-**	**-**

The amounts of cash and cash equivalents, trade receivable and suppliers are not included in the table above since their book values approximate their fair values due to the maturity of these financial instruments in the short term.

Short and long term investments in CDB have fair value approximating the book value recorded, since they have a grace period of up to 90 days, being remunerated by interest rates indexed to the DI (Interbank Deposits) curve and issued by first-tier financial institutions.

(ii) Measurement at fair value

Assets and liabilities measured at fair value are as follows:

a) Investment funds
Obtained from the quota values disclosed by financial institutions.

b) Derivative financial instruments
Based on the fair value derivative financial instruments disclosed by financial institutions.

c) Contingent consideration
The valuation model considers the present value of expected future payments, discounted by a risk-adjusted rate. The amounts recorded at Level 3 refer substantially to the acquisitions of Grupo São José and Medical, which are detailed in Note 3.

Derivative financial instruments
As of December 31, 2020, the Company has derivative financial instrument contracts (foreign exchange SWAP), used to reduce exposure to foreign currency exchange rate volatility.

Instrument	Maturity	Long position	Short position	Fair value	Nocional	Amounts receivable
Swap cambial	April 2022	€ + 0.9567% per year	100% CDI	7,517	R$ 25,000	7,517
Swap cambial	March 2022	U$ + 3.876% per year	100% CDI+ 1.4% per year	7,029	R$ 25,000	7,029
				14,546		14,546

(iii) Risk management

a) Market risk management
The Group has a formalized policy to make investments and to use financial instruments in its activities.

The Investment Policy has the following characteristics: (i) to make all investments in fixed income securities that pose low risk; (ii) to invest the majority of funds in immediate liquidity assets and a minor portion with a grace period of up to 90 days, whereas such amount is based on expectations of using funds for organic growth and acquisitions; (iii) to invest in financial instruments with an estimated gross performance of 99.5% of CDI; (iv) to invest in highly rated institutions with an individual limit of 35% and up to 10% in highly rated financial institutions, with an individual limit of 35% and up to 10% in others banking institutions, with an individual limit of 5%; (v) fully comply with ANS regulations; (vi) holding the majority of investments until maturity.

On a regular basis, the Financial area consolidates indicators and reports on the management of investments and financial instruments with a detailed analysis of the distribution, risks, maturities, interests, performances and results, addressing the most relevant aspects of the macroeconomic environment and ensuring alignment with the financial instruments investment policy.

Market risk and sensitivity analysis
As of December 31, 2020, the Company and its subsidiaries have the following sensitivity of its financial assets and liabilities based on the change in the basic interest rate of the economy (CDI), whose impacts are projected according to the scenarios below. The Company considers the CDI rate released as of December 31, 2020 as the probable scenario.

	Balance at 12/31/2020	Risk	Scenario -50% (0.95%)	Scenario -25% (1.43%)	Probable scenario (1.90%)	Scenario +25% (2.38%)	Scenario +50% (2.85%)
Short-term and long-term investments							
Balance of pledged financial investments	1,003,827	100% CDI	9,536	14,305	19,073	23,841	28,609
Balance of investments (free)	2,519,679	100% CDI	23,937	35,905	47,874	59,842	71,811
Debentures							
Debentures - 1st serie	1,779,444	109% CDI	16,905	25,357	33,809	42,262	50,714
Debentures - 2nd series	236,892	110.55% CDI	2,250	3,376	4,501	5,626	6,751

b) *Underwriting risk*

Insurance Risk and Pricing Policy
Companies that operate in health and dental care business are exposed to risks related to cost volatility. Dental plans are less exposed than health plans due to lower frequency of use and lower complexity of the treatments.

When the Group is developing a new product it analyzes many variables to define the price of this product, such as the demographic area where the product will be offered, the frequency of use of services established in the area calculated with historical records, and the costs of main inputs in the area it will be sold (doctors, health care professionals, market price of main procedures). Based on these analyses, the Group determines the price of health and dental plans.

Each client that is considered medium or large company has its medical losses ratio calculated every year when the Group is negotiating annual price increase for health and/or dental insurance plans (individual clients are regulated by ANS). Based on historical usage of the service network controlled by biometrics and based on expectations of costs related to these clients, the price increase of this contract is determined. This practice mitigates risks of clients bringing constant losses to the Group.

Regarding individual clients, the pricing of the products considers an additional value because this type of client historically has a greater use of service network.

Sensitivity analysis
One way to measure possible impacts on results and equity, resulting from underwriting risks, is to raise awareness of the variables that may be affected due to the product underwriting process or price inadequacy.

The following sensitivity analyzes simulate the possible impacts on results and shareholders' equity, of changes in operating parameters before and after contracting:

	December 31, 2020 - Consolidated	
	Income before taxes	**Income after taxes and impact on shareholders' equity**
5% increase in sinister	(260,449)	(171,896)
5% increase in administrative and sales expenses	(104,212)	(68,780)
5% reduction in sinister	260,449	171,896
5% reduction in administrative and sales expenses	104,212	68,780

Determination of technical reserves and collateral assets
The calculation of technical reserves is performed monthly by actuarial staff, and is monitored by the Controllership team to assess the need for collateral assets at the end of each quarter in accordance with the criteria set forth by article 2 of Regulatory Instruction nº 392, to ensure that the requirements established by the industry's regulatory agency are met. In addition, the Group assesses at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts and liability adequacy tests. Should this assessment show that the liability amount per agreement is improper in light of estimated future cash flows, all insufficiency of technical reserve should be recognized in income (loss) for the year. The Group did not record adjustments arising from liability adequacy tests.

Note 21 presents the technical reserves, their natures and breakdown of each obligation related to SUS, due to the particularities set forth by regulation.

c) Operating risk
Operating risk is defined as the possibility of losses resulting from failure, weakness or inadequacy of internal processes, people and systems or external events.

The operating risk monitoring and management activity aims to mitigate the materialization of risks that may impair the quality of operations during the provision of contracted coverage and/or the provision of services. The identification of operating risks and associated controls is carried out through the mapping of organizational flows, so that, when identified, the impacts of such risks are quantified considering the expected pattern regarding their frequency and severity, using specific methodologies applicable to each risk assessed.

It is worth highlighting that mitigating actions are relevant to provide an environment with greater stability and control, insofar as it has an effective preventive purpose. Thus, the implementation of procedural protocols that guide the performance of the professionals who work in the operation makes a relevant contribution for the services to be performed within the technical and safety standards established by the areas responsible for preparing the manuals. Moreover, there are control areas working 24 hours a day that monitor the main indicators of customer service in the Company's own network units in real time. Both tools are important instruments for identifying situations outside the expected standard, allowing management to act quickly and efficiently before developments occur with impacts on the operation.

d) Credit risk

Credit risk is the risk of the Company incurring losses due to a client or financial instrument counterparty, resulting from failure in complying with contract obligations. Risk is mainly due to trade accounts receivable, and of short and long term investments.

Accounts receivable

Credit risk for the Company is considered as low by Management mainly for the health care company to which the monthly billings are made before services are rendered. Most of Company's accounts receivable is related to the risk coverage period (over time). In addition, in order to reduce risk of having the beneficiary's treatment costs without having been paid, the Company adopts the practice of canceling overdue plans as regulated by the National Regulatory Agency for Private Health Insurance and Plans (ANS) for the health care company.

The Group establishes a provision for impairment that consists of using factors related to losses observed in recent time series, adjusting historical loss rates to reflect current conditions and reasonable and bearable forecasts of future economic conditions in relation to accounts receivable and other accounts receivable. The provision account related to accounts receivable is used to record impairment losses, unless the Company assesses that it is not possible to recover the amount due; on this occasion, the amounts are considered to be unrecoverable and are recorded against the financial asset directly.

In general, the Group mitigates its credit risks by providing services to a very dispersed customer base and with no defined concentration. For defaulting customers, the Group cancels plans according to ANS rules.

Short and long term investments

Regarding the credit risks from short and long term investments, a table with quantitative information of maximum risk exposure risk with information on the ratings of financial institutions, counterparties of Group's investments:

			Ratings of financial institutions					
			Fitch (1)		Moody's (1)		S&P (2)	
	December 31, 2020	December 31, 2019	CP	LP	CP	LP	CP	LP
Banco Itaú Unibanco S.A.	782,939	853,520	F1+	AAA	BR-1	Aaa.br	brA-1+	brAAA
Banco Santander S.A.	1,055,911	957,599	-	-	BR-1	Aaa.br	brA-1+	brAAA
Banco Bradesco S.A.	1,033,929	260,344	F1+	AAA	BR-1	Aaa.br	brA-1+	brAAA
Caixa Econômica Federal	136,343	229,596	F1+	AA	BR-1	Aa1.br	brA-1+	brAAA
Banco do Brasil S.A.	248,725	903,917	F1+	AA	BR-1	Aa1.br	-	-
Banco Safra S.A.	217,315	134,292	-	-	BR-1	Aa1.br	brA-1+	brAAA
Other	48,344	66,713	-	-	-	-	-	-
	3,523,506	3,405,981						

(1) Most recent financial disclosure of each financial institution. National scale.

(2) Ratings from several Brazilian financial institutions reviewed after action on sovereign ratings; published on January 21, 2021.

(3) The risk assessment considers only private securities.

Cash and cash equivalents

The Group held Cash and cash equivalents in the amount of R$ 143,212 as of December 31, 2020 (R$ 224,229 as of December 31, 2019). Cash and cash equivalents are maintained with banks and financial institutions with AA- and AA+ rating, as the list disclosed by Fitch.

e) Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Company's Management approach in liquidity management is to guarantee, as much as possible, that it always has sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullying the Company's reputation.

The Company uses medical losses control to price its products and services, which helps it with the monitoring of cash flow requirements and the optimization of its cash return on investments. The Company seeks to maintain the level of its cash and cash equivalents and other highly negotiable investments at an excess amount of cash outflows on financial instruments (other than trade accounts payable). The Company also monitors expected level of cash inflows deriving from trade accounts receivable and other receivables as well as expected cash outflows related to trade accounts payable and other accounts payable.

The main sources of funds used by the Company and its subsidiaries are the volume of funds from the trading of their services. The income from investments from cash deposits is added to this amount.

As for exposure to liquidity risk, the contractual maturities of financial liabilities on the date of the financial statement are shown below:

			Contractual cash flows						
	Notes	**Book value**	**2021**	**2022**	**2023**	**2024**	**2025**	**>2026**	**Total**
Financial liabilities									
Trade payables		(120,828)	(120,828)	-	-	-	-	-	(120,828)
Technical provision (i)	21	(143,788)	(143,788)	-	-	-	-	-	(143,788)
Loans, financing and debentures	19	(2,077,227)	(65,777)	(659,080)	(611,699)	(603,384)	(105,538)	(103,580)	(2,149,058)
Leases	20	(1,008,243)	(138,942)	(129,067)	(120,020)	(112,042)	(107,396)	(2,177,299)	(2,784,766)
Other accounts payable		(276,116)	(174,010)	(102,106)	-	-	-	-	(276,116)
Dividends and interest on own capital payable	24c	(201,441)	(201,441)	-	-	-	-	-	(201,441)
		(3,827,643)	**(844,786)**	**(890,253)**	**(731,719)**	**(715,426)**	**(212,934)**	**(2,280,879)**	**(5,657,997)**

(i) Comprised of outstanding claims reserve, pursuant to note 21.

The cash flow forecast is prepared by the Company and its subsidiaries, and continuous forecasts of liquidity requirements are monitored to ensure that the Company and its subsidiaries have sufficient cash to meet operating needs. This forecast takes into consideration the cash generation of the Company and its subsidiaries.

32 Insurance coverage

Until December 2020, the Group renewed insurance to cover declared risks in the amount of R$ 4,814 with insured amount in the amount of R$ 1,388,875 which includes guarantees for the purchase and sale of energy, construction, supply or provision of services, judicial insurance (labor, civil and tax), surety bond insurance, property insurance and fleets.

The Group took out civil liability insurance for administrators and officers effective from July 2020 to June 2021 and a maximum guarantee limit of R$ 50,000. The coverage includes moral damages, personal property and guarantees, emergency costs, among others.

The Company maintains insurance contracts with coverage determined by expert guidance taking into account the nature and degree of risk for amounts considered sufficient to cover possible losses on its assets and/or liabilities.

33 Subsequent events

Changes in statutory board

On January 4, 2021, the Administrative Council received a letter of resignation from Mr. Bruno Cals de Oliveira to the position of Chief Financial and Investor Relations Officer of the Company. As from this date, Mr. Maurício Fernandes Teixeira is the Chief Financial and Investor Relations Officer of the Company.

Business combination

On January 8, 2021, the Company presented to the members of the Board of Directors of Notre Dame Intermédica Participações S.A. ("GNDI") a non-binding proposal for a potential combination of the Company's business, which will result in the consolidation of its shareholder bases.

On February 27, 2021, Hapvida, GNDI, Hapvida Participações e Investimentos II S.A. ("HapvidaCo"), Company's subsidiary, and PPAR Pinheiro Participações SA ("PPAR"), Company's parent company, entered into an Agreement Association and Other Covenants ("Agreement"), through which the terms and conditions for the implementation of the business combination of the Company and GNDI were established.

The Agreement provides for the business combination of the Companies through the merger of GNDI shares by HapvidaCo ("Merger of Shares") and, following the act, merger of HapvidaCo by Hapvida ("Merger of Company" and, together with the Merger of Shares, the "Operation").

The Stock Merger and the Company Merger will involve GNDI and Hapvida (jointly with HapvidaCo), both of which are publicly listed companies on the Novo Mercado of B3 S.A. - Brasil, Bolsa, Balcão ("B3") and acting directly or through its subsidiaries in the supplementary health sector in a vertical manner. HapvidaCo is a company whose main object is to hold interests in other companies and whose shares are, on this date, wholly owned by Hapvida, and which will be extinguished as a result of the Incorporation of a Company.

Subject to the terms of the Agreement, the Transaction will be implemented through the incorporation of GNDI shares by HapvidaCo, in accordance with articles 224, 225 and 252 of Law No. 6,404 / 76 ("Brazilian Corporate Law"), as well as CVM Instruction 565/15, with the consequent issuance of new common and preferred shares redeemable from HapvidaCo and delivery of such securities to GNDI shareholders. Immediately after the Merger of Shares, there will be (i) the redemption of the preferred shares, with payment to GNDI shareholders, as holders of the redeemable preferred shares of HapvidaCo, up to the penultimate business day of the month immediately following the Closing Date of the Transaction, in national currency; and (ii) continuous act, the incorporation of HapvidaCo by Hapvida, in accordance with articles 223, 224 and 225 of the Brazilian Corporation Law, as well as CVM Instruction 565/15. As a result of the Merger of Shares and subsequent Merger of Company, GNDI will become a wholly owned subsidiary of Hapvida, with the consequent migration of the GNDI shareholding base to Hapvida.

With the consummation of the operation, Hapvida will continue to be a publicly-held company, listed on B3's Novo Mercado.

Subject to the terms and conditions provided for in the Agreement and the Protocol, with the consummation of the Merger of Shares followed by the Merger of the Company, GNDI shareholders will receive, in substitution for each 1 (one) GNDI common share, (i) 5.2490 Hapvida common shares ("Exchange Ratio"); and (ii) R$ 6.45, updated *pro rate die* based on the variation of the CDI from the date of approval of the Transaction, by the shareholders of Hapvida and GNDI, until Transaction Closing Date, subject to the adjustments provided for in the Agreement and the Protocol ("Cash

Installment”). The Exchange Ratio and the Cash Portion were agreed by the administrations of Hapvida and GNDI, as independent parties, during the negotiation process of the business combination that culminated in the signing of the Agreement.

Illustratively, based on the Exchange Ratio and the Cash Portion, considering the assumptions and disregarding any adjustments provided for in the Agreement and the Protocol, on this date, the shareholders of Hapvida and GNDI would hold, respectively, 53.6% and 46.4% of the shares of the Combined Company, already considering the payment, to GNDI shareholders, of the Portion in Cash (discounting the Extraordinary Dividend).

The proposed Exchange Ratio considers the volume-weighted average price of the shares of GNDI and Hapvida in B3 in the period of the 20 (twenty) trading days immediately prior to December 21, 2020, plus a premium of 15% on the average quotation price of GNDI shares on the market, and will be subject to the adjustments established in the Agreement.

The Combined Company will have its Board of Directors expanded to a minimum of 9 members, 2 of whom will be appointed by the GNDI Board of Directors, 5 will be nominated by Hapvida (including the Chairman of the Board of Directors) and 2 independents, 1 appointed by the GNDI Board of Directors and one by Hapvida. Also, recognizing the deep value and imperative need for representation in decision-making bodies, the combined company will promote a Board of Directors that addresses diversity in its composition (considering gender, age, nationality, professional history and qualifications).

The effectiveness of the Transaction is conditional on obtaining the approval of the Companies' shareholders at their respective general shareholders' meetings, the Administrative Council for Economic Defense (“CADE”) and the National Supplementary Health Agency (“ANS”), as well as verification other certain conditions precedent usual for operations of this type, as set out in the Protocol and the Agreement. The transaction will be submitted to CADE and ANS for evaluation within 45 days from the date of signature of the Agreement, provided that all information and documents required in connection with notifications to CADE and ANS are provided by the parties in a timely manner and the pre-notification procedures provided for in the Internal Manual of the General Superintendence of CADE for merger acts presented under ordinary rite have been completed.

Transfer authorization for the acquisition of portfolios
On January 19, 2021, the National Supplementary Health Agency (ANS), authorized the total voluntary transfer of the portfolio related to the acquisitions of the Plano de Assistência Médica e Hospitalar do Estado do Goiás S.A. - PLAMHEG e Multi Saúde - Assistência Médica e Hospitalar Ltda. – SAMEDH, for Hapvida Assistência Médica Ltda.

* * *

Cândido Pinheiro Koren de Lima
Chairman of the Board of Directors

Jorge Fontoura Pinheiro Koren de Lima
CEO

aurício Fernandes Teixeira
Chief Financial Officer and Investor Relations Officer

Rodrigo Nogueira Silva
Accountant CRC CE-023516/O-3