

## Transcript Conference Call

### Hapvida and NotreDame Intermedica

### Potential Business Combination

March 1, 2021

**Operator:** Good afternoon. Welcome to Hapvida and Grupo Notredame - GNDI joint conference call regarding the potential business combination. We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the Companies' presentation. After the Companies' presentations there will be a question-and-answer session for investors and analysts only, when further instructions will be given.

Should any participant need assistance during this call please press star zero to reach the operator. Today's live webcast may be accessed through the Internet address at [ri.hapvida.com.br](http://ri.hapvida.com.br) and [ri.gndi.com.br](http://ri.gndi.com.br).

Before proceeding let me mention that forward-looking statements made during this conference are based on the beliefs and assumptions of the two Companies' Management and on information currently available to the Companies. They involve risks, uncertainties and assumptions because they relate to future events and therefore dependent circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors can also affect the future results of the Company and cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Irlau Machado, GNDI CEO and Mr. Jorge Pinheiro, Hapvida's CEO. After their remarks there will be a Q&A session in which Mr. Irlau Machado, Mr. Jorge Pinheiro, Mr. Mauricio Teixeira, Hapvida's CFO and Mr. Marcelo Moreira, GNDI's CFO will take part. You have the floor.

**Mr. Irlau Machado:** Thank you very much, good morning or good afternoon everyone depending on where you are. First of all I would like to say that I am really excited to be a part of such a historical moment in the private healthcare industry in Brazil.

I have always dreamed about developing a company of such magnitude. If this transaction is approved it will transform the healthcare industry in our country. I am really proud to be a part of the Group that has as its vision, with the two companies combined, (inaudible 2:57) that will be brilliant for all of us. We are going to combine expertise and experiences, and thus I believe this transaction has a potential to grow the volume of private healthcare participants in Brazil. This is the top-three item of interest in all the studies conducted here in the country.

This is a just transaction that has taken it is time. It is a long-term relationship that these two companies have had and as such we had the opportunity to get to know each other and understand our future challenges, our weaknesses and our strengths and I am sure that this is going to lead to a process of transformation, growth, increase in access and quality.

I also have a comment here about the people with whom we at GNDI have dealt with during this process in which we met and established this relationship with Hapvida, and I would like to mention Mr. Jorge Pinheiro, who will speak right after me today. I would like to tell you about an interesting story: Jorge and I have known each other for over 10 years; our families know each other; we are friends and when we spoke on the phone the first words we say to each other is "hello my brother" - and we do not speak it for the sake of it; we do not say, we do not call each other brother just for the sake of it, and once this transaction is concluded then I will be able to work with someone I really admire: Mr. Jorge Pinheiro.

And not only him; many other people from the Pinheiro family, are close to my heart: the president of the Board, Mr. Candido Pinheiro, is a spectacular person just like his son, Mr. Candido Jr., who is also part of the company's Management. So I feel very comfortable, very excited, interested and humble to be able to learn and happy to be able to contribute to this transaction.

Now I would like to give the floor to my dear friend and brother Mr. Jorge Pinheiro.

**Mr. Jorge Pinheiro:** My brother Irlau I am even more excited now after hearing these motivating words. I want you to know that this is a moment of a lot of joy for all of us. You know, I speak on behalf of my family, Dr. Candido, Candido Jr. and the whole Hapvida's family.

We studied, assessed and we felt really motivated to go ahead with this transaction, and this is actually a dream come true that we are sharing with you today, an important dream that will definitely transform, as Irlau wisely said, the private

healthcare industry in Brazil, bringing advances to this high-quality healthcare that we will provide.

This is an important step. Of course we need to wait for the regulators and the assemblies; but this transaction is taking place at a crucial moment in the Brazilian healthcare industry and in the worldwide healthcare industry. We need to be able to offer alternatives to our citizens, offering them with advantages to serve them, to improve their health care so that we can fulfill our mission, which is to serve our population with high-quality in an affordable manner.

I could mention several of the major factors that make this transaction unique, such as similar business models; geographic presences that are complementary to each other; companies that are well-managed, outperforming the market; companies that know how to acquire other companies and integrate them; profitable companies - but way beyond that I am here to tell you about the people in these two companies.

A long time ago my friend and my brother Irlau, I mean you know that even before you were in this spectacular project of GNDI and before you led this company to unprecedented levels, we have always admired GNDI's Management's team work. I admire all of GNDI's Management team and Irlau, I would like to thank you especially for your amazing work capacity, your simplicity, and I want to express my admiration and my gratitude towards you. It is an honor and the responsibility to work with you in such an important project.

Thank you very much Irlau. I am your fan, I would like you to know that. I admire you and your work and I am sure that we will keep on working together learning from each other, learning above all and always willing to work, feeling motivated to work together.

I would like to say that this transaction is going to provide us with more and more tools and (inaudible 10:09).

So I think we have some connection problems, so I would like to ask you to wait so that we can resume our conference.

**Mr. Roderick Greenlees:** Can you hear me now Jorge?

**Mr. Pinheiro:** Yes we can hear you.



**Mr. Greenlees:** Thank you very much Jorge and Irlau. On behalf of the people working in this transaction my name is Roderick, I am in charge of Itau BBA Investment Bank, I was one of the assistants in this operation (inaudible 12:49).

**Operator:** Please wait while we solve the connection issues.

**Mr. Greenlees:** Do you hear me now?

**Mr. Machado:** Yes Roderick we can hear you again.

**Mr. Greenlees:** Okay I apologize. Did you hear the first part of my comments?

**Mr. Machado:** Unfortunately not Roderick, please start again.

**Mr. Greenlees:** Okay thank you Jorge and Irlau for this invitation to take part in such an important conference call this afternoon. I would like to thank Jorge, Irlau, Marcelo, Mauricio and Glauco, who will also take part in this presentation.

Let us go to page number 2, **slide number 2** (inaudible 13:52).

**Operator:** Please wait on the line.

**Mr. Greenlees:** Okay I am back?

**Operator:** Yes we can hear you.

**Mr. Greenlees:** Okay. So I will talk about the merger of Hapvida and Notredame Intermedica, two of the largest verticalized healthcare players in the world. Hapvida is one of the largest verticalized healthcare players in the world and the fastest growing health plan operator in the country and Notredame has an unbeatable MLR and profitability.

So let us now move to **slide number 3**. This is the level of penetration of both companies. Hapvida and Notredame together we will have 84 hospitals; 280 clinics; 257 diagnostic units; over 8 million beneficiaries (inaudible 15:05).

**Operator:** Once again we are facing connection issues, please hold.

**Mr. Greenlees:** Can you hear me now?

**Mr. Machado:** Yes Roderick we can hear you.

**Mr. Greenlees:** Okay. **Slide number 3** did you hear me so far?

**Mr. Machado:** Yes we could hear you but we could not see you. I believe we are having some technical problems.

**Mr. Greenlees:** Okay I can wait.

**Mr. Machado:** We apologize for all the attendees. We are facing some technical problems. Due to social distancing is being done remotely. Please understand, we count on you.

**Mr. Greenlees:** Irlau please let me know once you are able to see my presentation.

**Mr. Machado:** Sure. I cannot see it, I am not sure if anyone else can see it.

**Mr. Pinheiro:** Yes we can see it Roderick.

**Mr. Greenlees:** Okay (inaudible 16:30).

**Operator:** Please hold.

**Mr. Greenlees:** Can we move on to **slide number 4**?

**Mr. Pinheiro:** Yes we can see the slides, go ahead.

**Mr. Greenlees:** Okay. So **slide number 4** focuses on the market that will be served by our joint company: a total addressable market of over 65 million people who currently do not have a private healthcare plan. On **slide number 4** we can see the potential size to be explored by these two companies together. This is a penetration of only 22% of private healthcare plans today in Brazil.

And the new company will be able to offer a national product at affordable prices, and this is one of the most desired products by the Brazilian population as we all know. And we also have the capacity to further increase our penetration in the company, in the country with this new company.

Now **slide number 5** that focuses on the Management of this new company that will be composed of two CEOs that are very renowned in the market: Mr. Irlau Machado, GNDI's CEO and Mr. Jorge Pinheiro, Hapvida's CEO.

The shares have appreciated after the IPO of both companies that happened at the same time in 2018 and both companies acknowledge their employees and there will be a shared governance that will benefit from the experience of both companies.

Here on the right-hand side you can see how the new Board will be composed: of five members appointed by Hapvida; two members appointed by GNDI (one of them will be Mr. Irlau Machado himself); there will be two independent members, one appointed by Hapvida and one appointed by GNDI; and finally we will have a board of directors addressing diversity in its composition in terms of gender, age, nationality, professional history and qualifications.

In recent years both these teams from Hapvida and GNDI completed over 30 acquisitions, over 85 billion BRL of value generated ever since the IPO in 2018, and a combined growth of over 140% Ebitda since there are IPO.

Now moving on to **slide number 6**. Here you can see this solid track-record of both companies in the market of mergers and acquisitions. You can see here a history of the different acquisitions made by both companies starting in 2016, and more important than that in the lower part of the slide you can see two acquisitions: one conducted by Hapvida acquiring the Sao Francisco Group; and the other one made by GNDI, the acquisition of Clinipam.

Here you can clearly see the benefits and the good management of both companies in integrating these two very relevant acquisitions, either to reduce MLR or to increase verticalization of procedures and expand the number of beds (in the case of Clinipam). Two great examples among many others. As I said previously they conducted over 30 acquisitions in recent years.

Now on **slide number 7** you can see the post-merger integration plan that will be put in place. There will be a team in charge of integrating both companies with members from Hapvida, members from GNDI and members from a global consulting firm. They will assess possible improvements and retrofitting of several operations of both companies throughout this process. They will study the development of their own network in targeted regions and also the development of the commercial area of both companies, offering even more products and a more comprehensive coverage.

The integration plan is supposed to start immediately, although the conditions precedent and the closing of the transaction might take a while.

Now on **slide number 8** you can see the synergies to be captured with this operation. The first one is about the cross-sell of corporate plans in regions that are currently served only by one of the two companies. So we will have a significant opportunity to perform cross-selling in those regions; we will also have the potential

to reduce MLR by improving protocols and absorbing the best practices of both companies; also to leverage our own network by offering services to third parties, further increasing the integration of this operation; and finally eliminating duplicity in general and administrative expenses. So these are synergies to be captured throughout time.

Now on **slide number 9** you can see the ownership structure. You have probably received the material fact notice with the conditions agreed upon and signed by the companies last weekend.

It is a 5.2490 Hapvida shares per GNDI share plus a payment of 6.45 BRL/share. This price was defined plus a 15% premium based on the 20 trading days ended on December 18, when the first offer was made.

The cash portion was calculated assuming Hapvida's share price of the closing on February 12, 2021 (which was of 17.20 BRL/share) and 620.3 million fully diluted shares for GNDI totaling 4 billion BRL in cash disbursement.

As I said previously, Hapvida's Board of Directors will be increased to at least nine members: two appointed by GNDI, five appointed by Hapvida and two independent consultants.

The Chairman of the Board of Directors shall be elected from among the members appointed by Hapvida and finally Mr. Irlau Machado Filho, GNDI's current CEO, will occupy a co-CEO position together with Mr. Jorge Pinheiro, Hapvida's current CEO.

The transaction completion is subject to certain conditions precedent such as approval in both companies' shareholders meetings, approval by ANS and by antitrust authorities.

On the right-hand side you can see the pre-transaction ownership structure of both companies and the post-transaction ownership structure. The Pinheiro Family will own 37.5% of the new company; other Hapvida's shareholders will own 16.1%; BainCapital, a GNDI reference shareholder, will own 5.2% of the new company; and other GNDI current shareholders will own 41.2% of the new company.

**Slide number 10** focuses on the expected timeline and next steps for this transaction to take place. Four important events have already taken place: the approval of the merger agreement by the Board of Directors of both companies, which happened in the end of last week; the signing of the merger agreement by the executive directors of both companies; the deal announcement, which happened on



Saturday; and the protocol and the justification of the merger. These are the steps that have already been taken.

Now we still need the Extraordinary General Meeting approvals both for GNDI and Hapvida and antitrust counsel approval and ANS approval, and finally the closing of the transaction.

Here at the top of the slide you can see the expected timeline for the dates of the assemblies that will take place in March and the expected closing is for the end of 2021 and beginning of 2022.

Finally, on slide 11 you can see the highlights of this operation. The combination of Hapvida and Notredame Intermedica will create one of the largest verticalized healthcare players in the world (inaudible 27:49)

**Mr. Glauco Desiderio:** Good afternoon, this is Glauco from Intermedica. I will conclude this last slide and then turn to our Q&A session and then to Mr. Jorge and Mr. Irlau for his final remarks.

So as he was saying the combination of these two companies is going to create one of the largest verticalized healthcare players in the world with a leading position in Brazil; a combination of the fastest-growing healthcare operator with unbeatable MLR and profitability, which will now have a truly nationwide presence with high geographic complementarity and small overlap; offering superior value proposition to customers coupled with a large addressable market, as one of the key growth drivers; and there are clear synergies to be captured via cross-sell opportunities, protocol improvements and elimination of redundant costs.

Now we can start our Q&A session and then turn the floor over to Mr. Jorge and Mr. Irlau for his final remarks.

### **Q&A Session**

**Operator:** Ladies and gentlemen, we will now start our Q&A session for investors and analysts. If you have a question please dial star one. If at any point in time your question is answered you may remove yourself from the queue by pressing the start two key.



Questions will be taken in the order they are received. Please pick up your handset to provide optimal sound quality when posing your questions.

The first question is by Mr. Samuel Alves from BTG Pactual. You have the floor Mr. Samuel.

**Mr. Samuel Alves:** Good afternoon everyone, Mr. Irlau, Jorge. I have two quick questions, one is about Cade. Are you expecting anything specifically from Cade? Is there anything you can share with us? This is my first question.

Now about the timing for the integration, I do not know if you can give me some quantitative numbers or give me an idea of the timeline for these synergies to be captured, thank you very much once again.

**Mr. Pinheiro:** I will start by answering the question. Regarding Cade - the administrative council for economic defense we ran several studies and because of the different geographic footprint that these two companies had, we believe that this is going to be from inexistent to inexpressive in different locations.

We conducted many studies as I said and we are very confident about this. On the contrary, when it comes to protecting consumers the rationale of this operation aims to increase the penetration of private healthcare plans in Brazil as a whole. As I said, only 22% of the Brazilian population has a private healthcare plan in Brazil. This is a market that has lost momentum in recent years, and this transaction reinforces the possibility of these two companies combined to bring more people into the private healthcare market, protecting users and providing them with more options.

Now the timeline for integration well, before, I mean after this transaction is approved by the regulators we will have a special governance. These are two companies of approximate size, approximate magnitude that are very well-managed, growing organically and inorganically with a very defined growth pipeline.

So our initial concern is making sure that both companies continue with their high-quality work. We expect at least two years for us to make the most of this consolidation movement that is happening in Brazil, with options of taking our value proposition to further place us to more and more locations in the country.

After that we will start to see more synergies in the operation; but before that we are going to work with an integration committee and we are going to focus on many synergies that will be able to be captured, you know, in the supply chain, commercial

area, outsourcing and so one and so forth. So there are many gains that can be captured even in the first two years considering all the possibilities we have had.

I do know if Irlau has joined us again?

**Mr. Machado:** Yes I am here, can you hear me Jorge?

**Mr. Pinheiro:** Yes we can hear you Irlau.

**Mr. Machado:** I just want to add something. Of course there will be some time after the protocol is established with Cade. We are going to have 330 days to respond and we firmly believe that this is going to be a smooth process; but of course this should be assessed by our regulators, our authorities such as Cade - the administrative council for economic defense and ANS.

We are going to work with clean teams and will respect CVM's regulations, Cade's regulations, to be able to devise a good plan without interfering on the daily operations of both companies.

Once the merger process starts and the merger is authorized there are several great opportunities, as Jorge said, to offer more accessibility in the private healthcare system in the country. There might be some cities that we would like to be present, but because of investments are needed it would be hard and expensive for us to get into those places.

There are some municipalities that only have one healthcare operator available, although there are many, many healthcare operators in the country; but in some locations only one. So with our merger we can have a higher capacity to invest and better costs to go into other places and offer alternatives to consumers. I think this is going to be a great opportunity, that is why we believe that Cade will have this interpretation. We consider this transaction as something positive for the population and for society as a whole.

One point we have not mentioned yet but I want to make clear to everyone is that we have also major ESG opportunities as a company. Both companies are working on ESG issues that are dear to our heart, and this might be the first area to be joined from both companies, simply because it makes sense to look at this as one big family and as one great opportunity to help any environmental and social issues in the country, jointly.

So I think this is going to be - I am confident this is going to be - one of the great programs to be conducted by both companies together from now on.

**Mr. Alves:** Thank you very much.

**Operator:** Our next question is from Vinicius Ribeiro from UBS. Vinicius you have the floor.

**Mr. Vinicius Ribeiro:** Good afternoon everyone. I would like to congratulate you on this transaction. We know this is something much more complex than we see at first, so congratulations for that. I have two questions, one about growth. With such a consolidation growing becomes harder. So you talked about the increase in the penetration of healthcare plans in Brazil; but what are you expecting? We see major drivers as individual plans and other M&As; but can you give us further details about these growth drivers or any other that you might be seeing there?

And also the cash reimbursement, how this is going to be put in place? So you are going to hire any type of debt or anything like that? So these are my two questions.

**Mr. Machado:** Jorge can I answer this question?

**Mr. Pinheiro:** Sure go ahead.

**Mr. Machado:** So first of all when it comes to dividend payments, I would like to turn the floor over to Mauricio and Marcelo to give you further details about that.

But now about your first question the synergies that we see and the growth that we expect for us, well, first of all we are very well-established for this transaction to take place so that we can continue with the process of acquiring new companies. This has been an important growth factor for us and also an important quality increase factor for us. The companies acquired by Hapvida and GNDI in the past might not be present today if there were not investments in quality and in infrastructure.

So I believe that the acquisitions that were made in the past were very fruitful and led to an increase in quality, and I think this is going to continue in the future. These acquisitions are not predatory; they are meant to generate quality enhancement and cost-reduction benefits that can help us in our pricing that can be of more affordable, more contained for that population. So we expect this to continue.

Now from the growth perspective well, we had already said scale in the private healthcare business in Brazil is paramount. We see small-sized operators that will

face regulatory issues, solvency issues, reserves issues and we can help in that. So I believe this will continue to happen in a constructive way.

And the commercial synergies are clear, you know, from the cross-selling point of view and also the technology of both companies. With the advent of Covid everyone has learned a lot about telemedicine, also about going to smaller cities that we would not be able to be present in the past, or we would not even see as a target, addressable market in the past; and making investments that we were not able to make in the past. We are investing in clinics, hospitals, generating jobs, generating volume.

So I think this is a win-win situation. You know, looking at this from all possible fronts we see a win-win situation. This is an opportunity for society to gain and for society to grow.

Now I turn the floor over to my brother.

**Mr. Pinheiro:** Well Irlau I have nothing to add. I think you are completely right (inaudible 42:19).

**Mr. Mauricio Teixeira:** Now I would like to turn the floor over to Marcelo to see if he has anything to add.

**Mr. Moreira:** No, I just want to reinforce that the contract signed by both parties establishes such flexibility, so that we can make the most for both companies. You know, the dividends to be paid by GNDI, as well as the cash disbursement these are flexible, and Hapvida has resources in cash.

And the banks that participated in this transaction have already signaled possible credit, and there is also the possibility of issuing shares if that is convenient for both parties, as both CEOs have said that they have different growth pathways ahead of them - and as one single company they will have even more growth opportunities to explore.

**Operator:** Our next question is by Joseph Giordano from J.P. Morgan. Joseph you have the floor.

**Mr. Joseph Giordano:** Hello good afternoon everyone, thank you for the opportunity to ask this question. My question is what should we expect for capital allocation from both companies from today to the closing of the transaction? What potential M&As

can happen from today to the closing date? That would be my first question, thank you very much.

**Mr. Machado:** Jorge would you like to take that question?

**Mr. Pinheiro:** No go ahead. We can turn the floor over to Mauricio and Marcelo after your comments.

**Mr. Machado:** Sure. My comment is the same. The agreement will not restrict capital for acquisitions as we said previously. Of course, there are some limits; but there are no restraints from going after our ambitions to build our networks. Both companies are very much interested in developing their own network, either through acquisitions or through building those premises; but we have not established shy or timid limits. This is enough for the companies to keep their investment plans for the future.

So I would like to reinforce what I said previously: both companies will continue to invest, continue to acquire other companies. There is no reason to stop such a successful acquisition pipeline that both companies have had in recent years.

Now I would like to turn the floor over to Jorge or to Mauricio and Marcelo.

**Mr. Pinheiro:** You are right Irlau. Our goal is to create an environment that will not hinder the successful history that both companies had. We have established several conditions that will enable both companies to have the speed and autonomy to conduct and make the most of all the opportunities they have in their business plans including investment in their own network, technology and so on.

So that was one of our top concerns; but we believe that both teams are very mature, they have been very successful, so there was no reason to establish any kind of restriction or constraint to any of the companies. On the contrary, we wanted to make sure the teams could continue to conduct these investments successfully.

Mauricio and Marcelo, do you have anything to add?

**Mr. Teixeira:** Yes. Access to capital to continue with our M&A plan well, this is what we were already doing. We can raise capital, we have time to think and plan this ahead, and both companies will continue with their M&A plans independently up until the closing day. Both companies have a low leverage level to continue with their M&A plans.

Marcelo, do you have anything to add?

**Mr. Moreira:** No. I would just like to reinforce and stress to everyone here in this call that both companies already have contracted growth, so we are talking about future M&As of course, but both companies announced transformational M&As last year that are about to be concluded.

So indeed this is a unique situation in which both Hapvida and GNDI already have new, relevant assets from transformational transactions to be concluded soon and become a part of our group as well. So yes, we will continue with our M&A pipeline, working hard on them and we also have this contracted growth that will be included in the companies' assets soon.

**Mr. Giordano:** Okay thank you very much. What about the stock option plans? Is there an implicit dilution expected for both management teams? Thank you very much.

**Mr. Machado:** Jorge, if you agree I will turn the floor over to Marcelo and Mauricio.

**Mr. Pinheiro:** Sure, Marcelo and Mauricio please take it away.

**Mr. Moreira:** Well, what we agreed was that the Management teams of both companies will receive 2% (that is 1% to each team) and the vesting of those programs will take place in three years. So 2% in three years is a decrease of less than 1% per year in the next three years.

**Mr. Giordano:** Okay thank you Marcelo.

**Operator:** Our next question is by Javier Martinez from Morgan Stanley.

**Mr. Javier Martinez:** Thank you, good afternoon everyone. I have a question about the rationale. I mean, the operation's rationale is very clear, you are generating a lot of value and I think it is too early to quantify the synergies and so on.

But maybe can you tell us why? Why is this the right time for this transaction and not one year ago? Thank you very much.

**Mr. Machado:** Jorge would you like to take that question?

**Mr. Pinheiro:** Well Irlau, that is actually a good question. I would have done this transaction way earlier if it were not for me only; but Irlau I can say this, you know GNDI was controlled by a company with a business plan that was very well executed, very successful and we ourselves have been executing our plan for many years now

and we had the opportunity to talk in the past; but I think this is something that took some time to mature considering the current situation of both companies.

And we started talking and we were able to identify new possibilities to gain, to generate value, to be more inclusive, to offer products to even more people in the private healthcare system. This is the greatest asset of this transaction: to offer high-quality medical care to more people, and every time we got together to discuss this transaction we understood better how transformational this transaction could be - and will be - of course, depending on the approval of the regulators.

But it was just something that took some time to mature and we believe this is now the perfect timing, considering the understanding of both companies. I think this is now the perfect timing - but this is a process, and all processes take place especially when there is a lot of responsibility for each party. It is a time-consuming process first to consider how this needs to be done, what the possibilities are, establishing roles and responsibilities, considering the people that will be there on a day-to-day basis.

So it is indeed a time-consuming process; but it is time-consuming because it was conducted with a lot of responsibility. This could have been done earlier; but it was not because we had other projects and other priorities ahead of us. Well, that is my view.

**Mr. Machado:** Well, I have something to tell you. I have known my wife Raquel Machado forever. I have pictures at home, me carrying her on my arms - because I am just a bit older than she is - and when I decided to propose to her after many years, we have been dating; when we say proposed or asked someone's hand it is something that reveals your age, right?

But I talked to my now father-in-law to ask for my wife's hand and he said: "well sit here, I will tell you who Raquel is: she is complicated, she is not that easy". It is like a reverse due diligence, so I was a bit scared - but we got married after knowing all the details.

So this is what happened in recent months with Hapvida and GNDI. I remember a first conversation I had with Jorge and Candido six years ago. So this is not something that came up out of the blue yesterday.

We just wanted to get to know each other, build trust, understand how this could transform the private healthcare industry in Brazil; but at the same time we knew this needed to happen quickly in each one of the companies, and if we had the possibility



of doing this independently this could offer more benefit for combining the businesses.

So this is the time in which we have identified that the merger will be yet another factor to transform the companies. Six years ago these two companies were very much valued (inaudible 57:38).

**Operator:** Now we have another connection issue, please hold.

**Mr. Pinheiro:** Irlau's line has dropped, I believe he is rejoining the conference.

If you would like to ask another question, when Irlau rejoins the conference he can conclude his answer. I think we are running out of time but maybe we have time for a final question.

**Mr. Martinez:** Well, since I am on the line yes, can I ask another question? Well, this is a spectacular merger. We all understand that, this is very clear; but it might be different to differentiate this merger from the other acquisitions that have been made in the past. These are companies that are well-managed, they have different cultures, so this could create integration difficulties.

To what point you are aware of this cultural difference and how do you expect to overcome these difficulties? Thank you very much.

**Mr. Pinheiro:** Irlau are you back?

**Mr. Machado:** Yes I am back.

**Mr. Pinheiro:** Okay, maybe you could conclude your answer and then we will continue with Javier's second question.

**Mr. Machado:** Okay I am not sure when I was dropped from the call. To what point did you hear me?

**Mr. Martinez:** Well, you told us about the conversation you had with your father-in-law understanding the positives and negatives...

**Mr. Pinheiro:** So about to get married?

**Mr. Machado:** So yes, I got married and I am really happy with Dr. Raquel Machado. She is a spectacular human being.

But that is what I mean: you need to understand everything about the other party and after a long time in our conversations we have maturing, we have been maturing and right now it makes sense to become one single company.

Now about the culture issue that you have mentioned - I do not want my connection to drop again - I apologize so I will try to answer the second question right now; can you hear me?

**Mr. Pinheiro:** Yes we can hear you. Please go ahead.

**Mr. Machado:** When it comes to culture there is nothing better than dealing with intelligent, smart people. There is nothing better than making the most of these many year-long experiences, and the differences will become the foundation for building a new future together, so I am not worried about that.

Companies like ours that have made several acquisitions throughout time and that had to integrate different cultures are experienced and humble enough to understand the contribution of each of those acquisitions to the development of our culture as a whole. So I think that is actually a privilege, not a difficulty.

**Mr. Pinheiro:** Great Irlau, that is great. I just want to add something: there is no doubt, this is one of the greatest wealths, the diversity of experiences. We work hard to integrate assets, we both have a long and successful history of mergers and acquisitions and all the knowledge that our teams have acquired throughout many, many years.

And added to that this very strong alignment. We have been talking about this possibility for many years now, so we are very well aligned; therefore, I am sure that we will be very careful to cultivate and foster our people, our integration committee will always focus on that.

Of course, one of our first measures was to motivate our teams for the long run, so that we can have this spectacular asset in hands. I am sure Irlau will be very careful and we will be very careful to keep our teams very engaged, this is going to be one of our main differentials.

**Mr. Martinez:** That is great, thank you very much and congratulations once again.

**Operator:** Our next question is by Fred Mendes from Bradesco BBI. Fred you have the floor.

**Mr. Fred Mendes:** Good afternoon everyone, congratulations on this agreement and thanks for the call. I have two questions, one is connected to the last question Javier asked: what changes now in the leadership team? Because you were all working independently previously and now you are going to work together. So how is this going to happen?

Now I know you have gone through several M&As - over 30 M&As combined - but they were smaller. Of course we had Sao Francisco and others, but I think that now systems integration is going to be much more complex. How long will it take for the systems to be integrated, fully integrated?

**Mr. Pinheiro:** Irlau would you like to take that?

**Mr. Machado:** No go ahead Jorge.

**Mr. Pinheiro:** Fred, it is important to stress, as we have already mentioned here in this conference call, that we want both teams to continue working with all the freedom they need to continue with their growth plans, either organic or inorganic growth. We do not want to get in the way of any of the company's growth processes. So that is one of the main points of the rationale for this operation.

So it does not make sense, at least in the first two years, to implement any new systems, either on GNDI or Hapvida. Of course, I am talking about core systems, because this would take a long time and it would require time from both teams, the time that these teams need to focus on the daily operations.

But there is a series of marginal technologies that both companies had, have that can be coupled to the original systems from either of those companies that can bring gains in the short and medium terms. I am sure that our integration team will assess the strengths of the systems that we both have, and within this plan we will see which systems could be taken from Hapvida to GNDI or from GNDI to Hapvida. So we will take the best both companies have and implement in all of that.

After the second year I believe we will be structured enough to think about the possibility of having one single system - but this has not been defined yet. Our committees will assess whether it makes sense to have one single system or not, and if it does make sense this is probably going to be implemented only after the second year.

**Mr. Machado:** Okay that is fantastic Jorge. I would just like to give some interesting examples about the experiences we have and how we are combining businesses.

GNDI has historically been working with two things: a significant accredited network; we need to assess medical accounts, we need to negotiate with suppliers and we also sell services to third parties. So we are talking about specific systems that can be discussed.

And Hapvida has clinical and lab analysis systems that are spectacular, some database wealth, they are experienced also in managing their operations in clinical centers. So we are talking about a wealth of systems to be joined - but of course, we will study how this can be done in the most efficient manner for everyone.

As Jorge said we have to be careful not to get in the way of what is working well, and I agree with him. Considering the acquisitions that both companies have made, we had to generate knowledge to be able to integrate those companies in a dynamic and efficient way, which gives us enough experience today to adapt our apps, adapt our peripheral systems and even when it comes to core systems there are specific features that can be introduced in each of the systems so that they can be similar to each other - and of course this will take time. What we do not want to do is to get in the way of what is working well right now.

**Mr. Mendes:** Thank you that was very clear.

**Operator:** Our next question is from Mauricio Cepeda from Credit Suisse. Mauricio you have the floor.

**Mr. Mauricio Cepeda:** Good afternoon Mr. Jorge, Mr. Irlau, thank you for your time, congratulations on this agreement. I think that you are going to expand the access to private healthcare plans in Brazil.

Now about the synergies we see that this operation is going to generate a lot of difficulties, you are going to have some gain there; are you going to be able to use this gain over time?

And now I have a question about individual healthcare plans. Hapvida is used to managing individual plans; so how is this going to work in the new company? Thank you very much.

**Mr. Machado:** Can I start?

**Mr. Pinheiro:** Sure, go ahead.

**Mr. Machado:** So I will answer the first part of your question and then the second part can be answered by Jorge or by our CFOs. But I would like to say the following:

the good thing about a merger is the knowledge acquisition. Knowledge is key, and Hapvida have a vast experience in individual healthcare plans and it is great to be able to deal with intelligent and experienced people, and we will try to learn from them, share our history with them and I think we have a great opportunity to learn and do things even better from now on.

**Mr. Pinheiro:** Thank you my brother, and GNDI also has a major strength, which is to sell services to third parties. We have a large hospital network and we will make the most of such a successful experience that GNDI has selling services to third parties. So I think this is another gain possibility. We have high-quality hospitals distributed throughout the country.

So as you can see and as Irlau has said so brilliantly, there are many opportunities for us to do things better from now on, making the most of the expertise of each company. Marcelo here.

**Mr. Teixeira:** Really this operation will generate some goodwill. There are many markets, I mean if you look at GNDI equity this would create over 50 billion in goodwill, but we will only know how much that will be on the closing date, so we need the date of the closing to define the size of this goodwill.

The way the agreement was structured with incorporation of shares, this creates a tax benefit; but the goodwill will be composed depending on the allocation (inaudible 1:14:29) and we will continue with our amortization plan and making the most of the tax benefits, and after closing we will have to review the shareholding structure to be as efficient as possible.

**Mr. Cepeda:** Thank you.

**Operator:** Our next question by Gustavo Miele from Itau BBA. Gustavo you have the floor.

**Mr. Gustavo Miele:** Good morning everyone, thank you for this conference call and congratulations on the transaction. Now my first question is about your pricing strategy from now on.

So looking ahead, considering this combined entity with great SG&A gains, will you invest in a more aggressive pricing strategy or are you going to maintain the average ticket of each company from now on? Organic share growth via pricing, so that is my first question.

Now a second question is a bit more technical and also straightforward: is there a reaccreditation process after the merger? Considering this merger GNDI's network would have to go through a new accreditation process? Is that something that the regulator requires or not? If you could just give me some insight in that regard I would appreciate.

**Mr. Pinheiro:** Irlau would you like to take this question?

**Mr. Machado:** No go ahead.

**Mr. Pinheiro:** Okay. So talking about pricing I think that is one of the main strengths that both Hapvida and GNDI have. If you compare Hapvida and GNDI and the rest of the country in terms of price increase, you will see that we are 30 or 35% below our competitors in terms of readjustment needs or price increase needs.

The company has been investing a lot in technology, in new tools, and considering all the synergies that you are all aware of, that we have stressed so much during today's call, we might have the possibility of offering our customers even greater prices compared to our competitors. So the major rationale behind this transaction is to be more inclusive. We want to offer Brazilians other affordable and high-quality options for private healthcare here. That is the basic rationale behind this.

So Irlau, do you have any comments before we answer the second question?

**Mr. Machado:** No I have nothing to add, you are completely right, 100%.

**Mr. Pinheiro:** Okay thank you. Irlau would you like to take the second question?

**Mr. Machado:** I cannot remember what the second question was.

**Mr. Miele:** I just wanted to understand if there is a process to accredit the network again after the merger, or since there is no major shareholding structure change after the merger you do not need to go through that reaccreditation process.

**Mr. Machado:** No, I do not think so. Maybe if we change our legal entity taxpayer number we might have to reaccredit suppliers or our hospitals; but that is something that can be easily done and this is only a matter of bureaucracy, red tape.

Now I do see a future opportunity here. In our experience at GNDI, all the acquisitions we have made, we never stopped providing services to third parties, we never demanded they did things differently; what we want is to be competitive and to offer services in the market.

So I think this is yet an opportunity, another opportunity. So we might be able to offer services to third parties in Hapvida's hospitals - of course this is going to be thoroughly analyzed to see if it makes sense or not - and if it does make sense of course we will need some accreditation process there.

I do know if I answered your question or not?

**Mr. Miele:** Yes yes, that was very clear, thank you very much Irlau and congratulations once again on this transaction.

**Mr. Guilherme Nahuz:** This is Guilherme Nahuz. We received several questions through the Internet, but unfortunately we will not have time to answer them live today; but we will get back to all of you via e-mail by tomorrow.

**Mr. Machado:** Jorge, if you allow me to make a comment: the transparency of our companies is at your service. We will continue available to all of our shareholders and stakeholders to clarify your questions at any point in time. We will organize conferences and make time available to talk to our shareholders to reassure them, share perspectives with them and we are open for you.

Once this transaction is approved we are going to become a large-sized company indeed; but myself and Jorge we will continue to be completely transparent and available to you after the transaction, as well.

**Mr. Pinheiro:** Yes I agree with you 100%.

**Operator:** This concludes the questions-and-answers session and this concludes today's conference call. Thank you for your participation and have a nice day.

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