

## Conference Call Transcript 4Q21 Results

### Hapvida (HAPV3)

São Paulo, March 24, 2022, at 11 am

**OPERATOR:**

Good morning, everyone, and thank you for waiting, welcome to Hapvida's 4th quarter 2021 results videoconference. Irlau Machado and Jorge Pinheiro, Co-CEO's, Maurício Teixeira and Marcelo Moreira, CFO's, Guilherme Nahuz and Glauco Desidério, Investor Relations Officers will be present. I emphasize to those who need simultaneous translation that we have this tool available on the platform. To access, just click on the "Interpretation" button through the globe icon at the bottom of the screen and choose your preferred language, Portuguese or English. For those listening to the videoconference in English, there is an option to mute the original audio in Portuguese by clicking on "mute original audio".

We inform you that this videoconference is being recorded and will be made available on the Company's IR website (<https://ri.hapvida.com.br/en/>), where the complete material of our Earnings Release is available. You can also download the presentation from the chat icon, including in English.

During the companies' presentation, all participants will have their microphone disabled. Then we will start the Q&A session. Please be advised that the questions will be selected on a first-come, first-served basis and may be asked by audio or written form. To ask questions, click on the Q&A icon at the bottom of your screen and write your #NAME#, #COMPANY# and #LANGUAGE# to join the queue. If you want to ask the question only in writing, just identify your preference. If you want to do it via audio, when announced, a request to activate your microphone will appear on the screen and then you must activate your microphone to ask questions. If you have more than one question, please ask them all at once.

We emphasize that the information contained in this presentation and any statements that may be made during the videoconference, regarding the business prospects, projections and operational and financial goals of Hapvida, constitute the beliefs and assumptions of the Company's Management, as well as information currently available. Forward considerations are not performance guarantees. They involve risks, uncertainties and assumptions, as they refer to future events and, therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, market conditions and other operating factors may affect the future performance of Hapvida and lead to results that differ materially from those expressed in such forward-looking statements.

Now, I will hand over to Mr. Jorge Pinheiro who will start the presentation.

**JORGE PINHEIRO:**

Good morning to everyone and to those who came here to participate in our conference call for the 4th quarter of 2021. And I would like to start by saying of our joy and satisfaction to be gathered in the GNDI building (avenida paulista), I would like to give a special thanks to Irlau and

the entire team, for having structured the building in record time to accommodate the Hapvida team, which came here. Thank Irlau for the room next to yours, Dr. Candido and Candido Junior, that we are already working here together. Thank you for the very welcoming environment, not only physically, but also for the way we were all welcomed here in this building. And I wanted to say here publicly what I have already told you personally, that we are all very happy to be part of one body, now physically and spiritually. Thank you very much, Irlau the structure is wonderful.

This structure has greatly accentuated that governance, which we planned back then. Through a series of committees and various initiatives, and that the teams now physically, standing side by side, I see here Marcelo, Mauricio, Glauco, Guilherme and all the other executives of Hapvida and GNDI, from a single company now working side by side, shoulder to shoulder, looking to find the best for this combination. So this physical structure has allowed us to accentuate, give more speed and traction to all the enormous possibilities of this combination. Once again, thank you very much on behalf of all of the Hapvida team, thank you all for the wonderful food, for the structure and for creating a very nice working environment, right?

Well, today we are talking about the 4Q21 Results, of course both companies at that time still operated separately, but as we are one company today, we bring information not only isolated from each company, but already with a view of this combination. Naturally, as of the next quarter, we will have consolidated figures for our company.

Last month, the team successfully completed the largest merger operation in the history of Brazil, with the business combination between Hapvida and GNDI. We were the two companies that most participated in the consolidation process of the healthcare sector in recent years. As we announced to the market last month, this business combination will generate enormous synergies that have already begun to be captured. We understand that the company, now combined, will be transformational for the country. The creation of a vertical and integrated player with a national presence is unique and will enhance our ability to continue expanding and democratizing access to quality healthcare.

Speaking of the results for the year and quarter itself, they prove once again the solidity and resilience of the business model of both companies, which still operated separately in the fourth quarter, amid so many atypical and challenging periods that were the last 2 years. In the fourth quarter, it was no different.

We have seen a significant operational impact with the arrival of the omicron variant together with an out-of-season influenza epidemic, which has substantially increased the demand for urgent care in our units and telemedicine consultations. Here, I would like to thank, once again, the effort and the immeasurable efforts made by our team of collaborators and professionals in the medical field in yet another quarter.

This third wave of the pandemic affected us in the months of December 2021, January, and February 2022, and it has already dissipated. With the volume of calls returning to baseline levels in March. Looking at the latest trends and the evolution of the pandemic in the country, we can say that we have overcome this wave of COVID. We thank our customers for choosing us and for having had the opportunity to continue to fulfill our mission, which is to deliver high quality, punctual, welcoming, and always affordable healthcare. I would like to give the floor to Irlau so that he can comment a little more. Irlau, please give you a hug and let's go.

**IRLAU MACHADO:**

Jorge, thank you very much and good morning, everyone. In fact, we have started a new chapter in the history of Supplementary Health in Brazil. Democratizing access to quality healthcare was the purpose of the GNDI, it was the purpose of Hapvida, and it remains the purpose now of the new Combined Company.

The moment is very inspiring for us, I am the one who appreciates your presence here and which in fact strengthens our commitment even more. We are working together, side by side, day by day and our teams together is a lot of work and dedication in search of building something unique in the health sector in the world. The integration process, as you said, has already started, with teams working collaboratively in search of opportunities to generate value and the Committees, involving the management of the companies, are already being carried out. All this in a planned and agile way, taking advantage of the window of opportunity for consolidation in the market and this is really a unique moment. In relation to the results of the 4Q, as you said, a quarter that is still quite challenging, we were caught by an onyx in the last month of the quarter, still plagued by the previous quarter's accounts, impacting the 4Q, but as you said, this wave passed. . We have a March with less than 1 patient per hospital within the group, this is impressive, it is the lowest number of patients we have since the beginning of 2020, that is, it is the best month in the historical series in the last 2 years. We are really satisfied with the evolution; we are excited about what lies ahead in terms of synergies and growth. I pass the word back to you Jorge. Thanks.

**JORGE PINHEIRO:**

Perfect Irlau, wonderful. Now we start here in the presentation, who has access, we are on page 3. We ended 2021 with 7.5 million customers, 4.3 million in medical-hospital plans and 3.2 million in dental plans. In the year, we net added 534 thousand healthcare beneficiaries and 192 thousand dental beneficiaries, both with organic growth and through the acquisition of OPERATORS Samedh, Plamheg, Promed and Premium.

Our annual net revenue reached R\$9.9 billion in 2021 and R\$2.6 billion in 4Q21, an increase of 15.5% and 14.3%, respectively, compared to the same periods of the previous year. Even with relevant impacts, such as medical and hospital expenses, highlighted by Irlau, related to Covid-19 and influenza at the end of the year, the acquisition of OPERATORS that still operate at levels of claims much higher than those of Hapvida, in fact saying in a correction curve and strong decrease in claims in these acquired companies, and the impact of the negative readjustment of individual plans, which will take place until next month, the Cash MCR was 65.2% in 2021 and 64.9% in 4Q21. A spectacular performance, with a loss ratio significantly lower than the market. We remained very efficient with proper management of expenses, with sales reaching a rate of 7.3% and administrative expenses at a rate of 10.5% in the year. As a result, our EBTIDA in 2021 reached BRL 1.5 billion. I'm going to turn the floor over to Irlau so he can talk a little bit about the GNDI numbers. Irlau, please.

**IRLAU MACHADO:**

Come on, Jorge, it's interesting how the companies are very similar in terms of their impacts and what happened in the country's reality, but in fact we also had a revenue growth of around 16.1% when compared to 4Q20. In the year, there were 12.6 billion in revenue, 17.9% vs. 2020, we also grew our beneficiaries in health, we went to 4.4 million beneficiaries, with a 17.5%

growth. This also involves significant growth in terms of organic growth. I think that our normal organic growth has been around 150 thousand beneficiaries per year, this year it was 134 thousand, but remembering that this year was a record year for new acquisitions. We closed 8 companies during this period, every time we bring in a new company, we do a portfolio cleaning process that is natural for the process. If I didn't count that number, it would be over 200. We have 3.3 million beneficiaries in Dental, also with a robust growth of around 20.4% vs. 2020

Now in the Caixa Claims, our 4Q, as I said, was still not impacted mainly by accounts arising from the 3Q due to the Operator's operating cycle. However, we were all surprised in the last month of the year, in December, with the omicron variant that brought an additional volume of patients, mainly in the emergency room, tests, etc. that had an impact on claims. However, we were 76.1% better than the previous quarter, for the year 79%, but remembering only in the 4Q there were almost R\$120 million of expenses with COVID patients, that is, this level we should no longer see in function of the drastic drop in COVID numbers and what is happening mainly in March.

In SG&A, we had 14.4%, we are talking about a percentage slightly higher than in 4Q20, this was due to the recognition that we had of the collective bargaining agreement referring to May, so there was an accumulation of this value, which now comes back normality and some ANS rates as well, but we also returned to normality with great possibility of diluting the costs of our recent acquisitions, which were those 8th of the year. In terms of Adjusted EBTIDA, we had R\$ 265 million, remembering -35.4 million compared to 4Q20, on the other hand, double the 3Q of the year, starting a return to normality as well. We are very hopeful for this year 2022 already with this past of COVID being eliminated.

Let's comment here, Jorge and I agreed to talk a little, as Jorge said so well, it's just for people to try to understand the magnitude, the grandeur of what we have in our hands. See this is a company with a combined Net Revenue of R\$ 22.5 billion per year, we are talking about 8.7 million beneficiaries in health, this number the second place does not reach half. We really have an unbeatable scale, and a presence in terms of capillarity at the national level, this is a new milestone in the country's history, a company of this magnitude operating throughout the national territory. Beneficiaries in Dentistry we already have 6.5 million beneficiaries, also a robust number, we are here, we are protagonists in both areas. The Cash MCR in 4Q21 was 70.5%, but our normality, as we all know, will decrease by 72.3% for 2021. Adjusted EBTIDA for 4Q21 R\$659.7 million and for 2021 would be R\$2.2 billion. It is a company with an impressive volume that from now on returns to normality in terms of health care, of cost reduction of COVID, which dramatically impacted the results of the year 2021. And now we are back to the level of growth, which we had experienced over the years. last 8 years. With that I pass the word back.

**MARCELO MOREIRA:**

Okay, thanks Irlau. Good morning, everyone, I think it was worth going through slide 6, because Jorge and Irlau brought us the main highlights of 4Q21 and last year, indicating the starting point of this new journey of the two combined companies, but I wanted to draw attention also for the past trajectory of the companies, I think there is no word here that will better describe what this image brings. Two extremely focused companies, which over the last 5 years have shown very robust growth above 24.25%. Each one of them knowing how to explore the opportunities to capture very well within their markets, whether through organic growth or acquisition, and with

an extremely sustainable result. It's this trajectory, looking at the data on the right, these stacked bars, it's this trajectory that inspires us to seek more. I can say here to all of you in this call, that there is not a single person in the structures that today is not absolutely imbued with resuming this trajectory, and I think the reason is on page 7.

Our Company of ours has at our disposal, by far, the most complete assistance structure in the country. We're talking about something that really goes far beyond the 84 hospitals and 7,000 beds. It is a truly holistic view of health, in the sense that it encompasses primary care through clinics, offices, telemedicine, which has been a very important tool, involves our prompt care with a high degree of resolution, involves our diagnostic centers, clinical analysis and laboratories. And in constant improvement and growth and evolution, we can see that at this moment there are new hospitals that are in the planning phase until the final stages of construction.

Today, looking at the map of Brazil, we already have an ultra-wide geographic coverage, covering 92% of GDP and this structure with our 60 thousand employees, our thousands of physicians and nurses, will deliver this growth for the next 5 years. And with that, I return the floor to Irlau, to talk a little about, and I commented on the sustainability of the numbers, the result, our profit, and now I would like to move on to talk a little about ESG.

**IRLAU MACHADO:**

Thank you, Marcelo. I've commented on this in the past, in terms of ESG, my affection for this subject, for me it's very important. In my private life I am a conservationist, I am very involved in environmental conservation, in wild conservation, I am a member of the CEPEDS Council, I have a great commitment to this, I was extremely happy to realize, right at the beginning of the relationship with Jorge, in terms of the combination of companies, that feeling also exists within Hapvida. Now we will have a much greater force to advance in these matters.

I will highlight some points here, which I think are important, both companies and now in a unified way, with an important program on diversity, the affinity groups set up, being interviewed and coordinated so that we can make an increasingly inclusive work environment, inclusion is the correct word we want to use in the group. We started to compose some important indices, right, in the case of Hapvida FTSE4GOOD index, for the first time we also participated in the B3 Efficient Carbon at GNDI, the first time we did the Carbon Disclosure Project and we got a B-, the highest grade among the companies in the health sector in Brazil. This process will then also be represented in a very dynamic way through an ESG committee, which I myself participate and coordinate, I am very proud of that. We are also going to do this same process in Hapvida. In terms of energy efficiency, we made a series of partnerships, with EDP for example, the construction of 150 thousand m2 of solar plants, that is the equivalent of 2,800 homes, will supply energy to 60 clinical centers, we will stop emitting more of 2,300 tons of CO2, equivalent to planting 330 trees, which is still not enough, but we are very well on our way.

Our Diversity journey at Hapvida was strengthened, with membership of the LGBTI+ forum at UN Women and Kings, in addition to lectures and training, that is, very adherent to the diversity programs we have here at GNDI. We carry out our inventory of greenhouse gases, according to the GHG Protocol, covering all GNDI units, verified by an external audit, and in addition, for the first time in history, we offset 100% of our emissions, making GNDI a company Neutral Carbon,

this in conversation in our committees is also something that is being very coveted to be implemented, this is the moment within Hapvida, which now as a combined company starts to coordinate its efforts with regard to governance, social activity and protection of the environment in a unified way.

The strength of this company, speaking of 66 thousand employees, 84 hospitals working together, with the same philosophy of protection, to what we have here in terms of ESG will make a huge difference in our country, we are a citizen company not only of Brazil, but also of the world. Thank you very much, please pass the word back.

**MAURICIO TEIXEIRA:**

Good morning, everyone. In the next slides, I will detail the results of Hapvida a little more, without consolidating the numbers with GNDI, as published. Since the closing of the transaction took place on February 11th.

The two companies' accounting teams are working together on unifying the charts of account, intercompany elimination, and consolidations to present the combined company's 1Q22 variances and analysis at our next earnings call.

On slide 9 we can see the variation in revenue and its respective growth drivers. Net revenue in 4Q21 grew 14.3% when compared to 4Q20 and 2021 revenue grew 15.5% compared to 2020, mainly influenced by the organic increase of 87 thousand lives in health and 186 thousand lives in dentistry in the year. In the last quarter, we had an increase of 34 thousand health lives and 73 thousand dental lives. These are the organic growth numbers when we exclude churning from the newly acquired Premium and Promed. It was also influenced by the consolidated customer portfolios in 1Q21, of Samedh and Plamheg, totaling 21 thousand lives and by the revenue from the acquired companies Medical, São José, Promed and Premium, which did not exist in the entirety of 2021, and by the growth of 13.6% (2021 x 2020) under other income from the provision of medical and hospital services to third parties, from the companies Resgate and Maida, our healthtech.

Moving on to cost, on slide 10, we show our curve of services related to covid-19. As Jorge already mentioned at the beginning, there was a very significant increase in consultations in the second half of December due to the spread of the ômicron variant in Brazil together with an epidemic of influenza, which ended up impacting the fourth quarter and in the months of January and February. this year. March already had a normal month, with baseline volumes of queries throughout the month. It is important to mention that in this third wave of covid, there was no increase in hospitalizations as in previous waves. Causing less cost impact compared to these other waves.

On slide 11, we show in the upper graph the composition of the claims ratio in the last quarters, on the left side, and in the year, on the right side. We can see that the Cash MCR in 4Q21 was 64.9% and 65.2% in 2021, an increase of 5.4 p.p. compared to the same quarter of 2020 and a drop of 3.0 p.p. compared to the previous quarter. The main impacts on the accident rate were: Increase in the volume of calls due to the spread of the ômicron variant in Brazil together with the influenza epidemic. In the fight against covid, we had additional expenses with personnel, materials and medicines, location and operation, third-party services in the own network and the costs with the accredited network. The total was R\$14.3 million in 4Q21 against R\$27.8

million in 4Q20. And R\$349.1 million in 2021, due to the pandemic against R\$127.2 million in 2020.

The negative readjustment of individual plans, which had an impact of R\$31.0 million in 4Q21 and R\$57 million for the entire year of 2021. Here it is important to mention that for this impact, we used current billings with an 8% discount on previous billings. If we were to compare it with a positively readjusted billing, these numbers would be practically double. We had the highest loss ratio level of the acquired companies (Medical, São José, Promed and Premium Saúde) that make up the consolidated number of Hapvida in 4Q21, but which were not present in the comparative period. The MCR of the recently acquired companies is on a downward trajectory due to the initiatives of integration and standardization of procedures, respecting the seasonality between the quarters. The Premium and Promed companies, together, had a MCR of 100% right after closing, and presented a Cash MCR of 86.6% in 4Q21. The acquired Medical and São José, before being merged, had a Cash MCR of 78.3%. They are already fitting into the level of Hapvida's mature operations.

The increase of 8.8 p.p. in the year Cash CR is explained by the temporary suspension of elective procedures in the 2Q and 3Q of 2020, which was not repeated in 2021, and which more than offset the higher level of claims of acquired companies. This made the MCR for 2020 benefited and, therefore, distorted the comparison with 2021, which, in turn, was impacted by the factors that I have already mentioned.

On slide 12, we show how our Cash MCR would have been if we disregarded the extraordinary effects of the periods, which are: additional expenses with covid-19 in the amount of R\$14.3 million in 4Q21 and R\$349.1 million in 2021; the higher loss ratio level of the acquired companies and the largest negative adjustment of the individual plans of R\$31.0 million in 4Q21 and R\$56.8 million in 2021. Without these effects, the ratio would have been 61.2% in 4Q21 and 59.5 % in 2021, in line with our historical MCR.

Moving on to slide 13, we have a breakdown of the provision for reimbursement to the SUS. In the fourth quarter of 2021, we received a new batch of ABI and also GRU. The net impact of the various ReSUS provisions in 4Q21 was R\$24.1 million in the claim, in line with our expectation of a normalized collection flow. In the year, the provision was R\$186.2 million.

On slide 14, we present the percentage of representation of the amount of the reimbursement provision to the SUS, which has been decreasing in relation to the company's total loss. It is worth remembering that the Company's cost in 2Q20 and 3Q20 was extraordinarily lower due to the suspension of elective procedures, causing the % of representation to increase. For the ABI received in this quarter, number 88, which refers to procedures performed mostly in 4Q20, the nominal value is similar to the history of the last 15 quarters.

On slide 15 we present our operating expenses. At the top, our selling expenses ratio of 8.4% in 4Q21 and 7.3% in 2021, an increase of 1.0 p.p. and a decrease of 0.5 p.p., respectively, compared to the same periods in the previous year. last year. The main impact was a higher deferred expense of commissions, net of cancellations of R\$17.1 million in 4Q21 and of R\$11.4 million in 2021 due to the incorporation by Hapvida Assistência Médica of the operators that were part of the São Francisco Group. The average duration of contracts at Grupo São Francisco was longer and, therefore, selling expenses were deferred for a longer period. After the merger, deferred

selling expenses began to be amortized more quickly, as the average length of stay at Hapvida Assistência Médica is shorter.

The administrative expense ratio was 11.3% in 4Q21 and 10.5% in 2021, an increase of 2.2 p.p. and 0.9 p.p., respectively, compared to the same periods of the previous year, impacted by: collective bargaining, hiring of new employees and labor indemnities, provisions for tax, civil and labor risks due to a change in prognosis from possible to probable administrative fine from ANS, and increase in travel and accommodation expenses due to the return of routine corporate travel.

On the next slide, slide 16, we present the EBITDA Ex-ILP of R\$394.0 million, a decrease of 8.8% compared to 4Q20. The EBITDA Ex-ILP margin in 4Q21 was 15.2%, a reduction of 3.8 p.p. in the same comparison. EBITDA Ex-ILP in 2021 totaled R\$1.5 billion, a decrease of 26.0% compared to 2020, with an EBITDA Ex-ILP margin of 15.1%, a reduction of 8.5 p.p. All the reductions compared to the previous year are mainly explained by the impacts of the pandemic on our business, as explained above. Excluding assistance costs related to Covid-19 of R\$14.3 million in 4Q21 and R\$349.1 million in 2021, the EBITDA Ex-ILP Margin and Ex-Covid would have been 15.7% in 4Q21 and 18.7 % in 2021, still negatively impacted by the acquisitions of Promed and Premium and the negative readjustment of individual plans.

Adjusted Net Income totaled R\$347.1 million in 4Q21, an increase of 51.5% compared to 4Q20 and R\$1.0 billion in 2021, a decrease of 11.8% compared to the same period of the previous year, mainly impacted by the reduction in EBITDA due to the effects of the pandemic already discussed above and partially offset by the relevant reduction in the effective income tax rate.

Going to slide 17, free cash flow ex-acquisitions was negative by R\$109.4 million in 4Q21, negatively impacted by the reduction in EBITDA of R\$43.4 million as explained above. Negatively due to the variation in working capital, due to the payment of R\$72.5 million in social obligations related to the 13th salary; variation of R\$22.8 million in the Incurred But Not Reported (IBNR) and R\$50.1 million in the variation of accounts receivable due to the retention of write-offs of securities of the acquired companies that were merged in 4Q21. In Capex, we had an impact from the purchase of the Viventi Hospital property in Brasília in the amount of R\$206.0 million. And positively, due to the underpayment of current income tax and social contribution due to the deductibility of the goodwill and the amortization of the fair value resulting from the business combination.

Finally, we also want to share that we have taken advantage of the opportunities created by the market moment to buy back shares for treasury, to generate value for our shareholders, as we believe that the current price of our shares does not reflect all the fundamentals and business opportunities of Hapvida. In the fourth quarter alone, we repurchased 18.1 million shares. In 2021, 23.2 million shares were repurchased.

We are now, the entire Hapvida and GNDI team available for the Q&A session.

**OPERATOR:**

Now we will start the Q&A session for investors and analysts only. Remembering that, to ask questions, you must click on the Q&A icon at the bottom of the screen and write your #NAME#, #COMPANY# and #LANGUAGE#, to join the queue. Upon being announced, a request to activate

your microphone will appear on the screen and then you must activate your microphone to ask questions. We kindly request that all questions be asked at once.

**OPERATOR:**

Let's go to our first question. It's from Leandro Bastos, Sell Side analyst at Citi. Leandro, we will enable your audio so you can ask your question. Leonardo can proceed.

**LEANDRO BASTOS:**

Hi guys, good morning. Thanks. On my side are two questions. The first one is about the commercial part, I would like to explore a little bit how you are seeing the sales dynamics, at the beginning of this year, thinking about the macro, competitive environment, then the net adds part to be commented on by Hapvida and Intermédica. And the second is about the ticket, trying to get a little bit about how you are seeing the trajectory of the ticket for the year, and even if you can comment on the perspective of transfer, mainly to the collectives. Thanks.

**IRLAU MACHADO:**

Jorge, do you want to start there or do you want me to start?

**JORGE PINHEIRO:**

No please, start Irlau.

**IRLAU MACHADO:**

Perfect. We are very excited about the year because I think that the competitive dynamics become quite favorable for a company with national coverage like ours, and as we said, we have already started the work of developing a national plan, it is now already with Marcelo, under specific management. We have the database mechanism to be able to carry out this transformation, the after-sales service is set up, this product is being implemented now, we have already started offering this product at a national level, and we are very, let's say, excited about it.

It is also worth remembering that, due to our geographic division, both Hapvida and GNDI had percentages of portfolios of certain clients, for example, a large client we had here in the Southeast, maybe 20% of the lives and the other 80% of the lives distributed in other OPERATORS. Now we can offer Hapvida in the Northeast, just as Hapvida had customers in the Northeast, who will now be able to enjoy GNDI services in the South and Southeast.

This gives us a very relevant number of prospects, we have also started selling individual plans in the south and southeast, and this is a milestone, the product is already on the road, we are satisfied with the start of production. In terms of price readjustment pass-through, let's remember the ANS rule is what rules the readjustment of individual plans and it would be a good proxy for corporate plans too, something around 15% or 16% of readjustment should come out.

And for corporate plans, we imagine that we will have something of this magnitude, obviously looking at client by client. Because it is a minor work looking for the loss ratio of each one. There will then be a recomposition in the values of the individual plans as of April, as Jorge rightly said. We are very hopeful as a ticket reset. It is also valid to say that in the new companies that were

acquired there will be a remapping of products and price adjustment in these companies as well. I will give the floor to Jorge.

**JORGE PINHEIRO:**

Nice Irlau, very complete your answer. Nothing to add, just giving it a little more color. We are also very excited about the evolution of synergies generated between the fronts, especially in the commercial area. I see that several of those initiatives are already implemented, through the creation of teams assembled from the national cell. There is already a business pipeline formed in this cell for products covering the whole country, and the visits are already fully taking place, from the last reports we had, in the short term, always being from the pipeline that has already been designed, it is already being visited, generating possibilities for future growth.

As Irlau said, the individual is already running, the product was created in partnership with the two teams. Within a concept widely used in Hapvida, that GDNI uses all its strength, all its own network to offer this product. And therefore, the commercial fronts are making us very excited, such as, for example, a source of new revenue from the sale of other services. From the ticket point of view, the most important thing here is to emphasize that companies continue to strongly implement their action plans, in the sense of increasing verticalization levels, increasing their technological controls, through systems improvement, integration of their networks in the in the sense of having the best possible cost structure, to offer the best possible from a quality point of view, will allow us in the year in which medical costs impacted the entire market, this will allow us, being much more resilient, in a In a much more sustainable way, we can pass on the prices that we need, but on the other hand, be much more competitive, given not only the generated synergies, but also all the initiatives that both companies already had in their action plans and to intensify our philosophy. I see very well that as of March, after the teams are already working together, the pipeline has been very encouraging.

**IRLAU MACHADO:**

If I may, Jorge, just one more comment. Along these same lines, we are working together, and the market sometimes forgets this, but only a little more than 30 working days as a combined company. And in the same period, more than 20 hospitals between the two networks were already accredited, that is, with an important opportunity for verticalization and cost cutting.

**LEANDRO BASTOS:**

Perfect. Thank you very much.

**OPERATOR:**

Our next question comes from Vinicius Figueiredo, Sell Side analyst at Itaú BBA. Vinicius we will enable your audio so you can proceed. Vinicius, please proceed.

**VINICIUS FIGUEIREDO:**

Good morning, Jorge, Irlau, Mauricio and Marcelo. Thanks for taking my question. The first question is about growth in the Southeast, putting aside Belo Horizonte, because it still doesn't make sense for you to be very active commercially, since you are still structuring the operation. In São Francisco, net adds ended up affecting the consolidated number a lot and having a removal of lives does not make much sense within the portfolio and you can map this within the

system integration, but if you can comment a little, why did it end up happening? only now. And how is the head for the growth of this region with this one-time adjustment already made?

And the second question, if I may, is excluding São Francisco Saúde and the BH operations, the Hapvida vertical grew by almost 70 thousand lives in this quarter, if I did the math correctly, what would you attribute this acceleration to? And if you can comment on the first quarter in these same regions, if you can see this dynamic being maintained. That's it, thanks.

**JORGE PINEIRO:**

Nice Vinicius, great question. We implemented systems in 3 operators in the last quarter of San Francisco, São José and Limeira. Our user cancellation rule is quite short, that is, in 60 days according to law 9656, in 60 cumulative days or not, we cancel that user, so as not to be exposed to reimbursement to SUS and billing, which will not to occur.

As we implemented this system in the 4Q, most of the acquired companies, which was the same thing that happened in America, we anticipate a cancellation, which was already foreseen. Usually, companies cancel users with 120 days, and we comply with the rule implementing their cancellation with 60 days. Do you remember that last year, I think in March, we had a loss of 30 thousand lives in Goiânia in America, because they only canceled after 140 days, and we cancel after 60 days, so we took those users out of our base paying. This wallet cleaning doesn't mean cash reduction, we're just taking out users who are historically not paying. Every time the system is implemented, it automatically brings up these rules. Once again, it does not matter in terms of cash reduction, there was no change in this regard, but we remove non-paying users from our customer base because of this rule.

Apart from that, mature operations are growing well throughout Brazil, the 4Q was a year of growth. BH as you said, we are remodeling our Portfolio, we stopped selling in some cities and some capitals that neither Hapvida nor GNDI have their own network, we suspended sales, as well as we are discontinuing some small cities that, for example, have a certain city in the interior of the mines where we have a Santa Casa as a customer, which has a customer base, the loss ratio was around 200%. It makes no sense for us to maintain our own network, using the accredited network to sustain a loss ratio at this level.

We adjust the portfolio, prepare new products, as we are doing, and we already have a hook here for the BH theme. Hapvida and GNDI have already made a robust plan for this city, where we managed to cut a lot of duplicated CAPEX, which both companies would do separately, so we made a rationalization, a unification of the strategic plan for BH. Where we have spectacular hospitals, we are talking about 3 of the best hospitals in Belo Horizonte, we made the acquisition, on Avenida do Contour, where there will be one of the largest emergency services and a whole network of outpatient and diagnostics is being implemented, but of course this it takes a few months, so we are preparing what is going to be an extremely competitive product. Given its geographic dispersion in that region, given the complexity and quality of its assets. We are very happy with all the planning that has been implemented in Belo Horizonte, preparing us to sustainably have successive growth. I think we're on the right track, keeping in our customer base products that will sustain healthy growth in the long term. I don't know if Irlau wants to add something more about Belo Horizonte.

**IRLAU MACHADO:**

No, I was just talking about the special affection, that you know I have for Belo Horizonte, I am from there.

**JORGE PINHEIRO:**

That's why I asked you to speak, because your love there is great.

**IRLAU MACHADO:**

We are excited, we have hospitals and even with the joint combination in Belo Horizonte, we have a product that I believe will be extremely competitive once the infrastructure we have there is finished. So, Belo Horizonte will be a new phase and for the Minas Gerais market as well, with a national player, with national strength and presenting a very high-quality product.

**VINICIUS FIGUEIREDO:**

Perfect, thank you very much for the answers, super clear. Good morning.

**OPERATOR:**

Our next question comes from Joseph Giordano, Sell Side Analyst at JP Morgan. Joseph we are enabling your audio so you can proceed. Joseph, please proceed.

**JOSEPH GIORDANO:**

Good morning, everyone. Thanks for taking my question. I would like to explore 2 points here, I think the first is perhaps thinking a little more about work at home, a slightly relevant rise in expenses on the Intermédica side. I would like to explore with you here, if this is a one-off thing due to acquisitions, and to understand a little about these provisions for slightly larger contingencies, I think this is a point.

The second point is thinking about the broader strategy, trying to understand how you have seen these negotiations with customers in common, so Jorge commented that you have some customers with part of the portfolio, Intermédica has a part and Hapvida has another, I wanted to understand how these negotiations have been and how we should think about the agreed agreements in terms of price.

And getting into the product issue, which has a lot to be done, I would like to understand which side of the market opportunity you are targeting, it would be a lower ticket than the average of the two companies' combined, perhaps a more inbound access in the chain or try the middle, segment where you have maybe, a little more Unimed presence. Those are my questions. Thanks.

**IRLAU MACHADO:**

Let me talk a little bit because it specifically addressed Intermédica. Both companies have a very similar profile in terms of product democratization, that is, we focus our product on the incoming middle class and that is our focus and we have always been very successful in that. It doesn't mean that we don't have within our product portfolio, products reaching the premium and we have that at our disposal. One of the things that we are going to make available now is, for example, the PPO product for senior executives of companies that currently have, for example, Hapvida. This is a product that is being launched in that sense.

While the business combination offers us the opportunity to dramatically reduce costs through the verticalization of operations, simply because there are places where Hapvida has a hospital and GNDI previously needed to buy the service from third parties, now we can verticalize the group's service within that city and this strengthens the competitiveness of our product. And without a doubt, the quality of the product increases with this, and we have greater control, for example, over the chronic ones, the work we can do to reduce premature births, follow-up of chronic patients and so on. So, by itself, it already has a superior quality, and it obviously compares with Unimed's average ticket products, and we are going to be more competitive in terms of price, in that sense.

Regarding the cost of GNDI, we actually had that impact that was our collective bargaining, which happened and we were impacted. We have unions, sometimes different from what exists, for example, in other regions of the country. But this dissent happened in the last quarter, and now we are going to return to normality. After Jorge has commented, maybe Marcelo wants to get into the matter of costs a little bit.

**JORGE PINHEIRO:**

OK, Irlau. Perfect. Just wanted to remind Joseph, that the country has less than 24% of its population covered by health insurance. These 3 waves of COVID that happened, and I celebrate having completely overcome this last wave of COVID, make us believe in a short term in the normalization of operations, that's what we are living.

This, on the other hand, makes people increase their desire to be covered by private products. Given all the trust and care that we have been able to offer these people, with different technologies and attending the user's home. I think the combined companies are running with almost 400 thousand consultations per month, in telemedicine, 370 thousand consultations per month. It's a giant transformation, offering a network with a geographic dispersion, which gives a lot of comfort to the user, with the necessary complexity to meet what the user needs and with punctuality.

So, the beauty of this combination that we have here is this enormity of possibilities and gains that will be generated, and they are already through the various initiatives that are being mapped and already implemented and of course part of this, we return to the user through increasingly restrained readjustments giving predictability to our client. And on the other hand, it is the main opportunity to increase penetration, targeting those 76% of the population, who do not have health insurance and claim to have it.

On the other hand. As Irlau went bankrupt, we have a range of products of course that we need to point out, that the main product, the flagship of this company is this combined network, which has a national presence, in all major cities you will find Hapvida and GNDI hospitals, you will find outpatient clinics, diagnoses and our plan is to intensify this more and more. But we do have complementary plans with slightly different networks, for example the Hapvida portfolio has 3 products, our plan has the mix that has a wider network of consultations and has the full one, which has diagnoses that are a little more open and other hospitals. And GNDI Irlau just spoke, that the PPO will be complementary to customers who already have Hapvida and want to have free choice plans and in a complementary way, that is, this great possibility that we have here in synergies will make our product is increasingly better, more competitive and with a much wider geographic range as a result of the presence of companies. I will give the floor to Marcelo.

**MARCELO MOREIRA:**

Perfect. Joseph, you mentioned G&A, right, our G&A box. I just wanted to point out that, if we look at an annual view, we managed to have an important dilution of 0.7 p.p. we dropped from 9%, which we had in 2019 to 8.7% and now from 8.7% to 8%. So I think that this commitment and effort to dilute our G&A as we expand our operations, this challenge is present. And clearly, we have variations between the quarters and they are normal. And these two variations that occurred in the 4Q, we do not expect them to be perpetuated.

The issue of contingencies and ANS fees is a very specific thing in some product restructurings, which we did especially in these new markets that we entered, with the launch of several products, completion of others so that we could focus on the launch of the Conect product, which we made in the South and Minas Gerais. You have not only the fees, but the Marketing expenses associated with that. The personnel issue, obviously, is a collective bargaining agreement, but the biggest impact we had here is even the correction of provisions, because I must correct vacations, the 13th, all of that. And then you have a greater impact that ends up happening in a certain period. So here is the commitment to continue the search for the dilution of G&A.

**OPERATOR:**

Our next question is from Vinicius Ribeiro. Vinicius we will enable your audio so you can ask your question. Vinicius, you can proceed.

**VINICIUS RIBEIRO:**

Good morning, everyone, thanks for taking my question. There are 2 questions here on our side. I would like to follow up on a very specific thing that Irlau commented, which is a bit of a cross-verticalization, if you can call it that, when the two companies were expanding, at some point you had to expand the network, of increased capillarity of the service network and so on. I would like to understand that, considering the additional demand that the National Plan will bring, do you expect any need to adapt the structure or that structure that already exists is sufficient to meet this demand.

And the second point, also referring to the National Plan, when we think about price and level of verticalization when compared to the base of both companies, we should expect that this National Plan will have a lower ticket than the base ticket. or we should expect pricing like the products we have today and somehow generate operational efficiency for you. That's it folks, thanks.

**IRLAU MACHADO:**

Do you want to start, Jorge?

**JORGE PINHEIRO:**

I'll start here and then you complement Irlau. We have a product today, which can now be made available, which we can call a National Product, as it is present in all Brazilian regions with its own network. But naturally it is a product that, I don't have the exact number, but it is present in more than 86% of the GDP, help me out there, we are committed to giving the exact number. But see that with our own network, we will already be present everywhere it has the highest concentration of income in the country, and therefore, the largest consumer market. So we start

with this reality, of unifying these two products the two networks, we have the possibility of offering a product, yes national, because it is present in all 5 regions, almost in all Brazilian capitals and other large centers. But of course, it is not a product that has its own network in all regions of Brazil, it would be unreachable and inefficient to have its own network in all Brazilian cities, but we already have a huge competitive advantage, because here there is nothing compared to this dimension and geographic breadth that exists today.

We must point out that both companies continue to have a very strong attachment to expanding their own network, through acquisition projects. I know that GNDI, Irlau can speak better later, there are 7 projects for emergency care units. Hapvida here in SP has 3 hospitals being built, there are 2 more in the Midwest and 3 more in the North and Northeast regions. There is an acquisition that we have announced recently in the northeast region, we are opening a hospital in Brasília in the next few days. GNDI has just announced an acquisition in RJ, that is, as part of our strategy, we consistently expand and qualify even more with architecturally good projects, better and better, in the best addresses, better technology, bringing the best professionals and making our product increasingly have competitive advantages, which is not available today in Brazil.

In fact, we are talking about the creation of a new concept, a new product that only Hapvida and GNDI will offer to the Brazilian market. Regarding pricing, it is a little more complex, as pricing depends on the concentration of lives in each region. It is clear that this Brazil is so large and so varied, that the medical cost of cities also varies with the same intensity. The medical cost of Salvador is different from Manaus, which is different from Joinville and from São Paulo and Rio. So, pricing has this sophistication to check not only geographic location, but age group, type of product, whether there is co-payment or not, whether there are other modalities, whether the user participates or is paid 100% by the company. There are several aspects to be verified in the pricing of this product. The initiatives are already in place, the two price teams are already working together in this national cell, to give a very great dynamism in the quotation of these new products. Irlau, please, want to complement.

**IRLAU MACHADO:**

It's only worth a complement Jorge, very good your comment. At the moment when we develop this network and it lends itself to a national product, and even through as you said, our structure is huge. It comes to meet our desire for continuous verticalization of services, supplementing this throughout the national territory. And when we verticalize, let's remember, usually the cost obviously depending on the region of the country, the location, when it is done indoors it can be 50% lower than what is charged outside, depending on some places even more. So that gives us additional competitiveness at a very reasonable price.

**MARCELO MOREIRA:**

Just in relation to your first place Vinicius, regarding whether any additional CAPEX would be necessary, in this case I think it's the opposite. Hapvida had an approved CAPEX business plan, another GNDI. When you combine the two, what we have already identified with first and last names are some of these investments that did not need to be made. Because they would generate an excess of network, which is not necessary. I think the result here of the individual CAPEX plans is that we will effectively have savings.

**GLAUCO DESIDERIO:**

Just taking the opportunity to complement the point at the beginning of Jorge's answer. The combined national structure will be present in the total of States that represent 92% of the national GDP.

**JORGE PINHEIRO:**

92% a little bigger than I had said. Thank you Glaucus.

**MAURICIO TEIXEIRA:**

An important point of synergy, as you mentioned Vinicius, is cross-verticalization, this issue that many times companies already offer national solutions but using third-party networks or other operators and lives are passed on locally. Eventually, GNDI has a client in the Northeast or North that is served by a partner OPERATOR, which is not Hapvida. And now we are doing this crossing of the bases to pass on to Hapvida and vice versa. Hapvida relaying local lives to GNDI. And this has an immense synergy, which we are doing with this cross verticalization of sales. Crossing operators and hospital networks.

**IRLAU MACHADO:**

Well remembered Mauricio. Just as an example, we had through the acquisition of Vitallis in MG, we had life in Pará, Maranhão and Manaus, that is, this is now being passed on to Hapvida which has local infrastructure to serve at a much lower cost than we were paying. Ditto for some operators that we bought and had lives in Recife. The same is true for operators acquired by Hapvida and customers of Hapvida. That we can pass these lives between us.

**VINICIUS RIBEIRO:**

Perfect. Thank you very much.

**JORGE PINHEIRO:**

Perfect, Irlau. Just to add, it's a good reminder that this is one of the short- and medium-term initiatives to capture synergies, which do not bring great complexity. They are already mapped in our city-by-city pipeline and over the next few quarters we should start to see the capture of this synergy, bringing a lot of efficiency.

**OPERATOR:**

Our next question comes from Mauricio Cepeda, a sell side analyst at Credit Suisse. Mauricio we will enable your audio so you can proceed. Mauricio, please proceed.

**MAURICIO CEPEDA:**

Hi folks, good morning. Thank you for the space here at the conference. I have a few questions, even exploring some aspects that have already been discussed. The first is the issue of cancellations, you have very good gross adds, but cancellations are still high, I understand that there was a question of cleaning up some portfolios. But if you could perhaps detail what other reasons are leading to these cancellations other than these cleaning of the portfolio, and when do you believe that there may be an inflection in this trend.

The second question, since we are talking a lot about the verticalization issue, what are the possible gaps, where are the main verticalization gaps that you have in the country and if this somehow influences your M&A decision, to make a tradeoff between buying lives and buying infrastructure, what would you do in these places.

And I'm going to ask two unusual questions here, which I'm going to combine into one. We see two discussions going on in terms of regulatory and legislative matters. One is the question that perhaps the ANS ROP can become “exemplary” despite being a bit strange. But if you have already managed to calculate a possible impact on this in the outpatient clinic and another discussion that is coming from the nursing salary floor, which has been hot again in recent times. How far would you be from this proposed new value and therefore what could be a payroll impact. Thank you so much.

**IRLAU MACHADO:**

Jorge, do you want to start?

**JORGE PINHEIRO:**

There are several themes here, let's hit the ball Irlau. Regarding cancellation. First Thank you Mauricio for your questions. Basically, two reasons, implementing systems as I said, we shorten the rule for canceling users who were historically in default. When we remove them from the base, after implementing the system, again there is no impact on cash, because they are non-active users. We don't even notice a change in default behavior, default is maintained, right? It's just a more efficient ruler that we have. It's no use having users in the customer base who haven't been active for months. Invariably, in all the operators, that we do, we implement it, but it is done all at once, when you implement it, from then on, in each company, it is no longer recurring.

A second thing that we have naturally done is to discontinue some regions, which make no sense for us to be, because they are regions specifically where there is no possibility for us to implement our business model given the characteristics of population density, and local hospitals we don't have much room for maneuver to be able to make the best management. So, in these cities specifically we have been discontinuing, it makes no sense for us to maintain our customer base that will not bring health into our operation, that consume, and we have no possibility of doing any type of implementation using our own network. So, basically those are the reasons. But the sale, as you can see, is cool and we make these adjustments to the portfolio so that every sale in the company is healthy, sustainable. We are not thinking about short-term growth to generate an increase in the number of lives.

The game here, Irlau and I talk a lot together with the teams, we are going to have sustainable, safe structures, we are going to allow ourselves resistance, resilience with quality of service. And that we can also be predictable with the user, so that we don't have to pass on 30%, 40% readjustments in the next year, which is not what we do. On the contrary, we want to offer products that are sustainable and of high quality.

Regarding the ANS Roll of Procedures (ROP), I see a very low possibility of something like this happening, which is an example, which would be to decree the closure of the agency's regulatory body. One of the main foundations of the agency is precisely to determine the formatting of the products and the ROP. So that would be to decree the closure of the regulator that brought great gains to Brazil, putting a single rule for all competitors. I think this was a big win for the consumer. So, I don't see any great motivations for that.

From the point of view of the nursing floor, the conversation is very incipient, the topic to think about having passed the Senate and now being in Congress. First, of course, we must value and congratulate the nursing professionals, they who fought so hard, now especially in the face of these waves of COVID, here goes our congratulations to the spectacular professionals, who take the unit [...] the day.

Now, the big discussion in Congress today is a source of funding, especially for city halls, especially for Santa Casas, philanthropic, right, we always have the possibility of passing on the price in any measure that may happen. We don't have any defined numbers because the scenario is still very open. Several possibilities are being studied at the congress and as this is not yet mature, we do not have any specific number. Irlau, what help there?

**IRLAU MACHADO:**

Just as a last comment regarding the example ROL vs. in addition to closing the National Health Agency, we would have to close authorial science in the world. Because you cannot perform actuarial calculations in a mutualism system, without understanding the risks involved, which would then be expressive price increases for the imponderable, it would be very counter-productive for the country, it would be counter-productive for the consumer. The first thing that should hit the nail on the head is the consumer himself. So, I also don't believe that this kind of activity could or that this kind of action could thrive.

**OPERATOR:**

Our next question comes from Fred Mendes, sell-side analyst at Bank of America. Fred we will enable your audio so you can proceed. Fred, please go ahead.

**FRED MENDES:**

Good afternoon, everyone. I have two questions here as well. One of them is to come back in the second, on San Francisco, of course it was a bigger, more complex asset. But this deadline for total integration of almost 2 and a half years calls attention a little. So, if you could talk a little more about this, and how is the performance of this specific asset, that would be great.

And the second question is more for the GNDI, what can we expect from the new individual products, which I think the GNDI has launched here in the last few days in SP. And if you can imagine, I think it was already products that had been working for some time. One can imagine if this would already have a more relevant impact in 2Q22. Thank you, guys.

**JORGE PINHEIRO:**

Irlau, I start here about San Francisco and then you talk about the individual. Could it be?

**IRLAU MACHADO:**

Perfect.

**JORGE PINHEIRO:**

Recalling the São Francisco process, it was the biggest acquisition we made, without a doubt challenging for an OPERATOR that had a network and customers in 4 Brazilian regions, very dispersed, so the level of complexity is high. Remember, because of this, when we released the case to the market, we were talking about an implementation period of 4 years, after we had already foreseen all the complexities. We managed to reduce it by half, by half we managed not

only to do the corporate integration, implementation of systems and complete integration of operations. Today, San Francisco is 100% integrated in Hapvida systems, all the information that has in the operations in the Hapvida model in San Francisco is already reflected with the same intensity, quality, and punctuality. Real-time operations already work. So, we've already managed to halve the deadline, that is, what do we have from now on in São Francisco, just the construction of hospitals, the implementation of our own network and this is part of a continuous process, right?

But regarding the integrations, they are fully done, and we managed to, just to give some numbers, San Francisco was already running with a loss ratio of 70% at the end, and we were already able to reduce 5 or 6 p.p. during this period, which is something spectacular. An operation that is partially verticalized, and that half of São Francisco has its own network, and the other half does not and possibly will not. We have some hospital projects, we have in Campo Grande, in the interior of São Paulo that will increase the level of verticalization, and yes, we have been doing this a lot. But we already had a huge gain in 2 years, half the time we expected. It was a very successful integration in that sense. Irlau, please about the individual. Thanks, Fred, for the question.

**IRLAU MACHADO:**

Perfect. Just look at it to explain a little bit about this process of a comprehensive launch of an individual product for us. First you have to train and qualify the brokers, you obviously need to have the product registered and structured, it is all based on our own network. Our individual products are 100% vertical, we obviously need to agree with the compensation broker channel and launch the product. This has all already happened, we have already started the sales process, it has been a week of sales, already with success. We are undoubtedly hoping that this will gradually have repercussions.

Remember, this is like a step-by-step, you sell a group of products today, they're paid for that month, the following month those new products sold in the following month plus what was sold in the previous month. So, this is going to form on this ladder and we are going to expect results in the coming months, already impacting our result.

It is interesting to remember that individual products also have a certain lack, right. So, the MCR, especially at the beginning, is even more timid and, therefore, the result is even better.

**FRED MENDES:**

Super clear. Only if you can go back one more at this point and theoretically it should have a higher price and naturally a loss ratio, a greater or equal margin from the moment they gain more body, right, theoretically.

**IRLAU MACHADO:**

Exactly.

**FRED MENDES:**

Perfect. super clear. Thank you Irlau. Thank you Jorge.

**OPERATOR:**

Our next question comes from Ricardo Boiati, sell side analyst at Banco Safra. Ricardo we will enable your audio so you can proceed. Ricardo, please proceed.

**RICARDO BOIATI:**

Good afternoon people. How are you? I hope you're hearing me right there. I have two quick questions here actually. The first is for Hapvida, in relation to this ANS fine of more or less R\$ 15 million in the quarter. It has a contingent liability of more or less R\$ 460 million classified as possible, according to the ITR. If you could give a little more color on what happened in the 4Q and how this compares with contingent liabilities, so that we can understand a little bit if there is any risk of new reclassifications or if it was something totally one-off there in the quarter. Marcelo has already commented a little on the case of GNDI, but if you have anything additional, Marcelo, feel free.

And when this provision can come to cash, that is, as you are recognizing the provision today, you already have an expectation that it will turn into cash in the next 12 months or not necessarily. I understand that it is not materiality of this contingent liability, it is not that relevant either. But just to understand if there would be something more in NLP over the next few quarters.

And the second question for GNDI, it's just a clarification actually, regarding the loss ratio. You comment there on the impact of the demobilization of COVID service structures. I just wanted to understand if this impact is included in the R\$ 126 million in the cost of treating a COVID patient or not, or if it is something additional, non-recurring in this R\$ 126 million. That's it from my personal side, thank you.

**GUILHERME NAHUZ:**

Good afternoon, Boiati. This is Guilherme. I'm going to take this first question from the ANS penalty, which is absolutely common administrative process as usual here. There are 72 administrative processes, that is, it is not a fine for a process in itself, so this is very pulverized. There are several administrative penalty, which we received between 2007 and 2013. So these are very old actions, still in the administrative sphere. We are now in court appealing against it.

So, the appeal was already filed by Hapvida and we are waiting, we cannot predict when the final and unappealable decision will take place, but the provision had to be made now because the processes were classified, like all our other processes by third-party offices, classified as probable loss. So, we made the provisioning now, cash disbursement is not predicted when this will happen.

This is one time, so it is not a recurring effect, which again is a large volume of very old fines, which is part of the business. And again the normal course of business was nothing out of the ordinary. Moving on to Marcelo, to answer the GNDI part. Thank you Boiati.

**MARCELO MOREIRA:**

Perfect. I think that, in relation to the loss ratio, we are talking about these R\$ 126 million, the COVID impact that we had. This was basically an impact of medical bills and cost of care, demobilization is not contained in this number, okay. It comes additionally, because it has to do with staff readjustment, reduction of medical teams to be more in line with the need and bed closure.

Do you remember that, throughout COVID, we talked a lot about opening beds, and now all these beds, at this moment now we can say with confidence that they were all closed. There are no more beds, no more separate hospital wards exclusively for COVID. This has now become a normal course of business here.

**RICARDO BOIATI:**

Excellent. Thank you, folks.

**OPERATOR:**

Our next question comes from Yan Cesquim, sell side analyst at BTG Pactual. Good morning, everyone. I would like to ask 3 questions. We noticed that a lower level of net addition in the quarter was impacted by a larger chair, especially in the recently acquired Promed and Premium. Is this dynamic of cancellations reversing in early 2022? Second question, how are sales at the beginning of the year? Do you see an improvement in net additions? Third question, when should sales of the national product begin?

**IRLAU MACHADO:**

I start with the last question and the others engage. The national product is already being negotiated; the offer is already being made. We have a funnel, which we call a sales funnel. Where we identify a group of potential customers who are candidates for the product and we start the visits, you know, these visits to these customers, we are talking about a huge potential of customers. What was initially selected here because it makes more than 700 thousand lives. We are going and talking to these clients, and for some clients we are already in a second stage, which is the negotiation process, and we have some clients already in the final phase of signing. So, the product is already on sale as the national product.

**JORGE PINHEIRO:**

Regarding cancellation, of course, every beginning of the year is warmer, due to the nature of the expenses that people have IPTU, IPVA and children's school enrollment. So, it is usually warmer, but we are very hopeful with all the initiatives that are being set up here, as Irlau said. All set, looking ahead, at least the pipeline is making us very excited about the possibility of growth.

**OPERATOR:**

Our next question comes from Beatriz Abreu, sell side analyst. Beatriz we will enable your audio so you can proceed. Beatriz, please proceed.

**BEATRIZ ABREU:**

Hello guys. Good morning. Thanks for taking my question. My question is two very quick questions. The first question refers to this deferred expense of commissions due to the São Francisco group, which increased significantly in the quarter. If you can explain why and what you expect for this expense in the future, I think that would be great.

And a second question if you could give some color in relation to the tax benefits and the rest of the agile deductibility. How do you see this going forward, especially considering a likely increase in agile with the combination? How do you see this going forward? Thanks.

**MAURICIO TEIXEIRA:**

Hi Beatriz. How are you? Thanks for the question. First about deferred expenses, the following happens: São Francisco had contracts that were sold, and they were still amortizing the deferral of commercial expenses, right, customer acquisition, correlated with the churning theme. When these customers were written off, the amount that had to be recognized was also written off in income, because it makes no sense to recognize in income the deferral of a commercial expense of a customer that no longer generates revenue. So, this one-off write-off was also made. We don't expect this level of commercial expenses to continue, ok.

Regarding tax benefits, I have been working a lot here with Marcelo and the legal advisors so that we can see here how the chain of all tax optimization initiatives is, considering this new goodwill created, and the existing goodwill of the group companies. Remembering that both companies have already made acquisitions and still have goodwill to be used. For example, now Hapvida, as of the 4Q, started to take advantage of the São Francisco goodwill, which is a very large goodwill, we are talking about R\$ 1.5 billion in tax benefits. And this will last for a few quarters yet.

So, there's still no need for us to launch this new goodwill that was created. GNDI is the same, there are recent acquisitions in which we are planning how the sequencing of the use of this goodwill will be, and then we can think about how we can take advantage of this higher goodwill from the large transaction, which has now been concluded. So basically, we don't have to be in a hurry to use the goodwill. We have to be in a hurry to have the lowest possible tax net. We already have enough ammunition from the acquisitions that were made in the past to preserve us for a long time. And then, over time, we plan how to use this goodwill generated now. So this goodwill could be amortized in the accounting, for cash effect, the two companies already have very low effective tax rate levels and there is still plenty of ammunition for existing goodwill to be used. So, for now, this sequencing is being done, and we will have this plan now, which will be a plan for the next years of corporate changes, incorporations so that we always have this very low level of effective tax rate.

**BEATRIZ ABREU:**

Perfect. Thank you.

**OPERATOR:**

The Q&A session is closed and we would now like to turn the floor over to the Company's closing remarks.

**IRLAU MACHADO:**

Go ahead, Jorge.

**JORGE PINHEIRO:**

So once again, thank you Irlau and the entire GNDI team for the wonderful food that we are working on together. Many thanks to the employees of this combined company. For the gigantic effort that we had together in 2021 and we will work together, strong in 2022 in the sense of fulfilling our mission, right Irlau, of bringing high quality medicine in an affordable way. This is our biggest commitment. Thank our investor partner for being together, supporting us in this growth. Let's go. Thank you Irlau.

**IRLAU MACHADO:**

Thank you, Jorge. Thank you, Marcelo. Thank you, Mauricio, Glauco and Nahuz. Thanks to you investors and analysts, a big hug to all.

**OPERATOR:**

The videoconference of results for the 4th quarter of 2021 of Hapvida is closed. The Investor Relations area is available to answer other questions and concerns. Many thanks to the participants and have a good afternoon.