

Operator:

Welcome to Grupo Fleury 2Q21 earnings conference call. Joining us today are Mrs. Jeane Tsutsui, CEO, and Mr. Fernando Leão, CFO and IR Director.

This event is being recorded, and all participants will be in a listen-only mode during the Company's presentation, after the Company's remarks, we will open the Q&A session, when further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

This event is also being transmitted simultaneously through the Internet via webcast, and can be accessed at www.fleury.com.br/ri, where the slide deck is also available. Participants can flip through the slides in any order. The replay will be available shortly after the event is concluded. Those following the presentation via the webcast may pose their questions on our website.

Before proceeding, let me mention that forward-looking statements that may be made during this conference about the future prospects of Grupo Fleury are based on beliefs and assumptions for the Company's management, and on information currently available to the Company. Forward-looking statements are no guarantee of performance, and they involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur. Investors and analysts should understand that general economic conditions, industry conditions and other operating factors may affect the future results of Grupo Fleury and may lead to results that differ materially from those expressed in these forward-looking statements.

Now, I would like to turn the floor over to Mrs. Jeane Tsutsui, who will start the presentation. You have the floor.

Jeane Tsutsui:

Good morning, everyone. Welcome to the 2Q21 earnings conference call of Grupo Fleury. (02:20 TECHNICAL DIFFICULTY) we have entered a new cycle of growth, reflecting our strategic positioning of being integrated (02:26 TECHNICAL DIFFICULTY) ecosystem with physical and digital strategy.

And this is not only something we say. Grupo Fleury has reached an all-time record of revenue for the period, achieving R\$1.005 billion, 104% up year over year, as you can see in the highlights on slides number three and number four.

The numbers are starting to reflect the expansion to other links in the chain, which in the 2Q21 accounted for 4.1% of the Group's revenue, including the revenues from the acquisition of Clínica de Olhos Moacir Cunha and Centro de Infusões Pacaembu.

Although we face the second wave of the pandemic in Brazil, the share of covid tests in total revenue has achieved the lowest level since last year, 8.3%. At the same time, we see an increase in the volume of routine screening tests. The share of revenue from mobile services has gone up, achieving 8.1% of the total revenue of the Group.

Strengthening our platform strategy, the number of lives coming from Saúde iD is still growing. Since its opening in the beginning of the pandemic, almost 600,000 medical

tele-visits have been made, positioning health tech Saúde iD as one of the leaders in this segment in the country. We have also started to offer surgery to an addressable market of R\$1.9 billion, thus making its asset light platform model a reality. And even with our own hospitals, we can offer that in partner institutions.

On slide five, you can see that these movements make our Company the best integrated health model available, providing care throughout the whole patient journey with prevention, diagnostics, primary care, secondary and tertiary care, offering all services available and increasing lifetime value.

We offer checkup services, telemedicine visits or in-person visits in our patients service units, and diagnostic tests and therapy of different specialties, ophthalmology, orthopedics, diffusion of immuno-biologics, for example, and now surgeries. Thus, the Group has become a concrete and powerful health ecosystem, something that all health care industry needs, but that in practice patients could not yet find.

We had loose parts of a puzzle, and now this parts are coming together, and the value generated for clients, physicians, partner hospitals, HMOs and shareholders, and the whole health ecosystem, is clear.

Throughout the years, we have built a relationship of trust with our clients and physicians, with brands that are strong and acknowledged. And now, we have digital and physical platforms to offer health care in a hybrid way.

Our purpose is to promote health in a preventive way, and to be there for patients when they need specific care, meeting their needs in an integrated.

Grupo Fleury is increasingly a complete health care company, a multichannel one that is always finding new pathways for growth. In September 2020, when it was founded, Saúde iD had a customer base of 7 million potential clients coming from HMOs that purchased the products and benefited from the marketplace. The total of 1.1 million lives served this quarter, 14.5% of them came from Saúde iD, 89.7%, up quarter on quarter.

Looking at tele-visits only, there was an increase of 21.9% compared to the 1Q21, 12,228 visits.

The B2B2C strategy was the embryo of a more ambitious strategy that will start to be implemented now with sales of services to consumers. Saúde iD has professionals that know the platform and focus on consumer experience, thus we can expand the portfolio of products and potential partners.

We created this to reinvent access to health care in Brazil. We have also started to offer subscription service involving telemedicine visits, in-person visits and first packages straight to customers.

More recently, we have an all-inclusive surgery service accessible to people who do not have health care plans. The list of surgeries includes procedures with low complexity, high predictability of cost, and a care cycle of up to 30 days. We have an outcome based compensation model that means at all costs are included.

With this business model, we created an offer of beds without having an hospital exit. And more than that, we are offering patients the possibility of having surgery without having to wait for months or even years. And this is a potential market of R\$1.9 billion.

An example of the scalability of Saúde iD is the recent partnership with Smiles, GOL's loyalty program management company. Now, the 18 million clients of smiles can start exchanging their miles for services from our marketplace, thus the potential customer base of Saúde iD more than tripled, achieving 25 million lives. As new products are incorporated to the platform, they will also be available to those clients.

As a 95 year old company, acknowledged for its quality and excellence in diagnostic medicine, we have many opportunities for growth in new locations where we still do not operate.

So, this quarter, we made the acquisition of two traditional diagnostic medicine brands in Espírito Santo: the Bioclinico and Pretti laboratories. In addition to marking the entry of Fleury in that state, we reinforce our national footprint, adding to our offer in the Southeast region of the country.

But we have changes in the way health is consumed today, and we do not want to focus only on organic or inorganic expansion in our service units. Today, expansion is not only based on square footage, but also on remote services, and Saúde iD is an example of that transformation. Another one is the growth of our mobile services. In the 2Q21, it accounted for 8.1% of the Group's gross revenue, a 4.4% increase compared to the same period last year.

Another impressive information is that today, the revenue generated by mobile services is similar to that of 25 service units. In order to continue with that growth, we also focused on another differential we have, which is medical knowledge. Thus, we are a reference in innovation and health care. We have 192 new products that were implemented this year, with a highlight for genomics tests that had a 100% growth in the 2Q21.

And as a company that works in health care, from prevention to therapy, we have been increasing our integrated offer in different specialties. On slide number eight, you can see that the revenue coming from the different links in the chain going beyond diagnostic medicine has had an increase of 443% this quarter compared to the previous year, now accounting for 4.1% of the total revenue of the Group.

In ophthalmology, Clínica de Olhos Moacir Cunha offers visits, diagnostic tests, therapy, surgery and other procedures. The addressable market for that specialty can get up to R\$2 billion per year, as we can see on slide number nine.

We have also just acquired an interest of 66% of Clínica Vita, a premium asset that shows how present we are in the orthopedics market, with an advanced diagnostic assessment of the locomotor system, and Day Clinic for ortho procedures.

For you to understand what this can offer, the ortho addressable market alone is estimated at R\$10 billion per year. We have also enhanced our services of infusion of Immunobiological drugs with the acquisition of Clínica de Infusões Pacaembu. This market of around R\$7 billion per year.

This shows that the growth potential of these new links is exponential, and it will position us in a unique way in the health care market. We are creating an integrated approach that will recommend what patients need, when they need it, and our goal is to take care of people's health so that they can have a better quality of life.

And one of the greatest challenges of companies with ESG ambition is to include environmental, social and governance actions into their business strategy. This has been a concern of ours for over 20 years, and although we still have a long way to go, we believe that we took an important step in July when we did our first issuance of ESG-linked debentures.

In addition to raising R\$1 billion, a volume that will help us boost growth, we are pioneers in the issuance of this type of debt in the health care industry, and the first company in Brazil to establish social indicators among the commitments made in the issuance of sustainability-linked bonds. If the targets are not met, the Company will pay a premium to investors.

And the most innovative goal is related to democratization of health. It will impact 1 million customers from classes C, D and E with the Saúde iD platform until 2026. This ambition is closely related to the goal of expanding our businesses, and also to our purpose of offering quality health care to a higher number of Brazilians from all social classes. It is worth mentioning that today, only 25% of the Brazilian population has access to health care.

Our second target is environment and nature. We want to reduce biologic waste by 14% by 2023 and by 20.5% by 2025. We have also expensive initiatives that aim to cut the impact of the covid-19 pandemic. We are part of the vaccination campaign that aims to make it feasible for all Brazilians to get vaccinated by September this year, and we will contribute with technical, scientific knowledge and disseminating content and training.

Also, we are part of the Corona no Paredão, Fome Não campaign managed by NGO Gerando Falcões, which aims to collect and distribute food baskets to families in *favelas* of Brazil.

As it comes to governance, Fernando Leão will end his cycle as CFO and Investor Relations Director after contributing to our Company in a very relevant way. He was key to strengthening our finance area, and he was also part of a project that leverages the growth of our Company through organic growth and acquisitions. His help has raised financial proceeds that made it possible for us to expand and grow.

So I take this opportunity to thank Leão for his leadership and significant contributions since he joined Grupo Fleury.

As part of a new cycle, José Antonio de Almeida Filippo will join Grupo Fleury as CFO and Investor Relations starting on August 1st. He is experienced in Brazilian companies with international business. He was at Natura & Co. since 2018. Before that, he held positions as CFO at Embraer, Grupo Pão de Açúcar, CPFL, and other companies with great performance in their segments.

He conducted relevant financial and capital market operations in all of those companies, and he will help us in our growth strategy, strengthening our integrated, preventive and hybrid health ecosystem.

Finally, at the end of June, Grupo Fleury has had a cyber incident that caused system instability. For a few days, we had to operate on a contingency scheme, and we were able to overcome that thanks to the dedication and commitment of over 12,000 employees and 3,000 physicians. To this restless team who put our patients first at all times, I would like to thank them all.

I would also like to thank our clients, hospitals and HMOs who understand that companies and governments all over the world can be victims of attacks like this, and the relationship of trust that we have built throughout decades with all of our stakeholders was tested during this episode. This relationship is firm, and is the foundation for the Group to continue pursuing its goal of offering high quality health care in different channels to an increasingly greater number of Brazilians.

Now I turn the floor over to Fernando Leão, who will give you further details about our results. Thank you very much.

Jenae Tsutsui:

Thank you, Jeane. Good morning. Now I am going to talk about the 2Q21 financial results.

On slide ten, you can see our consolidated gross revenue. We have achieved a new all-time record in consolidated gross revenue, totaling R\$1 billion, a 104.2% growth vis-à-vis the 2Q20 and an increase of 4.2% vis-à-vis the 1Q21.

On slide 11, you can see the share of covid-19 tests in our results. About 550,000 tests were performed in the quarter. Compared to the total revenue, the RT-PCR and serology tests share in revenue decrease compared to the previous quarter, now accounting for 8.3% of total gross revenue, compared to 9.7% in the 1Q21 and 11.1% in the 4Q20. This is the lowest level registered since the beginning of the pandemic.

The tests accounted for 7% of the revenue of patient service units and 15.5% of B2B revenue, thus showing the strong growth of the Group's consolidated revenue as the share of covid tests decreases gradually.

Now on slide 12, you can see further details about the performance of our brand portfolio. Gross revenue of patient service units grew by 114.4% compared to the 2Q20, and by 1.5% compared to the 1Q21, achieving R\$793.7 million. Once again, all of the Company's brands have had relevant growth, which reflects the continuous demand recovery, thus reinforcing the continuity of the expansion of our mobile services, up 40.4% compared to the 2Q20. This reflects how much we are focusing on making the most of opportunities, expanding our logistic routes and expanding the service to all of the brands for our Company.

On slide number 13, you can see the evolution of costs and operating expenses. It is important to mention that there is a reduced basis of comparison to the 2Q20 when we had significant savings and cost avoidance measures implemented due to the beginning of the pandemic.

On the chart on the left hand side, you can see the 49% increase in the quarter. This was boosted mainly by personal medical services and direct materials, both reflecting a significant increase in the volume of tests in the period as the demand goes back to previous levels, also including the strong expansion of our mobile services infrastructure.

It is worth mentioning that the lower costs with personnel registered in the 2Q20 were due to the Company adhering to MP 936, reducing salaries and working hours of employees.

In direct materials, that was an increase due to covid tests, and an addition of pharma products for infusion services on that line.

On the right hand side of the slide, we can see our operating expenses. This quarter, we had an 88.4% increase. And excluding nonrecurring effects of R\$29.4 million of expenses related to the cyber incident, acquisition of companies and organizational restructuring of the Company, the increase in operating expenses was of 45.6%. The main impacts are due to the reduced basis of comparison to the 2Q20, when salaries and working hours were reduced, and the expansion of the org structure of our Saúde iD platform.

Now on slide 14, you can see that our EBITDA achieve R\$219.7 million in the quarter, an increase of over 11x compared to the 2Q20, with margins of 23.6%. Excluding nonrecurring effects, EBITDA achieved R\$249.1 million in the 2Q21, with recurring margins of 26.7%.

In the chart on the right hand side, you can see the accumulated comparison of EBITDA, which totaled R\$505.3 million, 834.4% increase year over year. Excluding nonrecurring effects, EBITDA totals R\$534.7million, 848% increase, and recurring margins of 29.3%.

On slide number 15, you can see our net income, which achieved R\$65.5 million in the quarter, compared to a loss of R\$73.3 million in the 2Q20, and net margins of 7%. Excluding nonrecurring effects, net income totaled R\$86.6 million, with recurring margins of 9.3%.

On the chart on the right hand side, you can see an accumulated comparison of net income in 2021, which totaled a R\$184.1 million, and net margins of 10.1%. Excluding nonrecurring effects, net income totaled R\$270.2 million in the 1H21, with recurring margins of 11.3%.

Now on slide 16, you can see charts with our operating cash flow, which achieved R\$286.5 million in the 2Q, an increase of 316.1%, boosted by the strong EBITDA growth in the period.

On the right hand side, you can see our CAPEX, which totaled R\$85.9 million in the 2Q, up 113.7%.

Now on slide number 17, our ROIC ex-goodwill achieved 50.7% in the 2Q21. On the right hand side, you can see the evolution of our NPS, which achieved 76.1% as a result of our continuous efforts for continuous improvement of service at our units.

On slide 18, you can see that the Board of Directors approved yesterday, in the 29th, the distribution of interest on capital in the amount of R\$42.4 million, R\$0.13 per share. This will be paid based on the shareholding position of August 3rd. The payment to shareholders is to be made on August 15.

Finally, on slide 19, you can see the events with the market already confirmed for the coming months.

Now, we would like to open for questions. Thank you very much.

Ricardo Boiatti, Banco Safra:

Good morning, everyone. Talking about the Saúde iD platform and the health care platform as a whole with integrated businesses, I think it is amazing that you are now sharing important information more and more. So thank you for that. About the tertiary care vertical, can you tell me a bit more about that initiative? What is the current status of that vertical, and what is your target audience? Are you thinking about a B2C business or are you talking to HMOs to try and offer that new service? Did you include in the contract you have with HMOs? Who are your main partners there?

Still talking about your verticals, there are many complementary businesses now. So which of these new verticals you think have the greatest growth potential? We have a great addressable market for infusions, for example, and you are already participating in that market with Centro de Infusões Pacaembu, but is there something that you would highlight for growth in the short term, considering the speed in which things are happening?

And finally, since the vision of the Company now focuses more on this platform, can you share some analysis with us? Does it make sense to accelerate investments in acquiring clients, acquiring users at the platform and expanding as quickly as possible? Do you think it is now time to accelerate investments in customer acquisition or not yet? That is all. Thank you very much.

Jeane Tsutsui:

Good morning, Boiatti. Thank you for your questions. I am happy you asked them because, yes, we are focusing on building those integrated health ecosystems. That is our strategy, and we see strong pathways for growth.

One thing I would like to emphasize is that this building is based on the vision of patient journey, and the patient journey is focused on health (28:27). That is why we need to join physical and digital assets. But you are right, in addition to preventive medicine diagnostic, yes, we see opportunities for growth, especially in the different specialties, as we were saying.

This quarter, we have seen significant growth compared to last year when we were already starting to work on that, but this quarter we included assets such Clínica de Infusões Pacaembu, which can be extended later on to the whole of Brazil with that same type of business, and also of technology. And in June, we closed the acquisition of an interest in Vita. So we are also growing in orthopedics, although we already had

assets with an orthopedic hospital for integrated care, but now we are adding visits and physical therapy.

So we believe that focusing on these new rings is very promising. That is why we shared with you the size of the addressable market. It is hard to say which of these pathways will give us more growth, but it is more important to work on all of that at the same time to offer what patients need at the time they need, from prevention to therapy.

For the tertiary care vertical, we started to define a few elements in order to complete the patient journey, either with an offer of our own services or by establishing partnerships with other companies to provide offers for the whole journey. We want to be there from end to end and integrate data for a better health management.

However, we already have a few elements that can be mentioned. First, we are working with Day Hospital model for lower complexity surgeries. We have Day Hospitals for orthopedics, but also at Clínica de Olhos Moacir Cunha, we also perform low complexity surgeries. So we have this Day Hospital there at this clinic, and the fertility clinic that was opened in March this year, also offers an OR for procedures. So we are offering lower complexity surgeries at different places within Fleury Group.

And at the Saúde iD platform, we have recently launched this model in which we do not necessarily have a hospital asset, but we establish partnership with hospitals. For example, we have a partnership with BR Surgery, and we are discussing new opportunities for partnerships, and we use idle periods in those hospitals to offer our surgery services. So that is a possibility of product that is now being offered in the B2C arena for now.

We are still trying to define these businesses and products so that they can gain scale, but yes, we believe this has a great potential for growth.

It is also important to mention that, when we look at the different specialties, we want to offer the whole journey end to end, from the first that in primary health care to secondary health care, to diagnostic, complexity procedures, therapy, and maybe at some point in time, connect and offer higher complexity procedures and surgeries as well. Our strategy is to focus on the whole journey, and we see opportunity for growth there.

About investing in the acquisition of customers, we have been sharing data about our own business. In the diagnostic medicine, we know that our costs for customer acquisition is low.

The strength of our brand is great, and with Saúde iD, we are reformulating the management of Saúde iD and including professionals who are very experienced with this platform model to see how we can increase the network effect.

So we are still shaping our products. Once these products are fine-tuned and consider the whole patient experience, then we will start to scale them up. And yes, we believe we will need to make investments in order to acquire customers.

But we are already considering potential partnerships that will help us connect with the customers. For example, the partnership with Smiles that we have just announced. And

maybe in a short period of time, we will be able to triple the number of customers that are in contact with the services offered within Saúde iD.

I hope I have answered all of your questions, and I am available for further questions, if you have.

Ricardo Boiatti:

Thank you so much, Jeanne. I think you answered all of my questions.

Leandro Bastos, Citi:

Good morning, everyone. I would like to talk a little bit about costs and expenses. We found an acceleration here in costs and expenses this quarter, so I would like to get further details. You are talking about the platform and your mobile services. So how can you focus on the costs and expenses area from now on?

Jeane Tsutsui:

Thank you, Leandro, for your question. I will start, and then maybe Leão can add to my answer. I would like to take this opportunity to clarify what happened this quarter, and also to give you some ideas about the future.

This quarter specifically, we had a major nonrecurring effect. We were reorganizing our structure, and we also had costs involved with the cyber incident. So 1/3 for the reorganization and about 2/3 to deal with that cyber incident.

When it came to the cyber incident, it is important to mention that we have an insurance policy, and we will probably recover part of the expenses incurred with the cyber incident from our insurance.

When it comes to the recurring part, I would like to highlight two points. First, yes, this quarter we had a recomposing of our headcount. This is because routine screening tests have been resuming, going back to normal levels, and in previous quarters we had an increase in productivity, but a reduction in NPS. So we made a decision to recompose our headcount, and we see our NPS going up, and our Organization is now getting ready to meet the growing demand.

We emphasize imaging tests are coming back, and covid tests share is going down gradually. So we believe that, once the vaccination picks up speed in the 2H21, we have an opportunity to continue growing in a sound manner in our business, and we need to adjust our operating levels.

And when we compare our costs with personnel compared to the pre pandemic period, we have approximately the same level in percentage numbers.

In the 2Q, in the first half of April and the last days of June, we saw an impact, a slight section of the revenue. This because at the beginning of the quarter, we went through the second wave of the pandemic and the lockdown was reestablished, but also in the last part of the quarter, we had that cyber incident. And with all the contingency plans, we were able to continue serving our clients, but, yes, that had a certain impact on our revenue. So we were prepared to have an even higher revenue this quarter.

Having said that, I would also like to take this opportunity to give you a medium term vision, considering our strategic thinking. We are now thinking about investing in leveraging our Saúde iD platform, which will definitely grow. We are confident about the potential of Saúde iD to attract new lives, and that will contribute to this health management model we have to be there for patients throughout their whole journey. And we believe that health care is going to become hybrid, both physical and digital. So Saúde iD will have costs related to its initial phases of operation.

Another important aspect is that we feel completely comfortable with the investments we have been making in the platform.

Another point is that in that, as in the medium and long term, the share of revenues coming from other links increased in addition to diagnostic medicine will have a mix. Some of these links will bring greater margins and others will bring lower margins.

But our goal is that the Company grows. We want to be the main player in the strategy looking at health care from an integrated perspective. So in our future vision, yes, we believe that we are going to bring other businesses that are also important to our Company, but that might have lower margins. The most important thing is to continue firm with our growth strategy.

Leão, would you like to add anything related to the cost and expenses of the quarter?

Fernando Leão:

Yes, Jeane. Thank you, Leandro, for your question. I think Jeane has given us a very broad and accurate view. There are indeed several factors, some of them related to the pandemic, but we also had the cyber incident, and we have a mix of revenues that starts to change now as we incorporate the acquisitions that were made, and other acquisitions will be made in the future as well.

What I would like to say is that we see all of these movements in the P&L of our company in a very natural way. The Company has a clear strategy of diversification. We want to be a health care company, and not only a diagnostic company. And being a health care company, it presupposes a broad combination of services.

The level of productivity and efficiency that we have in diagnostic medicine, we can guarantee that. What will start to happen is that, as we incorporate new services, we will experience growth in the Company. But this growth presupposes a change in the mix of revenue. This change will impact the margins of our Company, which will be taken to a new level.

But that is part of the Group's strategy. There is a relevant growth in all of these fronts, and as a consequence, the changes in the mix of revenue will have an impact on our margins.

But as we continue to deliver productivity and efficiency in all different fronts, especially diagnostic front, we understand that we still deliver value to shareholders, because we continue to grow and deliver results.

Leandro Bastos:

Thank you very much, Jeane and Leão. Good luck to all of you.

Fred Mendes:

Good morning, everyone. Thank you for the call. I have two questions, and that is aligned with the previous questions that were asked, but I would like to understand a bit more about the margins, and also about medical relationship, the relationship you have with physicians. I believe you have a fee for life, and based on that, you pay for physicians. You do not have enough lives included in the platform, but you already have these medical costs. Is that why the margin is being impacted? I just want to understand how this happens and how scaling that up will improve the margins.

Saúde iD is a health (43:36 TECHNICAL FAILURE), so I think it makes perfect sense to make the investments that you have been making now to get the returns later on. It is natural to take some time for you to monetize and bear the fruit. So I just want to understand, most of the costs have already been incurred, or is this the startup, the costs will remain high until you are able to monetize on that asset?

Jeane Tsutsui:

Thank you, Fred, for your question. Actually, Saúde iD has different contracts or operating models. Telemedicine more specifically, yes, today we have this (44:24) lives and we pay for physicians, and you need to strike a balance, because if you have a peak of demand, then you need to hire more physicians in order to serve that demand.

Of course, during the pandemic we are going through, there is great fluctuation in demand when we see more patients with symptoms, and that interferes in the economic rationale of the model.

But generally speaking, we feel very reassured that Saúde iD as a health tech is going through this growth phase, and the lights that are added bring a lot of value, because throughout time we will be able to capture this whole life cycle and offer new services.

One thing we did not mention is that we already have estimates of revenue for diagnostic medicine (45:29 TECHNICAL DIFFICULTY) interactions happening withing Saúde iD. This was not mentioned specifically in the line of revenues of Saúde iD, and that is important in our strategy. We have this connection between (49:49 TECHNICAL DIFFICULTY) and other health care services.

But you are right, Fred. Saúde iD is a health tech, and as health tech, it will go through a growth period in this platform model, and in the retail segment, you can see several different platform models, and that is a very successful model. You need to connect buyers to seller, and you have many ways to monetize, either through tax paid or throughout time (46:25 TECHNICAL DIFFICULT) the total value of customers (46:32 TECHNICAL DIFFICULT)

Now, we (46:36 TECHNICAL DIFFICULT) believe that although the Saúde iD platforms is already a significant platform in terms of its size and the number of lives served, as well as the number of lives being added, and we will continue growing from now on.

But the valuing of the health tech (46:55 TECHNICAL DIFFICULT) different model that we have at Grupo Fleury, which is a traditional diagnostic medicine company.

In the health tech sector segment, you usually have value based on revenue and not necessarily on margin. And it has to go through that growth period. So we firmly believe in this model. We are very confident, and we will make all the investments needed so that idea can gain momentum and become a very successful health care platform in Brazil. As I said, health care will become both physical and digital from now, more vibrant.

Fred Mendes:

Perfect. Thank you very much, Jeane.

Vinícius Ribeiro, UBS:

Good morning, everyone. Thank you for taking my question. They are actually two questions. First, can you give us further details about your organizational restructuring? Does that mean that the Company will be structured in business units based on different strategies or specialties, like platforms and so on? I think it makes perfect sense to go through that restructuring, but I just want to understand how this is going to work, not from the reporting perspective, but from the structure perspective itself.

About the 2Q, you have had a few impacts. What about the recomposing of recurring volume of elective tests, and also the wrap up of the other initiatives that you have been implementing? Can you give us your take on that?

Jeane Tsutsui:

Thank you, Vinicius. We are looking at this organization are restructuring with the rationale of more autonomous business units that are focused on growth. Of course, our diagnostic medicine business is doing really well. We continue to grow organically and inorganically. This quarter, we also announced the acquisition of Pretti labs and Bioclínico labs.

But thinking about new links, we are getting organized in order to have a more specific management of these new cells, like ophthalmology, orthopedics infusion. And we have also strengthened our team with professionals who are experienced in those businesses and that are committed and focused for us to continue growing.

Our M&A team has also been strengthened so that we can consider all the opportunities of inorganic growth. And with autonomy and agility of organization, we will be able to gain speed of growth, which is what we want.

About the 2H21, we already see some recovery of the diagnostic medicine business, especially with routine screening tests. For imaging tests, we also saw significant growth compared to last year, but we found the basis of comparison is not that valid because we were hardly hit by the pandemic.

But compared to the 1Q21, in imaging tests, we grew by 9.7%. Now we also see reports of medical societies saying that patients with chronic diseases had not had their

assessment tests, preventive and diagnostic tests, as they should during the pandemic. So we see an opportunity there to provide these assessments.

Another aspect that we take into account is that patients who have had covid-19, we have increasing evidence that these patients can have sequela in the cardiovascular or neurologic system, and pulmonary systems. So we are now configuring the services in order to better serve patients who need post covid care.

And the number of users in the health care system is also important. Even though the unemployment levels went up, we keep track of the number of users in the health care system, and we saw that the number is going up.

So health care is being valued by the population, and the number of users in the system is a good indication of the opportunity to grow. And as Grupo Fleury, we focus very much on these pathways. We want to continue growing in diagnostic medicine, both organically and inorganically, and focus on the new links in order to capture more revenue, more customers, and, most of all, what makes perfect sense, which is to take care of people's health from end to end.

Vinicius Ribeiro:

Thank you very much, Jeane.

Mauricio Cepeda, Credit Suisse:

Thank you for your time. I have a few questions related to your future strategy. You talked about the consolidation and the inorganic growth. Can you tell us a bit about your ambition? Are you planning to be more aggressive there, or are you taking your time there for the expansion?

You also issued debentures and raised some proceeds. Are you changing your profile of inorganic growth? And you are offering outpatient services now, right? Do you plan to become a consolidator in any of those verticals? Or are you just using this cross reference between users of services?

Another question, which is not related to strategy, but it seems to me, based on the results, that the average ticket has dropped. Can you tell me about the relationship with HMOs? What is your take on that?

Jeane Tsutsui:

Thank you very much, Cepeda. I will start, and then Leão can add to my answer. Yes, we see the opportunity for growth in new links, both inorganically and organically.

So inorganically, we have the possibility of bringing capabilities to add to what we already have in house. We acquired 66% interest on Vita, and we kept all of the physicians who are references and the orthopedics field, and that brings additional knowledge so that we can grow on this pathway throughout time, both organically and organically.

Maybe our strategy is a bit different from that of market players who are purely consolidators, or more financial investors profile.

Throughout time, we want to capture synergies from different businesses. For example, we already have diagnostic medicines. But once we add other businesses from other links, like therapy or focusing on the whole patient cycle, we will also leverage the businesses of the diagnostic medicine unit.

So we capture the synergies from the business itself, and we also capture synergies from our diagnostic medicine business. Another example is human reproduction, which was a greenfield project we had, no acquisitions, but that was part of the cycle of women's health journey, which we focused mainly on diagnostics previously, but now we also focus on fertility, we can provide fetal care, children's services, so that we can complete that journey.

But answering your question, yes, we intend to grow inorganically as well, so that we can speed up our growth and, at the same time, seek synergy opportunities with our businesses.

Now, I would like to turn the floor over to Leão so that he can talk about ESG. But about the average ticket that you mentioned, there is not a specific issue, but we have a mixed composition. So if you have a smaller share of diagnostics or imaging tests in the composition, then you increase the clinical analysis test, and you reduce the average ticket.

(57:12 TECHNICAL DIFFICULT) not reduce prices. It is a matter of (57:17 TECHNICAL DIFFICULT) combination.

Fernando Leão:

Thank you for your question, Cepeda. Jeane mentioned that (57:31 TECHNICAL DIFFICULT) R\$1 million reflects our ambition and the speed that we want to achieve when it comes to Company's growth.

We have made a few moves, our pipeline is very robust. We have companies at different stages of maturity and there will be new announcements by the end of the year. And so, (58:03 TECHNICAL DIFFICULT) shows that we are financially prepared to (58:14 TECHNICAL DIFFICULT) growth.

The results of the Company continue to very robust, leverage is under control, so we have (58:28 TECHNICAL DIFFICULT) and financial flexibility to be very cautious in the inorganic growth strategy that we consider very important within our platform strategy. Grow quickly and provide diversification and all of the new revenue flows for the Company.

Mauricio Cepeda:

Perfect. Thank you very much.

Yan Cesquim, BTG Pactual:

Good morning, everyone. Well, most of my questions have already been answered, but I would like to take this opportunity to ask a very straightforward question. First, about Saúde iD, have you defined any target for growth? I know that you have achieved over

150,000 thousand lives, or 14% of the total number of lives served by the Group, but do you have medium term growth targets for Saúde iD?

About M&A, I would like to know what your views are on leverage targets, considering that you have now a stronger appetite for M&A. Thank you very much.

Jeane Tsutsui:

Thank you for your question, Yan. About Saúde iD, yes, we have a great ambition, especially because we have an amazing potential with that business model. And of course, we have internal targets, but we are now going through this organizational phase of the project offered by Saúde iD. And after that, we will start the scalability phase, which is really important for this business model.

But today, if you look at the number of customers we are planning to have with Saúde iD, I would say we are very optimistic. We launched Saúde iD in September with 7 million lives, and in the 2Q we will triple the number of eligible lives in the platform.

We have also established another target, which is 1 million. This is related to our ESG-linked debentures. So we want to have one million customers served in the Saúde iD platform in social classes C, D, and E by 2026. And that is only part of the population that we aim to serve.

That is just so you have an idea of the size and the ambition we have for Saúde iD. Our mission is great, the perspectives are great, and we are looking at Saúde iD with Hans as CEO, and a very qualified team that has all the autonomy they need in order to leverage Saúde iD.

About M&A, I will turn the floor over to Leão.

Fernando Leão:

Good morning. About the leverage, as I said previously, our P&L and our balance sheet are quite sound and flexible, and we can be very ambitious when it comes to growth through acquisitions.

So we closed the quarter with the leverage of 1x EBITDA, and we feel very comfortable to increase that leverage to around 2x or 2.5x EBITDA in order to achieve the growth we want. So we think there is a lot of things there, to bring new companies to our brand portfolio.

This is already being executed here very carefully at our M&A area. And our M&A team has grown, and we have to focus. We actually we have one team to focus on diagnostics, there is a lot of opportunity to consolidated in the diagnostic market. And now, considering the number of assets and the diversification in terms of the number of service verticals, we also have a team to focus on new links. So we have already started working on ophthalmology, orthopedic, infusions, and we have others that are being analyzed.

The potential market for all of those verticals is great. So we have a huge ambition of growth, and we think that the share in revenue of these links at the Company can also be great.

So, yes, the Company will focus on growth through M&A and we think there is a lot of space for that.

Yan Cesquim:

OK. Thank you.

Emerson Vieira, Itaú:

Good morning. I have two questions. First, I would like to understand what share you think you might achieve in that area? Considering the medical relationship, what is the potential you see there in this segment?

You talked about integrated patient care. Can we think about products and compensation models? Are you going to accelerate the offer of packages? And will that strengthen your relationship with current payers?

A follow up question about the genomic test revenues, there has been a regulatory change, and I would like to understand your market timeline when it comes to genomics. Thank you very much.

Jenae Tsutsui:

Thank you for the question, Emerson. We do not give guidance, so what we did was to establish the addressable market, and what we can say is that our ambition is great, but we do not know exactly what share we will have on those new links.

What we always say is that our ambition is great, but we do not give any special guidance on market share.

When it comes to integrated care, you are right. As we offer new services, we increasingly see the challenge of HMOs to find balance, sustainability and adequate use of resources. So it makes sense to start thinking about new models that considers a package of care throughout a patient's journey.

We have been working with HMOs because we know there is a challenge related to system sustainability, and that is the differential we might have, to help HMOs to fight waste.

We always say that all of us who work at the health care industry need to think that the resources should be used appropriately and that we should fight waste. So once you focus on the whole journey, you can share information and use the resources appropriately.

Another point I would like to emphasize is that early diagnosis and the right referral of the case in different clinical conditions make you reduce the total cost of care for that specific condition.

So there are opportunities there. That is why our view of integrated care is important, and that focusing on preventive care is also something that can contribute to the

sustainability of the system and to control HMOs medical loss ratio. And we are going to work closely with HMOs to do that.

About genomics, yes, there has been a significant increase year over year, maybe not quarter on quarter that much, but year over year, yes. And in genomics, we still have a challenge of managing new tests. And yes, the approval of some products to be included in a ANS's list is important, like the (68:39) test.

But after it has been approved to be added to ANS's list, we go through a phase of negotiating with HMOs. That takes some time, but we have been working with all of that in order to make that happen, and we have a commercial team that is very much focused on that.

Emerson Vieira:

Thank you. That was very clear.

Eugênia Cavalheiro, JPMorgan:

Good morning. Thank you for the call. I have a question about the opening of new units. We see that the mobile service has been growing for the fifth quarter in a row. So what do you expect in terms of the opening of new units? Is that a focus of the Company, or are you focusing more on M&A?

About the new initiatives, can you give me a bit more detail about the margins compared to the level we currently have and what we can expect for the future? Thank you.

Jeane Tsutsui:

Thank you, Eugênia, for your question. About opening of new units, it is important to emphasize that in 2016, when we talked about (70:11 TECHNICAL DIFFICULT) we are able to open 55 of them. (70:19 TECHNICAL DIFFICULT) mobile services, the revenues that we (70:23 TECHNICAL DIFFICULT) 25 of these units on Grupo Fleury.

So if we look at the average in terms of the number of brick and mortar units that we are open and the mobile service, that was actually larger, this is indeed the fifth year in a row that our mobile services revenue has grown, and there is still a potential for growth.

Customer behavior is changing, especially customers who tried this type of service for the first time during the pandemic, and they come back, because the NPS of the mobile services is very high, 84% compared to 76% of our general NPS.

So we are focusing on expanding our mobile service throughout the whole country, in the regions where we see opportunities for growth, and also, we are looking at new tests that can be added to that type of service.

So going back to the opening of units, when we look at the brick and mortar units that were opened and the mobile services, we see that we have achieved 80 openings. But we have also added 72 service units in recent years through inorganic growth.

So, yes, there has been a significant growth, and we consider looking at the opportunities. Of course, they need to make sense on our strategy of balancing, balancing organic and inorganic growth. And of course, we want to make the most of the square footage we already have.

So once part of the customers is served with our mobile services, that means that I can use our units better, our square footage better to add other essential services, such as infusion. We started organically within our units, and now we have acquired a clinic for that. But yes, we are always looking at new opportunities to open units, and also the possibility of expanding our existing units, and some of them are at the top of their service capacity.

About your second question, some initiatives may have lower margins than our current business. So we have been emphasizing that as part of our growth vision, the composition of new revenue flows or new businesses that have lower margins in percentage terms may happen.

So margin reductions are expected as time goes by, we are very confident about that, it is part of our strategy. But I would also like to emphasize that new businesses also attract revenue and margins to our diagnostic medicine business. So we need to emphasize that what we want is to have an integrated offer, anything that patients need to take care of their lives.

And as time goes by, it will gain synergies, inter and intra businesses, and the margin composition will result from that mix. But our main goal is to grow and to establish this integrated system that looks at the patient journey as a whole, from end to end.

Eugênia Cavalheiro:

That was very clear. Thank you very much.

Operator:

Thank you. Since there are no further questions, I would like to turn the floor over to Mrs. Jeane Tsutsui for her final remarks.

Jeane Tsutsui:

I would like to close this conference by saying that we are very optimistic about the news cycle of growth for our Company. As you heard today, the execution of our strategic position is happening quite fast and it is enabling us to create an integrated, preventive and hybrid health ecosystem, combining physical and digital offers.

The organic growth, the development of our platform, and the acquisition of services and solutions to make up that ecosystem, combined to the significant increase in the number of potential customers, have been bringing results that clearly showed that we are on the right track.

Once again, I would like to thank for mentally ill for his great contribution throughout his journey with us. And at the same time, I would like to welcome José Filippo who will join Grupo Fleury starting next Monday.

Thank you all for your participation in our conference call, and have a great weekend.

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