

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from to .

Commission file number: 001-38992

AFYA LIMITED

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

The Cayman Islands

(Jurisdiction of incorporation or organization)

**Alameda Oscar Niemeyer, No. 119, Room 504
Vila da Serra, Nova Lima Minas Gerais – MG, Brazil**
(Address of principal executive offices)

**Virgilio Deloy Capobianco Gibbon
Chief Executive Officer**

**Tel.: +55 (31) 3515-7550 Email: ir@afya.com.br
Alameda Oscar Niemeyer, No. 119, Room 504
Vila da Serra, Nova Lima, Minas Gerais**

Brazil

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class
Class A common shares, par value US\$0.00005 per share

Trading Symbol(s)
AFYA

Name of each exchange on which registered
Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding shares as of December 31, 2021 was 46,265,141 Class A common shares and 45,802,763 Class B common shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-accelerated Filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

†The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

TABLE OF CONTENTS

	<u>Page</u>
PART I INTRODUCTION	1
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	5
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	5
ITEM 3. KEY INFORMATION	5
A. Selected Financial Data	5
B. Capitalization and Indebtedness	13
C. Reasons for the Offer and Use of Proceeds	13
D. Risk Factors	14
SUMMARY OF RISK FACTORS	14
ITEM 4. INFORMATION ON THE COMPANY	48
A. History and Development of the Company	48
B. Business Overview	52
C. Organizational Structure	100
D. Property, Plant and Equipment	100
ITEM 4A. UNRESOLVED STAFF COMMENTS	101
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	101
A. Operating Results	101
B. Liquidity and Capital Resources	111
C. Research and Development, Patents and Licenses	113
D. Trend Information	113
E. Critical Accounting Estimates	114
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	114
A. Directors and Senior Management	114
B. Compensation	119
C. Board Practices	120
D. Employees	122
E. Share Ownership	122
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	123
A. Major Shareholders	123
B. Related Party Transactions	125

C. Interests of Experts and Counsel	127
ITEM 8. FINANCIAL INFORMATION	128
A. Consolidated Statements and Other Financial Information	128
B. Significant Changes	132
ITEM 9. THE OFFER AND LISTING	133
i	
A. Offer and Listing Details	133
B. Plan of Distribution	133
C. Markets	133
D. Selling Shareholders	133
E. Dilution	133
F. Expenses of the Issue	133
ITEM 10. ADDITIONAL INFORMATION	133
A. Share Capital	133
B. Memorandum and Articles of Association	133
C. Material Contracts	150
D. Exchange Controls	150
E. Taxation	151
F. Dividends and Paying Agents	154
G. Statement by Experts	154
H. Documents on Display	154
I. Subsidiary Information	154
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	155
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	155
A. Debt Securities	155
B. Warrants and Rights	155
C. Other Securities	156
D. American Depositary Shares	156
PART II	157
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	157
A. Defaults	157
B. Arrears and delinquencies	157
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	157
A. Material modifications to instruments	157
B. Material modifications to rights	157
C. Withdrawal or substitution of assets	157
D. Change in trustees or paying agents	157
E. Use of proceeds	157
ITEM 15. CONTROLS AND PROCEDURES	157
A. Disclosure Controls and Procedures	157
B. Management's Annual Report on Internal Control Over Financial Reporting	158
C. Attestation Report of the Registered Public Accounting Firm	159
D. Changes in Internal Control Over Financial Reporting	159
ii	
ITEM 16. RESERVED	159
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	159
ITEM 16B. CODE OF ETHICS	159
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	159
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	160
ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	160
ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	161
ITEM 16G. CORPORATE GOVERNANCE	161
ITEM 16H. MINE SAFETY DISCLOSURE	161
ITEM 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	162
PART III	163
ITEM 17. FINANCIAL STATEMENTS	163
ITEM 18. FINANCIAL STATEMENTS	163
ITEM 19. EXHIBITS	163
INDEX TO FINANCIAL STATEMENTS	F-1

Certain Definitions

Unless otherwise indicated or the context otherwise requires, all references in this annual report to "Afya" or the "Company," "we," "our," "ours," "us" or similar terms refer to Afya Limited, together with its subsidiaries; all references in this annual report to "Afya Brazil" refer to Afya Participações S.A. (formerly NRE Participações S.A.); all references in this annual report to "BR Health" refer to BR Health Participações S.A.; all references in this annual report to "Medcel" refer to Guardaya Empreendimentos e Participações S.A., or Guardaya, and its subsidiaries Medcel Editora e Eventos S.A., or Medcel Editora, and CBB Web Serviços e Transmissões On Line S.A., or CBB Web; and all references in this annual report to "IPTAN" refer to IPTAN—Instituto de Ensino Superior Presidente Tancredo de Almeida Neves S.A., "IESVAP" refer to Instituto de Educação Superior do Vale do Parnaíba S.A., "CCSI" refer to Centro de Ciências em Saúde de Itajubá S.A., "IESP" refer to Instituto de Ensino Superior do Piauí S.A., "FADEP" refer to FADEP—Faculdade Educacional de Pato Branco Ltda., "FASA" refer to Instituto Educacional Santo Agostinho S.A., "IPEMED" refer to Instituto de Pesquisa e Ensino Médico do Estado de Minas Gerais Ltda., "IPEC" refer to Instituto Paraense de Educação e Cultura Ltda., "UniRedentor" refer to Sociedade Universitária Redentor S.A., "UniSL" refer to Centro Universitário São Lucas Ltda., "PEBMED" refer to PEBMED Instituição de Pesquisa Médica e Serviços Tecnológicos da Área da Saúde S.A., "FESAR" refer to Faculdade de Ensino Superior da Amazônia Reunida, "MedPhone" refer to MedPhone Tecnologia em Saúde Ltda., "FCMPB" Centro Superior de Ciências da Saúde S/S Ltda., "UNIFIPMoc" refer to Sociedade Padrão de Educação Superior Ltda., "iClinic" refer to iClinic Participações S.A., iClinic Desenvolvimento de Software Ltda. and Black River Brazil Participações S.A., "Medicinae" refer to Medicinae Solutions S.A., "Medical Harbour" refer to Medical Harbour Aparelhos Médico-Hospitalares e Serviços em Tecnologia Ltda., and "Cliquefarma" refer to Cliquefarma Drogarias Online Ltda, "Shosp" refer to Shosp Tecnologia da Informação Ltda, "Unigranrio" refer to Companhia Nilza Cordeiro Herdy de Educação e Cultura, Instituto de Ensino Superior de Palhoça S/S Ltda., Sociedade Educacional de Palhoça S/S Ltda., and Policlínica e Centro de Estética Duque de Caxias Ltda., collectively, "RX PRO" refer to RX PRO Soluções de Tecnologia Ltda. and RX PRO LOG Transporte e Logística Ltda., collectively, "Garanhuns" refer to Faculdade Itpac Garanhuns - Instituto Tocantinense Presidente Antonio Carlos Ltda., "Além da Medicina" refer to BMV Atividades Médicas Ltda, "Cardiopapers" refer to Cardiopapers Soluções Digitais Ltda.

The term "Brazil" refers to the Federative Republic of Brazil and the phrase "Brazilian government" refers to the federal government of Brazil. "Central Bank" refers to the Brazilian Central Bank (*Banco Central do Brasil*). References in the annual report to "real," "reais" or "R\$" refer to the Brazilian *real*, the official currency of Brazil and references to "U.S. dollar," "U.S. dollars" or "US\$" refer to U.S. dollars, the official currency of the United States.

Financial Information

Afya is a Cayman Islands exempted company with limited liability duly registered with the Cayman Islands Registrar of Companies and incorporated on March 22, 2019. Afya became the holding company of Afya Brazil, formerly denominated NRE Participações S.A., through the completion of the corporate reorganization described in note 1 to our audited consolidated financial statements (as defined below) and in Item 4. Information on the Company—A. History and Development of the Company—Our Pre-IPO Corporate Reorganization.

Until the contribution of Afya Brazil's shares to us, we had not commenced operations and had only nominal assets and liabilities and no material contingent liabilities or commitments. Subsequent to the completion of the corporate reorganization, we began to consolidate financial information in order to reflect the operations of Afya Brazil.

As a result, the audited consolidated financial statements prepared by Afya subsequent to the completion of the reorganization are presented "as if" Afya Brazil is the predecessor of Afya. Accordingly, our audited consolidated financial statements included elsewhere in this annual report on Form 20-F reflect: (i) the historical operating results of Afya Brazil prior to such reorganization; (ii) the consolidated results of Afya and Afya Brazil following the reorganization; and (iii) the assets and liabilities of Afya Brazil at their historical cost.

1

Table of Contents

The consolidated financial information of Afya and Afya Brazil contained in this annual report is derived from our audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, together with the notes thereto. The consolidated financial information of Afya and Afya Brazil contained in this annual report as of December 31, 2019 and 2018 and for the year ended December 31, 2018 are derived from our annual report on Form 20-F for the fiscal year ended December 31, 2020, filed with the SEC on April 30, 2021. All references herein to "our financial statements," "our audited consolidated financial information," and "our audited consolidated financial statements" are to Afya's consolidated financial statements included elsewhere in this annual report.

Afya is a holding company, and as such, the primary source of revenue derives from its interest in its operational companies in Brazil. As a result, Afya's functional currency as well as of its subsidiaries is the Brazilian *real*. We prepare our annual consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

Summary consolidated historical financial data have been derived from our audited consolidated financial statements, included elsewhere in this annual report. The financial results of IPTAN, IESVAP, CCSI, IESP, FADEP, Medcel, FASA, IPEMED, IPEC, UniRedentor, UniSL, PEBMED, FESAR, MedPhone, FCMPB, iClinic, Medicinae, Medical Harbour, Cliquefarma, Shosp, UNIFIPMoc, Unigranrio, RX PRO and Garanhuns (and together with IPTAN, IESVAP, CCSI, IESP, FADEP, Medcel, FASA, IPEMED, IPEC, UniRedentor, UniSL, PEBMED, FESAR, MedPhone, FCMPB, iClinic, Medicinae, Medical Harbour, Cliquefarma, Shosp, UNIFIPMoc, Unigranrio, RX PRO and Garanhuns, the "Acquired Companies") are included in our historical results for the periods following the closing of each such transaction, meaning April 26, 2018, April 26, 2018, May 30, 2018, November 27, 2018, December 5, 2018, March 29, 2019, April 3, 2019, May 9, 2019, August 13, 2019, January 31, 2020, May 5, 2020, July 20, 2020, November 3, 2020, November 4, 2020, November 9, 2020, January 21, 2021, March 25, 2021, April 8, 2021, April 16, 2021, May 13, 2021, June 1, 2021, August 4, 2021, October 1, 2021 and November 5, 2021, respectively. Except as otherwise indicated, the financial results of Além da Medicina and Cardiopapers are not reflected in the summary consolidated historical financial data included elsewhere in this annual report as the consummation of the acquisition of such entity occurred after the fiscal year ended December 31, 2021.

Our fiscal year ends on December 31 of each year, so all references to a particular fiscal year are to the applicable year ended December 31.

Historical undergraduate programs combined tuition fees

The term "historical undergraduate programs combined tuition fees" refers to the sum equal to the total tuition fees charged to undergraduate students, as recorded in the historical operating information of Afya Brazil and the Acquired Companies, since the consummation of their respective acquisition.

The historical undergraduate programs combined tuition fees information included elsewhere in this annual report (i) was derived from historical operating information for Afya Brazil and for each of the Acquired Companies since the consummation of their respective acquisition; (ii) is akin to gross tuition fees charged to undergraduate students; (iii) differs from the tuition fees set forth in our audited consolidated financial statements, which are presented as the sum of (a) gross tuition fees charged to undergraduate students, (b) gross tuition fees charged to graduate students and (c) scholarships; and (iv) does not represent net revenue as disclosed in our audited consolidated financial statements included elsewhere in this annual report. For the years ended December 31, 2021, 2020 and 2019, historical undergraduate programs combined tuition fees charged to undergraduate students by us were R\$1,990 million, R\$1,236.5 million and R\$794.3 million, respectively. Historical undergraduate programs combined tuition fees does not include tuition fees we charge graduate students.

Our consolidated operating history and recent acquisitions may make it difficult for investors to evaluate our business, financial condition, results of operations and prospects. We experienced rapid and significant expansion in the years ended December 31, 2021, 2020 and 2019 due to the effects of the acquisition of the Acquired Companies.

Because the historical and operational information included elsewhere in this annual report may not be representative of our results and operations as a consolidated company, investors may have limited financial and operational information on which to evaluate us and their investment decision. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Our operating history as a consolidated

2

Table of Contents

company, our recent acquisitions and the comparability of our results may make it difficult for investors to evaluate our business, financial condition, results of operations and prospects."

The past performance of Afya Brazil and the Acquired Companies, as reflected in the historical undergraduate programs combined tuition fees information included elsewhere in this annual report, may not be indicative of our future performance or any future anticipated synergies, future operating efficiencies or cost savings that may result from these acquisitions.

Convenience Translation

The reporting currency for our audited consolidated financial statements is the Brazilian *real* and, solely for the convenience of the reader, we have provided convenience translations into U.S. dollars using the selling exchange rates published by the Central Bank on its website. Unless otherwise indicated, convenience translations from *reais* into U.S. dollars in this annual report use the Central Bank offer exchange rate published on December 31, 2021, which was R\$5.580 per US\$1.00. No representation is made that the Brazilian *reais* amounts referred to could have been, or could be, converted into U.S. dollars at any particular rate. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates" for information regarding historical exchange rates of *reais* to U.S. dollars.

Market Data

This annual report contains data related to economic conditions in the market in which we operate. The information contained in this annual report concerning economic conditions is based on publicly available information from third-party sources that we believe to be reasonable. Market data and certain industry forecast data used in this annual report were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information (including information available from the United States Securities and Exchange Commission website) and industry publications. We obtained the information included in this annual report relating to the industry in which we operate, as well as the estimates concerning market shares, through internal research, a report by a third-party consulting firm commissioned by us, public information and publications on the industry prepared by official public sources, such as the Central Bank, the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or the IBGE, the Organisation for Economic Co-operation and Development, or OECD, the Brazilian Ministry of Education (*Ministério da Educação*), or MEC, the Anísio Teixeira National Institute of Educational Studies and Research (*Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira*), or the INEP, the Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada*), or the IPEA as well as private sources, such as Bloomberg, consulting and research companies in the Brazilian and international education industry, the Brazilian

Industry publications, governmental publications and other market sources, including those referred to above, generally state that the information they include has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we are not aware of any misstatements regarding the market and industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section entitled "Item 3. Key Information—D. Risk Factors." Except as disclosed in this annual report, none of the publications, reports or other published industry sources referred to in this annual report were commissioned by us or prepared at our request. Except as disclosed in this annual report, we have not sought or obtained the consent of any of these sources to include such market data in this annual report.

Rounding

We have made rounding adjustments to some of the figures included in this annual report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Forward-Looking Statements

This annual report on Form 20-F contains information that constitute forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, that are not based on historical facts and are not assurances of future results. The forward-looking

3

Table of Contents

statements contained in this annual report, which address our expected business and financial performance, among other matters, contain words such as "believe," "expect," "estimate," "anticipate," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely," "potential" and similar expressions. We have made forward-looking statements that address, among other things, our current expectations, plans, forecasts, projections and strategies about future events and financial trends that affect, or may affect, our business, industry, market share, reputation, financial condition, results of operations, margins, cash flow and/or the market price of our common shares, all of which are subject to known and unknown risks and uncertainties. Our actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified under the section entitled "Item 3. Key Information—D. Risk Factors" in this annual report. These risks and uncertainties include factors relating to:

- health epidemics, pandemics and similar outbreaks, including the COVID-19 pandemic and measures taken in response;
- our ability to provide online classes to our students and keep them engaged with online classes during the COVID-19 pandemic, and our ability to resume on-campus practical classes for our medical students during the COVID-19 pandemic;
- the passing of any municipal, state or federal laws or regulations and the outcome of legal proceedings requiring the mandatory discount of tuition fees during the COVID-19 pandemic;
- our ability to implement our business strategy;
- changes in government regulations and legislation applicable to the education industry in Brazil, both in the traditional and distance learning segments, including tax regulations and/or legislation;
- government interventions, including changes in, or termination of, education industry programs such as the Higher Education Student Financing Fund (*Fundo de Financiamento ao Estudante do Ensino Superior*), or FIES, and/or the University for All Program (*Programa Universidade para Todos*), or PROUNI, both in the traditional and distance learning segments, that affect the economic or tax regime, the collection of tuition fees or the regulatory framework applicable to educational institutions;
- changes in the financial condition of the students enrolling in our institutions in general and in the competitive conditions in the education industry, both in the traditional and distance learning segments, or changes in the financial condition of our institutions;
- our ability to adapt to technological changes in the educational sector, including in relation to distance learning programs;
- the availability of government authorizations on terms and conditions and within periods acceptable to us;
- our ability to continue attracting and retaining new students;
- our ability to maintain the academic quality of our programs;
- our ability to compete and conduct our business in the future;
- the success of operating initiatives, including advertising and promotional efforts and new product, service and concept development by us and our competitors;
- changes in consumer demands and preferences and technological advances, and our ability to innovate to respond to such changes;
- the availability of qualified personnel and the ability to retain such personnel;
- our capitalization and level of indebtedness;
- the interests of our controlling shareholders;

4

Table of Contents

- a decline in the number of students enrolled in our programs or the amount of tuition we can charge;
- changes in labor, distribution and other operating costs;
- our compliance with, and changes to, government laws, regulations and tax matters that currently apply to us;
- general economic, financial, political, demographic and business conditions in Brazil, as well as any other countries we may serve in the future and their impact on our business;
- fluctuations in interest, inflation and exchange rates in Brazil and any other countries we may serve in the future;
- other factors that may affect our financial condition, liquidity and results of operations;
- the effectiveness of our risk management policies and procedures, including our internal control over financial reporting; and
- the other factors discussed under the section "Risk Factors" in this annual report on Form 20-F.

Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements. The accompanying information contained in this annual report on Form 20-F, including without limitation the information set forth under the heading "Item 5. Operating and Financial Review and Prospects," identifies important factors that could cause such differences. In light of the risks, uncertainties and assumptions associated with forward-looking statements, you should not place undue reliance on any forward-looking statements. Additional risks that we may currently deem immaterial or that are not presently known to us could also cause the forward-looking events discussed in this annual report on Form 20-F not to occur.

Our forward-looking statements speak only as of the date of this annual report on Form 20-F, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table sets forth selected consolidated historical financial data of Afya as of and for the years ended December 31, 2021, 2020 and 2019 and of Afya Brazil as of and for the years ended December 31, 2018. The selected consolidated historical financial data as of December 31, 2021, 2020 and 2019 and for the years ended December 31, 2021, 2020 and 2019 has been derived from our audited consolidated financial statements, included elsewhere in this annual report. The financial results of the Acquired Companies are included in our historical results for the periods following the closing of each such transaction, respectively. See "Part I—Introduction—Financial Information."

The selected audited consolidated historical financial data should be read in conjunction with "Part I—Introduction—Financial Information," "Item 5. Operating and Financial Review and Prospects" and our audited consolidated financial statements, including the respective notes thereto, included elsewhere in this annual report.

5

[Table of Contents](#)

The selected audited consolidated historical financial data presented in this annual report may not be indicative of future performance.

	2021 (in US\$ million(1))	Historical Afya For the Year Ended December 31,			Historical Afya Brazil
		2021	2020	2019	2018
		(in R\$ millions)			
Income Statement Data					
Net revenue	308.1	1,719.4	1,201.2	750.6	333.9
Cost of services	(116.9)	(652.3)	(434.7)	(308.9)	(168.1)
Gross profit	191.2	1,067.1	766.5	441.8	165.9
General and administrative expenses	(111.6)	(622.6)	(402.9)	(239.1)	(70.0)
Other (expenses) income, net	(0.6)	(3.6)	(0.3)	2.6	0.6
Operating income	79.0	440.9	363.3	205.3	96.4
Finance income	11.6	64.6	62.3	51.7	10.4
Finance expenses	(43.7)	(243.8)	(98.3)	(72.4)	(8.2)
Finance result	(32.1)	(179.2)	(36.0)	(20.7)	2.3
Share of income of associate	2.1	11.8	7.7	2.4	—
Income before income taxes	49.0	273.5	335.1	186.9	98.7
Income taxes expense	(5.6)	(31.2)	(27.1)	(14.2)	(4.0)
Net income	43.4	242.3	308.0	172.8	94.7
Net income attributable to:					
Equity holders of the parent	40.0	223.3	292.1	153.9	86.3
Non-controlling interests	3.4	19.0	15.9	18.8	8.4
Earnings per share	US\$	R\$	R\$	R\$	R\$
Basic earnings per share					
Common shares	0.43	2.39	3.15	2.03	1.84
Diluted earnings per share					
Common shares	0.42	2.37	3.12	2.02	1.81

(1) For convenience purposes only, amounts in reais for the year ended December 31, 2021 have been translated to U.S. dollars using an exchange rate of R\$5.580 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2021, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Item 3. Key Information—Selected Financial Data—Exchange Rates" for further information about recent fluctuations in exchange rates.

	2021 (in US\$ million(1))	Historical Afya As of December 31,			Historical Afya Brazil
		2021	2020	2019	2018
		(in R\$ millions)			
Balance Sheet Data					
Assets					
Current assets					
Cash and cash equivalents	134.1	748.6	1,045.0	943.2	62.3
Restricted cash	—	—	—	14.8	—
Trade receivables	67.8	378.4	302.3	125.4	58.4
Inventories	2.1	11.8	7.5	3.9	1.1
Recoverable taxes	4.6	25.6	21.0	6.5	2.3
Derivatives	—	—	—	—	0.6
Other assets	7.6	42.5	29.6	17.9	8.9
Total current assets	216.2	1,206.9	1,405.5	1,111.8	133.5

6

[Table of Contents](#)

	2021 (in US\$ million(1))	Historical Afya As of December 31,			Historical Afya Brazil
		2021	2020	2019	2018
		(in R\$ millions)			
Non-current assets					
Restricted cash	—	—	2.1	2.1	18.8
Trade receivables	4.9	27.4	7.6	9.8	5.2
Related parties	—	—	—	—	1.6
Derivatives	—	—	—	—	0.7
Other assets	32.3	180.3	74.0	17.3	10.4
Property and equipment	75.2	419.8	260.4	139.3	65.8
Investment in associate	8.7	48.4	51.4	45.6	—
Right-of-use assets(2)	118.9	663.7	419.1	274.3	—
Intangible assets	699.0	3,900.9	2,573.0	1,312.3	682.5
Total non-current assets	939.0	5,240.5	3,387.6	1,800.7	784.9
Total assets	1,155.2	6,447.4	4,793.1	2,912.5	918.4
Liabilities					
Current liabilities					
Trade payables	10.6	59.1	35.7	17.6	8.1
Loans and financing	23.1	128.7	107.2	53.6	26.8
Derivatives	—	—	—	0.8	—
Lease liabilities(2)	4.5	25.0	62.0	22.7	—
Accounts payable to selling shareholders	42.9	239.8	188.4	131.9	88.9
Notes Payable	2.6	14.5	10.5	—	—
Advances from customers	20.5	114.6	63.8	36.9	13.7
Labor and social obligations	23.5	131.3	77.9	46.8	32.0
Taxes payable	4.8	26.7	33.0	19.4	6.5
Income taxes payable	2.1	11.6	4.6	3.2	0.3
Dividends payable	—	—	—	—	4.1
Other liabilities	2.7	15.2	6.3	0.4	2.0
Total current liabilities	137.3	766.5	589.4	333.2	182.3
Non-current liabilities					
Loans and financing	223.3	1,246.2	510.3	6.8	51.0

Lease liabilities(2)	123.5	689.1	385.7	261.8	—
Accounts payable to selling shareholders	78.8	440.0	329.8	168.4	88.9
Notes Payable	10.4	58.2	65.7	—	—
Taxes payable	17.3	96.6	21.4	21.3	0.2
Provision for legal proceedings	26.6	148.3	53.1	5.3	3.5
Other liabilities	0.4	2.5	3.8	2.0	2.2
Total non-current liabilities	480.4	2,680.9	1,369.9	465.5	145.7
Total liabilities	617.7	3,447.4	1,959.3	798.7	328.1
Equity					
Share capital	-	—	—	—	315.0
Additional paid-in capital	425.6	2,375.3	2,323.5	1,931.0	125.0
Share-based compensation reserve	16.9	94.1	50.7	18.1	2.2
Treasury stock	(27.3)	(152.6)	—	—	—
Earnings reserves	113.1	631.3	408.0	115.9	59.8
Equity attributable to equity holders of the parent	528.2	2,948.1	2,782.2	2,065.1	502.0
Non-controlling interests	9.3	51.9	51.6	48.6	88.4
Total equity	537.5	3,000.0	2,833.8	2,113.7	590.4
Total liabilities and equity	1,155.2	6,447.4	4,793.1	2,912.5	918.4

(1) For convenience purposes only, amounts in *reais* as of December 31, 2021 have been translated to U.S. dollars using an exchange rate of R\$5.580 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2021, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Item 3. Key Information—Selected Financial Data—Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) On January 1, 2019, we adopted IFRS 16. See note 13.2.2 to our audited consolidated financial statements.

7

[Table of Contents](#)

Non-GAAP Financial Measures

This annual report presents our Adjusted EBITDA and Operating Cash Conversion Ratio information for the convenience of investors, which are non-GAAP financial measures. A non-GAAP financial measure is generally defined as one that purports to measure financial performance but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure.

We calculate our Adjusted EBITDA as net income *plus/minus* finance result *plus* income taxes expense *plus* depreciation and amortization *plus* interest received on late payments of monthly tuition fees, *minus* income share associate, *plus* share-based compensation expense *plus/minus* non-recurring expenses. We calculate our Operating Cash Conversion Ratio as the cash flows from operations *plus/minus* income taxes paid divided by Adjusted EBITDA *plus/minus* non-recurring expenses.

We present Adjusted EBITDA because we believe this measure provides investors with a supplemental measure of the financial performance of our core operations that facilitates period-to-period comparisons on a consistent basis. We also present Operating Cash Conversion Ratio because we believe this measure provides investors with a measure of how efficiently we convert our EBITDA into cash. The non-GAAP financial measures described in this annual report are not a substitute for the IFRS measures of earnings. Additionally, our calculations of Adjusted EBITDA and Operating Cash Conversion Ratio may be different from the calculations used by other companies, including our competitors in the education services industry, and therefore, our measures may not be comparable to those of other companies.

Adjusted EBITDA and Operating Cash Conversion Ratio

	2021 (in US\$ millions(1))	For the Year Ended December 31,			
		2021	2020	2019	2018
		(in R\$ millions)			
		(except percentages)			
Adjusted EBITDA	135.3	754.8	563.1	331.2	119.9
Operating Cash Conversion Ratio	100.8%	100.8%	75.7%	100.5%	75.1%

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2021 have been translated to U.S. dollars using an exchange rate of R\$5.580 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2021, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Item 3. A. Selected Financial Data—non-GAAP Financial Measures." for further information about recent fluctuations in exchange rates.

8

[Table of Contents](#)

Reconciliation of Non-GAAP Financial Measures

The following tables set forth the Adjusted EBITDA reconciliation to our net income and the Operating Cash Conversion Ratio reconciliation to our cash flow from operations for the years ended December 31, 2021, 2020, 2019 and 2018, in each case, our most recent directly comparable financial measures calculated and presented in accordance with IFRS. For further information on why our management chooses to use these non-GAAP financial measures, and on the limits of using these non-GAAP measures, please see "Item 3. A. Selected Financial Data—non-GAAP Financial Measures."

Reconciliation between Net Income and Adjusted EBITDA

	2021 (in US\$ millions(1))	Historical Afya For the Year Ended December 31,			Historical Afya Brazil 2018(9)
		2021	2020	2019	
		(in R\$ millions)			
Net income	43.4	242.3	308.0	172.8	94.7
Finance result	32.1	179.2	36.0	20.7	(2.3)
Income taxes expense	5.6	31.2	27.1	14.2	4.0
Depreciation and amortization	27.6	154.2	108.7	73.2	9.1
Interest received(2)	4.1	23	11.9	9.7	4.4
Income share associate	(2.1)	(11.8)	(7.7)	(2.4)	—
Share-based compensation expense	7.8	43.4	32.6	18.1	2.2
Non-recurring expenses(3):					
Integration of new companies(4)	3.4	18.8	9.8	6.3	3.4
M&A advisory and due diligence(5)	2.4	13.5	6.2	2.8	0.4
Expansion projects(6)	1.8	10.2	18.1	3.7	0.4
Restructuring expenses(7)	3.1	17.4	5.9	12.1	3.7
Mandatory discounts in tuition fees(8)	6.0	33.4	6.5	—	—
Adjusted EBITDA	135.2	754.8	563.1	331.2	119.9

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2021 have been translated to U.S. dollars using an exchange rate of R\$5.580 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2021, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Item 3. Key Information—Selected Financial Data—Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Consists of interest received on late payments of monthly tuition fees.

(3) We believe these adjustments are appropriate to provide additional information to investors about certain material non-cash, non-recurring items that we do not expect to continue at the same level in the future.

(4) Consists of expenses related to the integration of newly acquired schools.

(5) Consists of expenses related to professional and consultant fees in connection with due diligence services for our M&A transactions.

(6) Consists of expenses related to professional and consultant fees in connection with the opening of new campuses.

(7) Consists of expenses related to the employee redundancies in connection with the organizational restructuring of our acquired companies.

(8) Consists of mandatory discounts in tuition fees (due to COVID-19 on-site classes restrictions) related to individual and collective legal proceedings.

(9) On January 1, 2019 we adopted IFRS 16 using the modified retrospective method of adoption. See note 13.2.2 to our audited consolidated financial statements. Accordingly, the information presented for the years ended

[Table of Contents](#)

December 31, 2018 is not comparable with 2021, 2020 and 2019 due to the impacts of the adoption of IFRS-16 since 2019.

Reconciliation between Cash Flow from Operations and Operating Cash Conversion Ratio

	2021 (in US\$ millions(1))	Historical Afya For the Year Ended December 31,			Historical Afya Brazil
		2021	2020	2019	2018(8)
		(in R\$ millions) (except percentages)			
Net cash flows from operating activities	113.1	630.8	371.5	299.2	80.3
Income taxes paid	6.4	35.7	19.4	8.5	3.9
Net cash flows from operating activities, before income taxes paid	119.5	666.5	390.9	307.7	84.2
Adjusted EBITDA	135.3	754.8	563.1	331.2	119.9
Integration of new companies(2)	3.4	18.9	9.8	6.3	3.4
M&A advisory and due diligence(3)	2.4	13.5	6.2	2.8	0.4
Expansion projects(4)	1.8	10.2	18.1	3.7	0.4
Restructuring expenses(5)	3.1	17.4	5.9	12.1	3.7
Mandatory discounts in tuition fees(6)	6.0	33.4	6.5	—	—
Adjusted EBITDA ex non-recurring expenses	118.6	661.4	516.6	306.3	112.0
Operating Cash Conversion Ratio(7)	100.8%	100.8%	75.7%	100.5%	75.1%

(1) For convenience purposes only, amounts in reais for the year ended December 31, 2021 have been translated to U.S. dollars using an exchange rate of R\$5.580 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2021, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Item 3. Key Information—Selected Financial Data—Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Consists of expenses related to the integration of newly acquired schools.

(3) Consists of expenses related to professional and consultant fees in connection with due diligence services for our M&A transactions.

(4) Consists of expenses related to professional and consultant fees in connection with the opening of new campuses.

(5) Consists of expenses related to the employee redundancies in connection with the organizational restructuring of our acquired companies.

(6) Consists of mandatory discounts in tuition fees (due to COVID-19 on-site classes restrictions) related to individual and collective legal proceedings.

(7) We calculate Operating Cash Conversion Ratio as the cash flows from operations *plus/minus* income taxes paid divided by Adjusted EBITDA *plus/minus* non-recurring expenses.

(8) On January 1, 2019 we adopted IFRS 16 using the modified retrospective method of adoption. See note 13.2.2 to our audited consolidated financial statements. Accordingly, the information presented for the years ended December 31, 2018 is not comparable with 2021, 2020 and 2019 due to the impacts of the adoption of IFRS-16 since 2019.

[Table of Contents](#)

Operating Data (Historical)

	2021	As of December 31,		2018
		2020	2019	
Educational Level				
Undergraduate medical degree students	16,017	11,030	6,597	4,540
Other non-medical undergraduate courses students	45,101	25,176	17,372	15,180
Total undergraduate students(1)	61,118	36,206	23,969	19,720
Preparatory courses – B2C	17,171	11,316	9,577	—
Preparatory courses – B2B	4,460	1,723	1,182	—
Total preparatory courses(2)	21,631	13,039	10,759	—
Medical specializations(3)	3,189	4,181	1,588	—
Total students	85,938	53,426	36,316	19,720
Operating undergraduate medical school campuses(4)	30	19	12	9
Approved undergraduate medical school campuses(4)	35	24	20	9
Operating medical school seats	2,481	1,893	1,222	917
Approved medical school seats(4)	2,731	2,143	1,572	1,167
Digital Health Services – Clinical Decision Software				
Whitebook active payers	125,372	106,977	81,874	—
iClinic active payers	17,978	—	—	—

(1) Excludes students that have not, by the beginning of the next school semester, paid monthly tuition fees which are due and payable.

(2) Consists of Medcel only. Excludes (i) students that have not paid monthly fees within 30 days of becoming due and payable, and (ii) students that have canceled their preparatory courses subscription. The information in this table as it relates to Medcel is as of December 31, 2021, 2020 and 2019 only and does not set forth information as of December 31, 2018, as we acquired Medcel on March 29, 2019. We concluded the integration of Medcel in May 2020.

(3) Refers to specialized medical courses for doctors.

(4) Approved undergraduate medical school campuses and approved medical school seats refer to our total number of undergraduate medical school campuses and seats approved by MEC for the periods indicated, whether or not operating. All our undergraduate medical school operating campuses and medical school seats are also approved undergraduate medical school campuses and medical school seats, however not all of our approved undergraduate medical school campuses and medical school seats are operating undergraduate medical school campuses and medical school seats.

Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

The real/U.S. dollar exchange rate reported by the Central Bank was R\$4.031 per US\$1.00 on December 31, 2019, which reflected a 4.0% depreciation in the real against the U.S. dollar during 2019. The real/U.S. dollar exchange rate reported by the Central Bank was R\$5.196 per US\$1.00 on December 31, 2020, which reflected a 28.9% depreciation in the real against the U.S. dollar during 2020. As of December 31, 2021, the exchange rate for the sale of U.S. dollars as reported by the Central Bank was R\$5.580 per US\$1.00, which reflected a 7.3% depreciation in the real against the U.S. dollar during 2021. As of April 28, 2022, the exchange rate for the sale of U.S. dollars as reported by the Central Bank was R\$5.011 per US\$1.00, which reflected an appreciation of 10.2% in the real against the U.S. dollar since December 31, 2021.

The Central Bank has intervened occasionally in the foreign exchange market to attempt to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or

[Table of Contents](#)

there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that the Brazilian government will not place

restrictions on remittances of foreign capital abroad in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Brazilian *reais* per U.S. dollar. The monthly and annual average rates are calculated by using the average of reported exchange rates by the Central Bank on each day during a monthly period and on the last day of each month during an annual period, respectively.

Year	Period-end	Average(1)	Low(2)	High(3)
2017	3.308	3.193	3.051	3.381
2018	3.875	3.656	3.139	4.188
2019	4.031	3.946	3.652	4.260
2020	5.196	5.158	4.021	5.937
2021	5.580	5.395	4.920	5.839

Source: Central Bank.

- (1) Represents the average of the exchange rates on the closing of each day during the year.
- (2) Represents the minimum of the exchange rates on the closing of each day during the year.
- (3) Represents the maximum of the exchange rates on the closing of each day during the year.

Month	Period-end	Average(1)	Low(2)	High(3)
October 2021	5.643	5.539	5.391	5.712
November 2021	5.619	5.557	5.417	5.669
December 2021	5.580	5.651	5.556	5.737
January 2022	5.357	5.534	5.357	5.704
February 2022	5.139	5.197	5.014	5.328
March 2022	4.738	4.968	4.738	5.135
April 2022 (through April 28, 2021)	5.011	4.749	4.617	5.016

Source: Central Bank.

- (1) Represents the average of the exchange rates on the closing of each day during the month.
- (2) Represents the minimum of the exchange rates on the closing of each day during the month.
- (3) Represents the maximum of the exchange rates on the closing of each day during the month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

An investment in our Class A common shares is subject to a number of risks, including risks relating to our business and industry, risks relating to Brazil and risks relating to our Class A common shares. The following list summarizes some, but not all, of these risks. Please read the information in the section entitled "Risk Factors" for a more thorough description of these and other risks.

[Table of Contents](#)

Certain Risks Relating to Our Business and Industry

- *We may not be able to identify and acquire new medical higher education institutions or meet our strategic and financial goals in connection with any business acquisition we seek, and difficulties in effectively integrating and managing a growing number of acquisitions may adversely affect our strategic objectives.* We expect to continue to acquire medical higher education institutions and healthtech companies as part of our strategy to expand our operations, including through acquisitions that may be material in size and/or of strategic relevance. We cannot assure you that we will continue to be able to identify post-secondary education institutions focused on medicine that provide suitable acquisition opportunities, or to acquire such institutions on favorable terms when necessary.
- *We may require additional funds to continue our expansion strategy. If we are unable to obtain adequate financing on favorable terms to complete any potential acquisition and implement our expansion plans, our growth strategy may be materially and adversely affected.* In addition, we may face significant challenges in the process of integrating the operations of any acquired companies with our existing business, such as the inability to manage a greater number of geographically dispersed employees and create and implement efficient uniform controls, procedures and policies, in addition to the incurrence of high or unexpected integration costs. In particular, the social distancing policies currently in place in Brazil resulting from the COVID-19 outbreak may place additional challenges for an expedited and timely integration of such acquired companies with our existing business.
- *Our revenues are highly concentrated in the tuition fees we charge for our medical courses and other health sciences programs, and any economic, market or regulatory factors adversely affecting such medical courses and health sciences programs could lead to decreased demand in the medical and health courses we offer, which could materially adversely affect us.* Economic, market or regulatory factors, such as in the context of an economic crisis due to the COVID-19 pandemic, affecting either the amount of tuition fees we are able to charge for the medical courses and health sciences programs we offer or the ability of our students to pay such tuition fees could result in significantly decreased demand for our services.
- *Changes to the rules or delays or suspension of tuition payments made through FIES may adversely affect our cash flows and our business.* We are subject to the risks associated with delays in the transfer of monthly tuition payments from the FIES program operated by the Brazilian federal government, as well as to changes to the rules to renew FIES contracts.
- *If we lose the benefits of federal tax exemptions provided under the PROUNI program, our business, financial condition and results of operations may be materially adversely affected.* We may be disqualified from the PROUNI program and lose our tax exemptions if we do not comply with certain requirements, such as providing total or partial scholarships for a percentage of students who paid their tuition in the previous year, granting partial scholarships, and submitting to MEC semi-annual records of attendance, achievement and dropout of students receiving scholarships, among others.
- *Our limited operating history as a consolidated company, our recent acquisitions and the comparability of our results may make it difficult for investors to evaluate our business, financial condition, results of operations and prospects.* Because the historical information included elsewhere in this annual report may not be representative of our results as a consolidated company, investors may have limited financial information on which to evaluate us, their investment decision and our prior performance.
- *An increase in delays and/or defaults in the payment of tuition fees may adversely affect our income and cash flows.* We depend on the full and timely payment of the tuition we charge our students, including tuition payments we receive through FIES, which is largely outside of our control.

Certain Risks Relating to Brazil

- *The Brazilian federal government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement as well as Brazil's political and economic conditions could harm us and the price of our Class A common shares.* The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases or decreases in interest

[Table of Contents](#)

rates, changes in fiscal policies, wage and price controls, foreign exchange rate controls, blocking access to bank accounts, currency devaluations, capital controls and import and export restrictions. Uncertainty over whether the Brazilian federal government will implement reforms or changes in policy or regulation affecting these or other factors in the future may affect economic performance and contribute to economic uncertainty in Brazil.

- *Economic uncertainty and political instability in Brazil may harm our business and the price of our Class A common shares.* Political crises have affected and continue to affect the confidence of investors and the general public, which have historically resulted in economic deceleration and heightened volatility in the securities offered by companies with significant operations in Brazil.

- *Inflation and certain measures by the Brazilian government to curb inflation have historically harmed the Brazilian economy and Brazilian capital markets, and high levels of inflation in the future would harm our business and the price of our Class A common shares.* Inflation, policies adopted to curb inflationary pressures and uncertainties regarding possible future governmental intervention have contributed to economic uncertainty and heightened volatility in the Brazilian capital markets.
- *Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our Class A common shares.* The Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. In addition, domestic and international reactions to restrictive economic policies could have a negative impact on the Brazilian economy.
- *Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.* Growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, general strikes, the lack of a qualified labor force, and the lack of private and public investments in these areas, which limit productivity and efficiency.
- *Developments and the perceptions of risks in other countries, including other emerging markets, the United States and Europe, may harm the Brazilian economy and the price of our Class A common shares.* The market for securities offered by companies with significant operations in Brazil is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging markets, as well as the United States, Europe and other countries. To the extent the conditions of the global markets or economy deteriorate, including as a result of the COVID-19 outbreak, the business of companies with significant operations in Brazil may be harmed.

Certain Risks Relating to Our Class A Common Shares

- *An active trading market for our Class A common shares may not be sustainable. If an active trading market is not maintained, investors may not be able to resell their shares and our ability to raise capital in the future may be impaired.* Although our Class A common shares are listed and being traded on the Nasdaq Global Select Market, an active trading market for our shares may not be maintained. The stock market in general has experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected, such as in the context of an economic crisis due to the COVID-19 pandemic.
- *The Esteves Family and Bertelsmann, our largest group of shareholders, own 100% of our outstanding Class B common shares, which represents approximately 90.6% of the voting power of our issued share capital, and control all matters requiring shareholder approval. This concentration of ownership and voting power limits your ability to influence corporate matters.* The decisions of the Esteves Family and Bertelsmann on these matters may be contrary to your expectations or preferences, and they may take actions that could be contrary to your interests. So long as the Esteves Family and Bertelsmann continue to beneficially own a sufficient number of Class B common shares, even if they beneficially own significantly less than 50% of our outstanding share capital, acting together, they will be able to effectively control our decisions.

14

[Table of Contents](#)

- *Class A common shares eligible for future sale may cause the market price of our Class A common shares to drop significantly.* The market price of our Class A common shares may decline as a result of sales of a large number of our Class A common shares in the market (including Class A common shares issuable upon conversion of Class B common shares) or the perception that these sales may occur. Our shareholders or entities controlled by them or their permitted transferees will be able to sell their shares in the public market from time to time without registering them, subject to certain limitations on the timing, amount and method of those sales imposed by regulations promulgated by the SEC.
- *Our Articles of Association contain anti-takeover provisions that may discourage a third party from acquiring us and adversely affect the rights of holders of our Class A common shares.* Our Articles of Association contain certain provisions that could limit the ability of others to acquire our control, including a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series.
- *If securities or industry analysts publish inaccurate or unfavorable research, about our business, the price of our Class A common shares and our trading volume could decline.* The trading market for our Class A common shares will depend in part on the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. In the event one or more of the analysts who covers us downgrades us or releases negative publicity about our Class A common shares, our share price would likely decline.
- *It is unlikely that we will declare any dividends on our common shares in the foreseeable future and therefore, you must rely on price appreciation of our common shares for a return on your investment.* We do not anticipate paying any dividends in the foreseeable future. Instead, we intend to retain earnings, if any, to fund the operation of our business and future growth. Any decision to declare and pay dividends in the future will be made at the discretion of our general meeting of shareholders, acting pursuant to a proposal by our board of directors, or by our board, and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors.
- *There can be no assurance that we will not be a passive foreign investment company, or PFIC, for any taxable year, which could subject United States investors in our Class A common shares to significant adverse U.S. federal income tax consequences.* Based on the composition of our income and assets and the value of our assets, including goodwill, which is based on the price of our Class A common shares, we believe that we were not a PFIC for the taxable year of 2021. However, because we hold a substantial amount of cash (relative to the assets shown on our balance sheet) and because our PFIC status for any taxable year will depend on the composition of our income and assets and the value of our assets from time to time (which may be determined, in part, by reference to the market price of our Class A common shares, which could be volatile), there can be no assurance that we will not be a PFIC for any taxable year.

Certain Risks Relating to Our Business and Industry

We may not be able to identify and acquire new medical higher education institutions or meet our strategic and financial goals in connection with any business acquisition we seek, and difficulties in effectively integrating and managing a growing number of acquisitions may adversely affect our strategic objectives.

We expect to continue to acquire medical higher education institutions, as part of our strategy to expand our operations, including through acquisitions that may be material in size and/or of strategic relevance, and healthtech companies, as part of our strategy to become the partner of choice for every physician in Brazil not only through educational products, but also providing digital services relevant to their daily routine. We cannot assure you that we will continue to be able to identify post-secondary education institutions focused on medicine that provide suitable acquisition opportunities, or to acquire such institutions on favorable terms when necessary.

In addition, our previous and any future acquisitions involve a number of risks and challenges that may have a material adverse effect on our business and results, including the following:

- the acquisition may not contribute to our commercial strategy or the image of our institution;

15

[Table of Contents](#)

- a future acquisition may be subject to approval by Brazil's Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*, or CADE) or other regulatory authorities, which may deny the necessary approvals for, or impose conditions or restrictions on, the acquisition;
- we may face contingent and/or successor liabilities (either currently known or unknown to us) in connection with, among others things, (i) judicial and/or administrative proceedings of the acquired institutions, including but not limited to, regulatory, tax, labor, social security, environmental and intellectual property proceedings, and (ii) financial, reputational and technical issues, including with respect to accounting practices, financial statement disclosures and internal controls, as well as other regulatory matters, all of which may not be sufficiently indemnifiable under the relevant acquisition agreement;
- the acquisition process may require additional funds and/or may be time-consuming, and the attention of our management may be diverted from their day-to-day responsibilities and our operations;
- our investments in acquisitions may not generate the expected returns, and we may mismanage administrative and financial resources as part of the integration process;
- the business model of the institutions we acquire may differ from ours, and we may be unable to adapt them to our business model or do so efficiently;
- we may not be able to integrate efficiently and successfully the operations of the institutions we acquire, including their personnel, financial systems, distribution or operating procedures;
- certain acquisitions may impact our financial reporting obligations and the preparation of our consolidated financial statements, resulting in delays to such preparation;
- the acquisitions may generate goodwill, the impairment of which will result in the reduction of our net income and dividends, and our financial statements may be affected as a result of the application of our accounting policies to the results of our acquisitions;
- the transfer of management of the target institution resulting from a change of control or corporate restructuring must be notified to the MEC within 60 days from the consummation of the acquisition, and MEC may impose additional restrictions on its reaccreditation; and
- we may be unable to provide the acquired company with the necessary resources to support its operations and if, by the time of the reaccreditation of the acquired company with the MEC, the MEC finds that we have failed to meet any applicable reaccreditation requirements, it may impose additional restrictions or conditions on the reaccreditation of the acquired company.

We may require additional funds to continue our expansion strategy. If we are unable to obtain adequate financing on favorable terms to complete any potential acquisition and implement our

expansion plans, our growth strategy may be materially and adversely affected.

In addition, we may face significant challenges in the process of integrating the operations of any acquired companies with our existing business, such as the inability to manage a greater number of geographically dispersed employees and create and implement efficient uniform controls, procedures and policies, in addition to the incurrence of high or unexpected integration costs. In particular, the social distancing policies currently in place in Brazil resulting from the COVID-19 outbreak may place additional challenges for an expedited and timely integration of such acquired companies with our existing business. As of the date of this annual report, we have fully integrated the operations of 16 of our acquisitions and are in the process of integrating the operations of another 10 of our acquisitions with our existing business (Medphone, Shosp, Cliequefarma, Medical Harbour, Medicinac, iClinic, Unigranrio, RX PRO, Al m da Medicina and Cardiopapers). The anticipated benefits of the acquisitions we may pursue will not be achieved unless we successfully and efficiently integrate the acquired companies into our operations and effectively manage, market and apply our business strategy to them. We may also be unable to integrate faculty and personnel with different professional experiences and from different corporate cultures, and our relationship with current and new employees, including professors, may be impaired. In addition, we may face challenges in entering into successful collective bargaining arrangements with unions due to differences in the negotiation procedures followed in the different geographic regions of the acquired companies. If we are not able to

16

[Table of Contents](#)

manage our expanded operations and these integrations effectively, our business could be materially adversely affected.

As of the date of this annual report, the COVID-19 pandemic is still evolving, and Brazilian authorities may once again impose a lockdown of our on-campus activities for an undefined extended period of time, among other measures, all of which are outside of our control and have materially adversely affected our business and results of operations. For further information, see "Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, have adversely affected and may continue to adversely affect our business," and "Item 5. Operating and Financial Review and Prospects."

Our revenues are highly concentrated in the tuition fees we charge for our medical courses and other health sciences programs, and any economic, market or regulatory factors adversely affecting such medical courses and health sciences programs could lead to decreased demand in the medical and health courses we offer, which could materially adversely affect us.

A significant portion of our historical undergraduate programs combined tuition fees are currently concentrated in the tuition fees we charge for our medical courses and other health sciences programs across our network. For the years ended December 31, 2021, 2020 and 2019, 88.0%, 86.0% and 81.7%, respectively, of total historical undergraduate programs combined tuition fees were derived from tuition fees we or our subsidiaries charged for medical courses and other health sciences programs. Therefore, economic, market or regulatory factors, such as in the context of an economic crisis due to the COVID-19 pandemic, affecting either the amount of tuition fees we are able to charge for the medical courses and health sciences programs we offer or the ability of our students to pay such tuition fees could result in significantly decreased demand for our services, which could materially adversely affect us.

Changes to the rules or delays or suspension of tuition payments made through FIES may adversely affect our cash flows and our business.

Some of our students finance their tuition fees through the Higher Education Student Financing Fund (*Fundo de Financiamento ao Estudante do Ensino Superior*, or FIES) created by the Brazilian federal government, and operated through the National Fund for Educational Development (*Fundo Nacional de Desenvolvimento da Educa o*, or FNDE), which offers financing to low-income students enrolled in undergraduate programs in private higher education institutions. As of 2018, we have adhered to the "New FIES," a new federal program aimed at providing student financing. Similar to the FIES, the New FIES provides financial support for low-income students throughout Brazil, in particular in the North, Northeast and Midwest regions. As a result, our exposure to the risks associated with delays in the transfer of monthly tuition payments from the FIES program operated by the Brazilian federal government, which we calculate by dividing the sum of the historical undergraduate programs combined tuition fees financed through FIES by total historical undergraduate programs combined tuition fees, was 8.0%, 11.8% and 9.4% of total historical undergraduate programs combined tuition fees as of December 31, 2021, 2020 and 2019, respectively.

Should (i) the Brazilian federal government terminate or reduce the transfer of monthly payments to our institutions that participate in FIES or New FIES, (ii) the students benefiting from FIES or New FIES fail to meet the requirements for enrollment in the programs or (iii) the Brazilian federal government extend the term to make reimbursements under FIES or New FIES or adversely change their rules, our results of operations and cash flow may be materially adversely affected. We may also experience a decline in revenues and a decline in the number of students at our campuses from the FIES and the New FIES programs.

Moreover, recent changes to the rules to renew FIES contracts, as well as the shutdown of the system to enter into new student financing agreements, may negatively affect the number of students enrolled in our courses, causing a reduction in our revenues. For more information regarding the changes to FIES contracts, see "Item 4. Information on the Company—Business Overview—Regulatory Overview."

If we lose the benefits of federal tax exemptions provided under the PROUNI program, our business, financial condition and results of operations may be materially adversely affected.

Some of our students participate in the University for All Program (*Programa Universidade para Todos*, or PROUNI program). Through the PROUNI program, the Brazilian federal government grants a number of full and

17

[Table of Contents](#)

partial scholarships to low-income post-secondary education students. As a result of our participation in the PROUNI program, we benefit from certain federal tax exemptions relating to bachelor's and associate's degree programs, such as (i) income tax, (ii) Social Contribution Tax on Gross Revenue (*Programa de Integra o Social*, or PIS), (iii) Social Security Financing Tax on Gross Revenue (*Contribui o para o Financiamento da Seguridade Social*, or COFINS), and (iv) Social Contribution Tax on Net Profit (*Contribui o Social sobre o Lucro L quido*, or CSLL), regarding our revenues from undergraduate and associate programs.

We may be disqualified from the PROUNI program and lose our tax exemptions if we do not comply with certain requirements, such as providing total or partial scholarships for a percentage of students who paid their tuition in the previous year, granting partial scholarships, and submitting to MEC semi-annual records of attendance, achievement and dropout of students receiving scholarships, among others. See "Item 4. Information on the Company—Business Overview—Regulatory Overview." If we lose our tax exemptions or are unable to comply with other, more stringent requirements that may be introduced in the future, our business, financial condition and results of operations could be materially adversely affected.

There is a risk that additional changes in tax laws may prohibit, interrupt or modify the use of existing tax exemptions, and we cannot assure you that we will fully maintain such tax and other benefits related to PROUNI in the event the tax laws are amended further. Any suspension, accelerated default, repayment or inability to renew our tax exemptions may have an adverse effect on our results of operations. As of the date of this annual report, there are two main proposed tax law amendments that are under review by the Brazilian congress: (i) Bill No. 3,887/2020, which expressly revokes the PIS and COFINS tax exemptions for the PROUNI program; and (ii) Constitutional Amendment Proposal No. 45/2020, which proposes a new tax to substitute PIS and COFINS (and other state and municipal taxes) with no tax exemptions. If we lose our tax exemptions and incentives, if we are unable to comply with future requirements or if changes in the law limit our ability to maintain these tax benefits, our business, financial condition and results of operations may be significantly and adversely affected.

Our operating history as a consolidated company, our recent acquisitions and the comparability of our results may make it difficult for investors to evaluate our business, financial condition, results of operations and prospects.

Our operating history as a consolidated company and recent acquisitions may make it difficult for you to evaluate our business, financial condition, results of operations and prospects. Because the historical information included elsewhere in this annual report may not be representative of our results as a consolidated company, investors may have limited financial information on which to evaluate us, their investment decision and our prior performance. Our results of operations for the year ended December 31, 2021 are not directly comparable to our results of operations for the year ended December 31, 2020, and our results of operations for the year ended December 31, 2020 are not directly comparable to our results of operations for the year ended December 31, 2019, due to the effects of the acquisition of the Acquired Companies. Our ability to forecast our future operating results, including revenue, cash flows and profitability, as well as the operational inefficiencies that we may face as we continue to integrate the Acquired Companies, is limited and subject to a number of uncertainties. Moreover, past performance is no assurance of future returns.

The interests of our management team may be focused on the short-term market price of our Class A common shares, which may not coincide with your interests. In addition, our shareholders may suffer dilution of their interests in our share capital and in the value of their investments due to the issuance of new shares for settlement of our share-based incentive plans.

Our directors and officers, among others, own shares issued by us and are beneficiaries under our stock option plans. Our 2018 stock option plan, which has now been formally terminated, was fully vested and exercised upon the completion of our initial public offering and we approved a new stock option plan for our managers and employees in August 2019 (as amended in July 2020), and reserved up to 4% of our common shares at any time for issuance under this new equity incentive plan. See "Item 6. Directors, Senior Management and Employees—B. Compensation—New Long-Term Incentive Plan."

Due to the issuance of stock options to members of our management team, a significant portion of their compensation is closely tied to our results of operations and, more specifically to the trading price of our Class A common shares, which may lead such individuals to direct our business and conduct our activities with an emphasis on short-term profit generation. In view of the market disruption caused by the COVID-19 pandemic, the trading

18

[Table of Contents](#)

price of our Class A common shares has significantly decreased, which if sustained for a longer period of time may also adversely affect our ability to retain members of our management. As a result of these factors, the interests of our management team may not coincide with the interests of our other shareholders that have longer-term investment objectives.

Once the options have been exercised by the participants, our board of directors will determine whether our capital stock should be increased through the issuance of new shares to be subscribed by

participants, or if they will be settled through shares held in treasury. In the event settlement occurs through the issuance of new shares, our shareholders will suffer dilution, of their interests in our share capital and in the value of their investments, up to a maximum of 4% of our common shares at any time.

In case of new stock option grants, whether under existing plans or new plans that may be approved by our shareholders at the shareholders' meeting, our shareholders will be subject to additional dilution. For additional information on our stock option plan, see "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Officers" for additional information.

An increase in delays and/or defaults in the payment of tuition fees may adversely affect our income and cash flows.

We depend on the full and timely payment of the tuition we charge our students, including tuition payments we receive through FIES, which is largely outside of our control, such as in the context of an economic crisis due to the COVID-19 pandemic. An increase in payment delinquency or default by our students may have a material adverse effect on our cash flows and our business, including our ability to meet our obligations. Our allowance for doubtful accounts expenses as a percentage of our net revenues was 2.8%, 2.7% and 2.0% for the years ended December 31, 2021, 2020 and 2019, respectively.

Difficulties in identifying, opening and efficiently managing new campuses or in obtaining regulatory authorizations and accreditations on a timely basis as part of our organic growth strategy may adversely affect our business.

Our organic strategy includes expanding by opening new campuses and integrating them into our educational network. This growth plan creates significant challenges in terms of maintaining our teaching quality and culture, as a result of the complexity and difficulty of effectively managing a greater number of campuses and programs. If we are unable to maintain our current quality standards, we may lose market share and be adversely affected.

Establishing new campuses poses important challenges and requires us to make significant investments in infrastructure, marketing, personnel and other pre-operational expenses, mainly identifying new sites for lease or purchase. We prioritize identifying strategic sites, negotiating the purchase or lease of properties, building or refurbishing facilities (including libraries, laboratories and classrooms), obtaining local permits, hiring and training faculty and staff, and investing in administration and support.

We are also required to register our new campuses with MEC, before opening and operating them, as well as having our new programs accredited by MEC in order to issue official degrees and certificates to our students. If we do not succeed in identifying and establishing our campuses in a cost-effective manner or in obtaining such authorizations or accreditations on a timely basis, or if MEC imposes restrictions or conditions on our accreditation requests for new campuses, our business may be adversely affected.

We may not be able to successfully expand our presence and performance in the distance learning business.

We may face difficulties in successfully operating our distance learning program and in implementing and investing in the technologies necessary to operate a successful distance learning program, where the technological needs, the expectations of our customers and market standards change rapidly. We have to quickly modify our products and services to adapt to new distance learning technologies, practices and standards. We may be adversely affected if current or future competitors introduce products or service platforms that are superior to those we offer, or if our resources are not adequate to develop and adapt our technological capabilities rapidly enough to maintain our competitive position.

In addition, the success of our distance learning programs depends on the general population having easy and affordable access to the internet, as well as on other technological factors that are outside of our control. If the

[Table of Contents](#)

internet becomes inaccessible or access costs increase to levels higher than current prices, or if the number of students interested in distance learning educational methods does not increase, we may be unable to successfully implement our distance learning program strategy, which would have an adverse effect on our growth strategy.

We face significant competition in each program we offer and each geographic region in which we operate. If we fail to compete efficiently, we may lose market share and our profitability may be adversely affected.

We compete with various public and private post-secondary education institutions, including distance learning institutions. Our competitors may offer programs or courses similar to or better than those offered by us, have access to more funds, be more prestigious or well-regarded within the academic community, have more conveniently located campuses with better infrastructure, or charge lower tuition. In addition, on April 5, 2018, MEC issued Ordinance No. 328/18, pursuant to which, among other measures, MEC imposed a five-year suspension on the granting of authorizations for the creation of new medical education courses. Accordingly, institutions cannot create and implement new undergraduate medical education courses until April 2023. In the event MEC lifts these restrictions prior to April 2023, this may result in the creation of new medical education courses, which will in turn increase competition and may create greater pricing or operating pressure on us.

Although an ordinance authorizing a new course in medicine should occur through a public call, i.e., through the *Mais Médicos* Program (*Programa Mais Médicos*), some educational institutions have been judicially challenging this restriction to compel MEC to receive and review requests for new medicine courses outside the *Mais Médicos* Program (*Programa Mais Médicos*) rules by alleging that these rules are an undue restriction on freedom of competition. Certain courts may ultimately compel the MEC to receive and review these requests. Accordingly, and to compete effectively, we may be required to reduce our tuition or increase our operating expenses (including our costs per student) in order to retain or attract students or to pursue new market opportunities. Furthermore, we were awarded, seven new undergraduate campuses as part of the "Mais Médicos" program, all of which are located in remote regions of Brazil and which operations are subject to the verification by the MEC of the satisfactory implementation by Afya Brazil of all regulatory requirements. We cannot assure you that there will be sufficient student demand to fill all medical school seats available on such campuses.

As a result of the foregoing, our revenues and profitability may decrease. We cannot assure you that we will be able to compete successfully against our current or future competitors. If we are unable to maintain our competitive position or otherwise respond to competitive pressures effectively, we may lose our market share, our profits may decrease and we may be adversely affected.

We may not be able to update, improve or offer the content of our existing programs to our students on a cost-effective basis, which may materially adversely affect our ability to attract and retain students.

To differentiate ourselves and remain competitive, we must continually update our courses and develop new educational programs, including through the adoption of new technological tools. Updates to our current courses and the development of new educational programs may not be readily accepted by our students or by the market. Also, we may not be able to introduce new educational programs at the same pace as our competitors or at the pace required by the labor market. If we do not adequately modify our educational programs in response to market demand, whether due to financial restrictions, unusual technological changes or otherwise, our ability to attract and retain students may be impaired and we may be materially adversely affected.

If we continue to grow, we may not be able to appropriately manage the expansion of our business and staff, the increased complexity of our software and platforms, or grow in our addressable market.

We are currently experiencing a period of significant expansion and are facing a number of expansion-related issues, such as the acquisition and retention of experienced and talented personnel, cash flow management, corporate culture and efficacy of internal controls, among others. These issues and the significant amount of time spent on addressing them may result in the diversion of our management's attention from other business issues and opportunities. In addition, we believe that our corporate culture and values are critical to our success, and we have invested a significant amount of time and resources building them. If we fail to preserve our corporate culture and values, our ability to recruit, retain and develop personnel and to effectively implement our strategic plans may be harmed.

[Table of Contents](#)

We must constantly update our software, enhance and improve our billing, transaction and other business systems, and add and train new software designers and engineers, as well as other personnel. This process is time intensive and expensive, and may lead to higher costs in the future. Furthermore, we may need to enter into relationships with various strategic partners other online service providers and other third parties necessary to our business. The increased complexity of managing multiple commercial relationships could lead to execution problems that can affect current and future revenues, and operating margins.

We cannot assure you that our current and planned platform and systems, procedures and controls, personnel and third-party relationships will be adequate to support our future operations. In addition, our current expansion has placed significant strain on management and on our operational and financial resources, and this strain is expected to continue. Our failure to manage growth effectively could seriously harm our business, results of operations and financial condition.

The ability to attract, recruit, retain and develop key personnel and qualified employees is critical to our success and growth. If we lose key personnel, our business, financial condition and results of operations may be adversely affected.

In order for us to successfully compete and grow, we must attract, recruit, retain and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our intellectual capital needs. While we have a number of our key personnel who have substantial experience with our operations, we must also develop our personnel to provide succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive, and we may not succeed in recruiting additional personnel or may fail to effectively replace key current personnel who depart with qualified or effective successors. We must continue to hire additional personnel to execute our strategic plans. Our effort to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. We cannot assure you that qualified employees will continue to be employed, that we will manage them successfully, or that, in the future, we will be able to attract qualified personnel with similar skills and expertise at equivalent cost and retain them.

We are also dependent upon the ability and experience of a number of our key personnel who have substantial experience with our operations. Many of our key personnel have worked for us for a significant amount of time or were recruited by us specifically due to their industry experience. It is possible that the failure to retain or attract the services of one or a combination of our senior executives, board

members (including those with M&A experience related to our industry), or key managers, could have a material adverse effect on our business, financial condition and results of operations.

Any increase in the attrition rates of students in our education programs may adversely affect our results of operations.

We believe that our attrition rates are primarily related to the personal motivation and financial situation of our current and potential students, as well as to socioeconomic conditions in Brazil. Significant changes in future attrition rates and/or failure to re-enroll may affect our enrollment numbers, such as in the context of an economic crisis due to the COVID-19 pandemic, and may have a material adverse effect on our revenues and our results of operations.

Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, have adversely affected and may continue to adversely affect our business.

Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, could materially adversely impact our business. In December 2019, a novel strain of coronavirus (COVID-19) was reported to have emerged in Wuhan, China. COVID-19 has since spread to most of the countries around the globe, including every state in Brazil. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 20, 2020, the Brazilian federal government declared a national emergency with respect to COVID-19, which remained in place as of December 31, 2020.

The global COVID-19 outbreak is an unprecedented and rapidly evolving situation. The spread of COVID-19, or actions taken to mitigate its spread, has and may continue to have material and adverse effects on our ability to operate effectively. We may be required to completely or partially close facilities, and we may suffer labor

21

[Table of Contents](#)

shortages, particularly of our teaching faculty, which is mostly composed of doctors who continue to work shifts at hospitals and are consequently more exposed to COVID-19 than non-medical administrative staff. Likewise, we may suffer financial and reputational harm were an outbreak to occur among our students, as our students participating in in-person hospital and healthcare residency programs are more exposed to COVID-19 than our students who are currently partaking in educational activities solely via our online platform. We may not be able to provide online classes to our students and keep them engaged with online classes during the COVID-19 pandemic or resume on-campus practical classes for the majority of our medical students during the COVID-19 pandemic. Factors that have affected and will continue influencing the effect on our operations, most of which are outside of our control, include the economic consequences and duration of the outbreak, new information that emerges concerning the severity of COVID-19 and actions taken to contain the outbreak or treat its impact, among others.

The extent of the adverse effect on our operations, including, among others, the regular functioning of our facilities, will depend on the extent and severity of the continued spread of COVID-19 in Brazil. Since March 17, 2020, there have been interruptions of our on-campus activities due to Brazilian government authorities' mandatory lockdowns, which remained in place as of December 31, 2020 to varying degrees depending on the region of Brazil, with a significant portion of our nonpractical educational activities being temporarily offered through our online platform (rather than on-site), and the calendar of our practical educational activities being rescheduled to when authorities will allow on-campus activities to resume. As of the date of this annual report, all lockdown restrictions have been revoked by Brazilian authorities in our campus locations and we successfully resumed our on-campus activities and classes.

In response to the impact of the COVID-19 pandemic, we assessed whether we had satisfied all of our contracts containing customer performance obligations in accordance with IFRS 15, and concluded it was necessary to defer a portion of our net revenue for the second half of 2020. We were able to manage, replace and reschedule these activities so that all of our performance obligations were satisfied and we recognized these revenues from customers. Some of our second half practical educational activities (particularly for students in the first to fourth years) will need to be replaced during the first half of 2021. Therefore, a portion of our revenue recognition has been postponed.

In addition, through 2020 and 2021, the States of Rio de Janeiro, Pará, Tocantins, Piauí, Rondônia, Maranhão, Bahia, Ceará and Paraíba had state decrees in place guaranteeing discounts to all students in such states, and we consequently granted mandatory discounts to our students in the total amount of R\$33.4 million for the year ended December 31, 2021 and R\$6.5 million for the year ended December 31, 2020. Initially, many of these mandatory discounts programs were suspended as their constitutionality was challenged before Brazilian superior courts. The laws of the states of Bahia, Maranhão and Ceará regarding the reduction of tuition fees in private educational institutions were ruled as unconstitutional by the Brazilian Federal Supreme Court in December 2020, and the laws of the States of Rio de Janeiro and Pará were also ruled as unconstitutional thereafter. Beginning in March 2021, we began invoicing our students without regard to any purported mandatory discounts. Further, on November 18, 2021, the Brazilian Federal Supreme Court (*Supremo Tribunal Federal*), or the STF, held, by a majority decision, that judicial decisions and rulings that impose a generic reduction of tuition fees in private educational institutions based on the outbreak of the COVID-19 pandemic are unconstitutional. Nonetheless, we are still facing individual and class action legal proceedings all across the country. For further information, see "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Legal Proceedings." The total mandatory discounts granted due to COVID-19, net of discounts that have been recovered from previous period, totaled R\$33.4 million during 2021 and R\$24.8 million was related to FCMPB (R\$6.5 million for the year ended December 31, 2020).

The COVID-19 pandemic is still evolving, and Brazilian authorities may once again impose a lockdown of our on-campus activities for an undefined extended period of time, among other measures, all of which are outside of our control and may materially adversely affect our business, financial condition, results of operations and cash flows for an extended period of time. We may also suffer labor shortages, particularly of our teaching faculty, which is mostly composed of doctors that continue to have work shifts at hospitals and are consequently more exposed to COVID-19 than non-medical administrative staff. The COVID-19 pandemic is expected to cause a material and adverse effect on the general economic, financial, political, demographic and business conditions in Brazil, which may reduce the disposable income of our students and their families, and consequently (i) result in an adverse impact on the ability of our students (current and/or prospective) to pay our tuition fees and/or (ii) trigger an increase in our attrition rates. As a result, it is still uncertain whether or not the pandemic will lead to a risk of an increase in

22

[Table of Contents](#)

impairment of our financial assets and a reduction of our cash generation and the recoverable amounts of our cash-generating units.

In addition, the impact of the COVID-19 pandemic amplifies the risk that disruptions in public and private infrastructure, including communications and financial services, could materially and adversely disrupt our normal business operations. We have transitioned a significant subset of our employees to a remote work environment in an effort to mitigate the spread of COVID-19, which may exacerbate certain risks to our business, including an increased demand for information technology resources, increased risk of phishing and other cybersecurity attacks, and increased risk of the unauthorized dissemination of personal information, sensitive personal information or proprietary or confidential information about us or our customers or other third parties. Further, we process personal data, and we therefore will be subject to the Brazilian Data Protection Law (*Lei Geral de Proteção de Dados*, or LGPD). Considering that our processing of personal data has increased as a result of the measures we adopted due to the COVID-19 pandemic, if we fail to comply with any provisions provided for in the LGPD, we could be subject to lawsuits filed by the data subjects, public authorities and private associations, including those for compensation for damages arising from the violation of the data subjects' rights, and we could be subject to the penalties provided for not only in the LGPD, but also in sectorial legislation, such as the Brazilian Consumer Defense and Protection Code (*Código de Defesa do Consumidor*) and the Brazilian Civil Framework of the Internet (*Marco Civil da Internet*). If we do not comply with the LGPD and are in turn subject to sanctions, we may suffer financial and reputational losses, which may adversely affect our financial results. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Failure to prevent or detect a malicious cyber-attack on our systems and databases could result in a misappropriation of confidential information or access to highly sensitive information," "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Our success depends on our ability to monitor and adapt to technological changes in the education sector and maintain a technological infrastructure that works adequately and without interruption," and "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Failure to comply with data privacy regulations could result in reputational damage to our brands and adversely affect our business, financial condition and results of operations."

The rapid development and fluidity of this situation precludes our ability to predict the ultimate adverse impact of COVID-19 on us. We are continuing to monitor the spread of the COVID-19 and related risks. There are no comparable recent events that may provide guidance as to the effect of the spread of COVID-19 pandemic, and, as a result, the ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change.

We could be adversely affected if we are unable to renegotiate collective bargaining agreements with the labor unions representing our professors and administrative employees or by strikes and other union activity.

Our payroll costs and expenses account for the majority of the costs of services and general and administrative expenses, or 53.1%, 53.3% and 59.2% of such costs and expenses for the years ended December 31, 2021, 2020 and 2019, respectively. Our faculty and administrative employees are represented by labor unions in the higher education sector and are covered by collective bargaining agreements or similar arrangements determining the number of working hours, minimum compensation, vacations and fringe benefits, among other terms. These agreements are subject to annual renegotiation and may be so modified. We could also be adversely affected if we fail to achieve and maintain cooperative relationships with our professors' or administrative employees' unions or face strikes, stoppages or other labor disruptions by our professors or employees. In addition, we may not be able to pass on any increase in costs arising from the renegotiation of collective bargaining agreements to the monthly tuition fees paid by students, which may have a material adverse effect on our business.

We may be held liable for extraordinary events that may occur at our campuses, which may have an adverse effect on our image and, consequently, our results of operations.

We may be held liable for the actions of officers, directors, professors or other employees at our campuses, including allegations of non-compliance by officers, directors, professors or other employees with specific legislation and regulations implemented by MEC relating to our programs. In the event of accidents, injuries or other damages affecting students, professors, other employees or third parties at our campuses, we may face claims alleging that we were negligent, provided inadequate supervision or were otherwise liable for the injury. We may also be subject to claims alleging that officers, directors, professors or other employees committed moral or sexual harassment or other unlawful acts. Our insurance coverage may not cover certain indemnifications we may be required to pay, be insufficient to cover these types of claims, or may not cover certain acts or events. We may also

23

[Table of Contents](#)

not be able to renew our current insurance policies under the same terms. Such liability claims may affect our reputation and harm our financial results. See "Item 4. Information on the Company—Business

Overview—Insurance.” In addition, we may also be subject to legal proceedings by current and/or former students alleging breaches of rights granted by the Brazilian Consumer Protection Code (*Código de Defesa do Consumidor*), and to legal proceedings by current and/or former employees alleging breaches of applicable labor laws. Even if unsuccessful, these claims may cause negative publicity, reduce enrollment numbers, increase student attrition rates, entail substantial expenses and divert the time and attention of our management, materially adversely affecting our results of operations and financial condition.

We may face restrictions and penalties under the Brazilian Consumer Protection Code in the future.

Brazil has a series of strict consumer protection laws, referred to collectively as the Consumer Protection Code (*Código de Defesa do Consumidor*). These laws apply to all companies in Brazil that supply products or services to Brazilian consumers. They include protection against misleading and deceptive advertising, protection against coercive or unfair business practices and protection in the formation and interpretation of contracts, usually in the form of civil liabilities and administrative penalties for violations.

These penalties are often levied by the Brazilian Consumer Protection Agencies (*Fundação de Proteção e Defesa do Consumidor*, or PROCONs), which oversee consumer issues on a district-by-district basis. Companies that operate across Brazil may face penalties from multiple PROCONs, as well as from the National Secretariat for Consumers (*Secretaria Nacional do Consumidor*, or SENACON). Companies may settle claims made by consumers via PROCONs by paying compensation for violations directly to consumers and through a mechanism that allows them to adjust their conduct, called a conduct adjustment agreement (*Termo de Ajustamento de Conduta*, or TAC).

Brazilian public prosecutors may also commence investigations of alleged violations of consumer rights and require companies to enter into TACs. Companies that violate TACs face potential enforcement proceedings and other potential penalties such as fines, as set forth in the relevant TAC. Brazilian public prosecutors may also file public civil actions against companies who violate consumer rights or competition rules, seeking strict adherence to the consumer protection laws and compensation for any damages to consumers. In certain cases, we may also face investigations and/or sanctions by the CADE, in the event our business practices are found to affect the competitiveness of the markets in which we operate or the consumers in such markets.

Any change or review of the tax treatment of our activities, or the loss or reduction in tax benefits on the sale of books (including digital content) may materially adversely affect us.

The Brazilian Federal Constitution, in Article 150, exempts production, sale and resale activities involving books. In this sense, Medcel is not taxed by the federal VAT (tax on industrial activity, or "IPF"), the state VAT (tax on sale or resale of products, or "ICMS") and the municipal VAT (tax on services, or "ISS"). Accordingly to Brazilian federal law No. 10,865/2004, the Company is also benefited from a zero tax rate on Federal Social Contributions, PIS and COFINS, which are calculated on gross revenue. If the Brazilian government or tax authority or the Brazilian superior courts decide to change or review the tax treatment for the production or sales of books (including digital books and e-readers), and we are unable to pass any cost increase onto our students, our results may be materially adversely affected.

If we are unable to maintain consistent educational quality throughout our network, including the educational materials of our post-secondary education institutions, or keep or adequately train our faculty members, we may be adversely affected.

Our teaching faculty, including teachers and professors at our post-secondary education institutions, is essential for maintaining the quality of our programs and the strength of our brand and reputation. We promote training in order for our faculty to attain and maintain the qualifications we require and for us to provide updating programs on trends and changes in their areas. Due to shortages in the supply of qualified professors, competition for hiring and retaining qualified professionals has increased substantially. We cannot assure you that we will succeed in retaining our current professors or recruiting or training new professors who meet our quality standards, particularly as we continue to expand our operations.

The quality of our academic curricula and the infrastructure of our campuses are also key elements of the quality of the education we provide. We cannot assure you that we will succeed in identifying facilities with

[Table of Contents](#)

adequate infrastructure for our new campuses, develop adequate infrastructure in properties we acquire or have enough resources to continue expanding through acquisitions or development of new projects. In addition, we cannot assure you that we will be able to develop academic curricula for our new programs with the same levels of excellence as existing programs and meeting the standards set forth by MEC. Shortages of qualified professors, adequate infrastructure or quality academic curricula for new programs according to our business model and the parameters set forth by MEC, may have a material adverse effect on our business.

Our business depends on the continued success of the brands of each of our institutions, as well as the "Afya" brand, and if we fail to maintain and enhance the recognition of our brands, we may face difficulty enrolling new students, and our reputation and operating results may be harmed.

We believe that market awareness of our brands has contributed significantly to the success of our business. Maintaining and enhancing our brands is critical to our efforts to grow student enrollments. Failure to maintain and enhance our brand recognition could have a material and adverse effect on our business, operating results and financial condition. We have devoted significant resources to our brand promotion efforts in recent years, but we cannot assure you that these efforts will be successful. If we are unable to further enhance our brand recognition, or if we incur excessive marketing and promotion expenses, or if our brand image is negatively impacted by any negative publicity, our business and results of operations may be materially and adversely affected.

If we are not able to maintain our current MEC evaluation ratings and the evaluation ratings of our students, we may be adversely affected.

We and our students are regularly evaluated and rated by MEC. If our campuses, programs or students receive lower scores from MEC than in previous years in any of its evaluations, including the IGC (*Índice Geral de Cursos*), and the Student Performance National Exam (*Exame Nacional de Desempenho de Estudantes*, or ENADE), we may experience a reduction in enrollments and be adversely affected by perceptions of decreased educational quality, which may negatively affect our reputation and, consequently, our results of operations and financial condition.

Finally, in the event that any of our programs receive unsatisfactory evaluations, the post-secondary education institution offering the programs may be required to enter into an agreement with MEC setting forth proposed measures and timetables to improve the program and remedy the unsatisfactory evaluation. Non-compliance with the terms of the agreement may result in additional penalties on the institution. These penalties could include, but are not limited to, suspending our ability to enroll students in our programs, denial of accreditation or re-accreditation of our institutions or prohibiting us from holding regular class sessions, all of which can adversely affect our results of operations and financial condition.

We are subject to supervision by MEC and, consequently, may suffer sanctions as a result of non-compliance with any regulatory requirements.

Brazilian Federal Law No. 10,861/2004, regulated by Decree No. 9,235/2017, implemented the activities of supervision of post-secondary education entities and courses in the Brazilian federal education system. The Secretariat for Regulation and Supervision of Post-secondary Education, or SERES, of MEC is responsible for the regular and special supervision of the corresponding courses and programs.

Regular supervision derives from complaints and allegations by students, parents and faculty members, as well as by public entities and the press. These complaints and allegations involve specific cases of entities with courses showing evidence of irregularities or deficiencies. We are subject to those complaints and representations. Special supervision, on the other hand, may be commenced by MEC itself, based on its post-secondary education regularity and quality standards, and involves more than one course or entity, grouped according to the criteria chosen for the special supervision. These criteria may include unsatisfactory results in the ENADE and the Difference Indicator between Expected and Actual Performance (*Indicador de Diferença entre os Desempenhos Observado e Esperado*), among other quality indicators, the history of course evaluations by INEP, as well as compliance with specific legal requirements as, for example, the minimum ratio between faculty members with master's or doctorate degrees.

Administrative irregularities can include, among others: (i) unlicensed or irregular post-secondary courses; (ii) any outsourcing of post-secondary education activities; (iii) the failure to file a re-accreditation or recognition or renewal request with respect to post-secondary education courses within the time periods enacted by MEC pursuant to Decree No. 9,235/2017; and (iv) failure to comply with any penalties imposed by the MEC.

[Table of Contents](#)

If MEC concludes, as part of its supervisory activities, that an irregularity constitutes an imminent risk or threat to students or the public interest, it may impose the following measures on the relevant educational institution for a period to be determined by SERES: (i) suspend the admission of new students; (ii) suspend the offering of undergraduate or postgraduate *lato sensu* courses; (iii) suspend the institution's discretionary ability to, among other things, create new post-secondary courses and establish course curricula, if applicable; (iv) suspend the license to establish new distance learning programs; (v) override any ongoing regulatory requests filed by the institution and prohibit new regulatory requests; (vi) suspend participation in the New FIES; (vii) suspend participation in PROUNI; and (viii) suspend or restrict participation in other federal education programs. The educational institution can contest the MEC's findings by filing motions with MEC or with Brazilian courts.

Upon completion of the supervisory process and to the extent MEC concludes that there are administrative irregularities, SERES may apply the penalties provided for by Law No. 9,394/1996, namely (i) discontinue courses; (ii) directly intervene in the educational institution; (iii) temporarily suspend the institution's discretionary ability to, among other things, create new post-secondary courses and establish course curricula, if applicable; (iv) disqualify the institution as an educational institution; (v) reduce the number of student vacancies; (vi) temporarily suspend new student enrollments; or (vii) temporarily suspend courses.

The post-secondary education sector is highly regulated, and our failure to comply with existing or future laws and regulations could significantly impact our business.

We are subject to various federal laws and extensive government regulations by MEC, *Conselho Nacional de Educação* (National Education Council, or CNE), INEP, FIES and the National Post-secondary Education Assessment Commission (*Comissão Nacional de Avaliação da Educação Superior*, or CONAES), among others, including, but not limited to Law No. 12,871, of October 22, 2013, which created the "Mais Médicos" program.

Brazilian education regulations define three types of post-secondary education institutions: (i) colleges, (ii) university centers and (iii) universities. The three categories depend on previous accreditation by MEC to operate. Colleges differ from the other categories with respect to the programs offered, as colleges depend on previous authorization from MEC to implement new programs, while university centers and universities are not subject to such requirements, except for courses in law, medicine, psychology, nursing and dentistry, which require the prior approval of MEC.

All accredited educational institutions require the prior approval of MEC to create campuses outside their headquarters. All post-secondary education programs must be recognized by MEC as a requirement, together with registration of the program, to validate the diplomas issued by them. However, pursuant to article 101 of Ordinance No. 23/2017 of MEC, issued diplomas may be valid even if the program is not formally recognized by MEC, so long as the educational institution has filed the request with MEC to certify the program, and the request is pending formal review and approval by MEC. As a result, any failure to comply with legal and regulatory requirements by post-secondary education entities may result in the imposition of sanctions by MEC, as well as damage to the program's reputation.

MEC must authorize our campuses located outside our headquarters before they can start their operations and programs. For further information, see "Item 4. Information on the Company—Business Overview—Regulatory Overview." Distance learning programs, as well as on-campus learning, are also subject to strict accreditation requirements for their implementation and operation. We must comply with all such requirements in order to obtain and renew all authorizations.

We cannot assure you we will be able to comply with these regulations and maintain the validity of our authorizations, enrollments and accreditations in the future. If we fail to comply with these regulatory requirements, MEC could place limitations on our operations, including cancellation of programs, reduction in the number of positions we offer to students, termination of our ability to issue degrees and certificates and revocation of our accreditation, any of which could adversely affect our financial condition and results of operations.

We cannot assure you that we will obtain accreditation or re-accreditation of our post-secondary education institutions, or that our courses will receive authorization or reauthorization as scheduled, or that they will have all of the accreditations, re-accreditations, authorizations and re-authorizations required by MEC. The absence of such accreditations and authorizations from the MEC or any delays in obtaining them could adversely affect our financial condition and results of operations.

26

[Table of Contents](#)

In addition, we may also be adversely affected by any changes in the laws and regulations applicable to post-secondary education institutions, particularly by changes related to: (i) any revocation of accreditation of private educational institutions; (ii) the imposition of controls on monthly tuition payments or restrictions on the profitability of private educational institutions; (iii) faculty credentials; (iv) academic requirements for courses and curricula; (v) infrastructure requirements of campuses, such as libraries, laboratories and administrative support; (vi) the "Mais Médicos" Program; (vii) the promulgation by the MEC of new rules and regulations affecting post-secondary education, in particular with respect to distance learning programs; and (viii) local restrictions imposed to curb the impact of the COVID-19 pandemic in the places we operate.

We may be materially adversely affected if we are unable to obtain these authorizations, accreditations and course recognitions in a timely manner, if we cannot introduce new courses as quickly as our competitors, if we are not able to or do not comply with any new rules or regulations promulgated by the MEC or if laws and regulations are passed adverse to the business and operations of post-secondary education institutions.

Our success depends on our ability to operate in strategically located property that is easily accessible by public transportation.

We believe that urban mobility, inadequate public transportation systems and high transportation costs in many Brazilian cities make the location and accessibility of campuses a decisive factor for students choosing an educational institution. Therefore, a key component of the success of our business consists in finding, renting and/or buying strategically located property that meets the needs of our students. We cannot guarantee that we will be able to keep our current property or acquire new property that is strategically located in the future. In addition, acquisition costs, costs associated with improvements, construction, and repairs of existing properties and rental values for the properties we use might increase in the future and could have a material adverse effect on our business. Finally, due to demographic and socioeconomic changes in the regions in which we operate, we cannot guarantee that the location of our campuses will continue to be attractive and convenient to students.

Failure to protect or enforce our intellectual property and other proprietary rights could adversely affect our business and financial condition and results of operations.

We rely and expect to continue to rely on a combination of trademark, copyright, patent and trade secret protection laws, as well as confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships to protect our intellectual property and proprietary rights. As of the date of this annual report, we had no issued patents and one patent application pending in Brazil. As of December 31, 2021, we were party to 281 agreements, with third-party authors with respect to educational content. As of December 31, 2021, we owned 157 trademark registrations and 154 registered domain names in Brazil. We also had 31 pending trademark applications in Brazil as of the date of this annual report and unregistered trademarks that we use to promote our brand. From time to time, we expect to file additional patent, copyright and trademark applications in Brazil and abroad. Nevertheless, these applications may not be approved or otherwise provide the full protection we seek. Any dismissal of our "AFYA" trademark application may impact our business. Third parties may challenge any patents, copyrights, trademarks and other intellectual property and proprietary rights owned or held by us. Third parties may knowingly or unknowingly infringe, misappropriate or otherwise violate our patents, copyrights, trademarks and other proprietary rights, and we may not be able to prevent infringement, misappropriation or other violation without substantial expense to us.

Furthermore, we cannot guarantee that:

- our intellectual property and proprietary rights will provide competitive advantages to us;
- our competitors or others will not design around our intellectual property or proprietary rights;
- our ability to assert or enforce our intellectual property or proprietary rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties;
- our intellectual property and proprietary rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak;

27

[Table of Contents](#)

- any of the patents, trademarks, copyrights, trade secrets or other intellectual property or proprietary rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged or abandoned; or
- we will not lose the ability to assert or enforce our intellectual property or proprietary rights against or to license our intellectual property or proprietary rights to others and collect royalties or other payments.

If we pursue litigation to assert or enforce our intellectual property or proprietary rights, an adverse decision in any of these legal actions could limit our ability to assert our intellectual property or proprietary rights, limit the value of our intellectual property or proprietary rights or otherwise negatively impact our business, financial condition and results of operations. If the protection of our intellectual property and proprietary rights is inadequate to prevent use or misappropriation by third parties, the value of our brand and other intangible assets may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to customers and potential customers may become confused in the marketplace and our ability to attract customers may be adversely affected.

We may in the future be subject to intellectual property claims, which are costly to defend and, if we do not succeed in defending such claims, could harm our business, financial condition and operating results.

From time to time, third parties may allege in the future that we or our business infringes, misappropriates or otherwise violates their intellectual property or proprietary rights, including with respect to our publications. Many companies, including various "non-practicing entities" or "patent trolls," are devoting significant resources to developing or acquiring patents that could potentially affect many aspects of our business. We have not exhaustively searched patents related to our technology. In addition, the publishing industry has been, and we expect in the future will continue to be, the target of counterfeiting and piracy. We may implement measures in an effort to protect against these potential liabilities that could require us to spend substantial resources. Any costs incurred as a result of liability or asserted liability relating to sales of unauthorized or counterfeit educational materials could harm our business, reputation and financial condition.

Third parties may initiate litigation against us without warning. Others may send us letters or other communications that make allegations without initiating litigation. We have in the past and may in the future receive such communications, which we assess on a case-by-case basis. We may elect not to respond to the communication if we believe it is without merit or we may attempt to resolve disputes out of court by electing to pay royalties or other fees for licenses. If we are forced to defend ourselves against intellectual property claims, whether they are with or without merit or are determined in our favor, we may face costly litigation, diversion of technical and management personnel, inability to use our current website or inability to market our service or merchandise our products. As a result of a dispute, we may have to develop non-infringing technology, including partially or fully revising any publication that infringes intellectual property rights, enter into licensing agreements, adjust our merchandising or marketing activities or take other action to resolve the claims. These actions, if required, may be unavailable on terms acceptable to us or may be costly or unavailable. If we are unable to obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices, as appropriate, on a timely basis, our reputation or brand, our business and our competitive position may be affected adversely and we may be subject to an injunction or be required to pay or incur substantial damages and/or fees and/or royalties.

Most of our services are provided using proprietary software and our software is mainly developed by our employees, who assign to us their copyrights over the software. In this regard, though applicable law establishes that employers shall have full title over rights relating to software developed by their employees, we could be subject to lawsuits by former employees claiming ownership of such software. As a result, we may be required to obtain licenses of such software, incurring costs relating to payments of royalties and/or damages and we may be forced to cease the use of such software. If we are unable to use certain of our proprietary software as a result of any of the foregoing or otherwise, this could have a material adverse effect on our business, financial condition and results of operations.

In addition, we use open source software in connection with certain of our products and services. Companies that incorporate open source software into their products have, from time to time, faced claims

[Table of Contents](#)

source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our proprietary source code or pay damages for breach of contract could have a material adverse effect on our business, financial condition and results of operations.

Unfavorable decisions in our legal, arbitration or administrative proceedings may adversely affect us.

We are, and we, our controlling shareholders, directors or officers may be in the future, party to legal, arbitration and administrative investigations, inspections and proceedings arising from the ordinary course of our business or from nonrecurring corporate, tax, criminal or regulatory events, involving our suppliers, students, faculty members, as well as environmental, competition and tax authorities, especially with respect to civil, tax, criminal and labor claims. We cannot guarantee that the results of these proceedings will be favorable to us or that we have made sufficient provisions for liabilities that may arise as a result of these or other proceedings. Adverse decisions on material legal, arbitration or administrative proceedings may damage our reputation and may adversely affect our results of operations and the price of our Class A common shares.

In addition, Mr. Nicolau Carvalho Esteves, our chairman and one of our controlling shareholders, is currently party to a public civil proceeding filed by the federal prosecutor's office against Mr. Carvalho Esteves and other individuals in connection with certain irregular administrative acts alleged to have taken place during each of their respective terms as Health Secretary of the State of Tocantins (*Secretário de Saúde do Estado de Tocantins*) between 2012 and 2014, a position held by Mr. Carvalho Esteves for a period of four months, from March 9, 2012 to July 20, 2012. In February 2022, a decision was issued, dismissing the motions submitted by the public prosecutor's office, to date no appeal has been filed by the public prosecutor's office. The court suit is classified as remote by the office.

If Mr. Carvalho Esteves is found liable, he may be subject to penalties, including a three-year prohibition on him or any legal entity under his control transacting with public entities or being granted tax incentives/benefits, including Afya. We cannot guarantee that the results of these proceedings will be favorable to Mr. Carvalho Esteves and any adverse decision may (i) damage our reputation, (ii) disqualify us from participating in the PROUNI program, and consequently cause us to lose our current tax incentives/benefits, including with respect to (a) corporate income tax (IRPJ) and CSLL rates, which were at an aggregate effective tax rate of 8.1% and 7.6% for the years ended December 31, 2020 and 2019, respectively, and which would gradually increase to an aggregate effective tax rate of up to 34.0%, and (b) PIS and COFINS rates, which are currently zero and which would gradually increase to an aggregate tax rate of up to 3.65%, (iii) result in our suspension from the New FIES program which would prohibit our institutions from enrolling new students that are funded by FIES (for the years ended December 31, 2021 and 2020, FIES represented 8.0% and 11.8% and of our historical undergraduate programs combined tuition fees), and (iv) prevent us from entering into new agreements with public entities located in Brazil, any of which may have an adverse effect on our business, reputation, results of operations and the price of our Class A common shares. For further information, see "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Legal Proceedings."

We are currently in the process of obtaining or renewing local licenses and permits, including licenses from the fire department, for some of the real estate we use. Failure to obtain renewals of these licenses and permits in a timely manner may result in penalties, including closures of some of our campuses.

The use of all of our buildings, including our operational and administrative buildings, is subject to the successful issuance of an occupancy permit (*Habite-se*), or equivalent certificate, issued by the municipality where the property is located, certifying that the building was constructed in compliance with applicable zoning and municipal regulations. In addition, non-residential properties are required to have a use and operations license and/or permit, issued by the competent municipality, and a fire department inspection certificate, issued by the fire department, prior to being used regularly.

We are currently in the process of obtaining and/or renewing these licenses for some of the real estate we use. The absence of such licenses may result in penalties ranging from fines to forced demolition of the areas that were not built in compliance with applicable codes or, in the worst-case scenario, the temporary or permanent closure of the campus or branch lacking the licenses and permits to the extent the relevant penalties and fines have not been paid and the licenses and permits have not been obtained following notifications from the relevant authorities. Any penalties imposed, and in particular, the forced closure of any of our campuses or branches, may result in a material

[Table of Contents](#)

adverse effect on our business. Moreover, in the event of any accident at our campuses or branches, the lack of such licenses may result in civil and criminal liability, as well as cause the cancellation of insurance policies, if any, for the respective campus or branch and may damage our reputation.

We may not be able to maintain or renew our existing leases.

We lease substantially all of the properties on our campuses. According to Brazilian lease laws, a lessee has the right to renew existing leases for subsequent terms equal to the original term of the lease. In order for a lessee to enforce this right, the following criteria must be met (i) the non-residential lease agreement must have a fixed term equal to or greater than five consecutive years, or, in the event there is more than one agreement or amendment thereto regarding the same real estate, the aggregate term in such agreement or amendment must be greater than five consecutive years (ii) the lessee must have been using the property for the same purpose for a minimum and continuous period of three years and (iii) the lessee must claim the right of automatic renewal at the most one year and at least six months prior to the end of the term of the lease agreement.

Lease agreements with terms lasting less than five years are not entitled to a right of compulsory renewal and, as a result, the lessor has the right to refuse renewal of the lease upon expiration of its term. The lease agreements relating to our campuses generally have terms lasting from five to 20 years and are renewable in accordance with applicable Brazilian lease laws. If we are forced to close any of our campuses due to the termination of a lease agreement and our inability to renew the lease, our business and results of operations may be adversely affected.

In addition, most of our lease agreements are not registered with the relevant real estate registries. We therefore do not have a right of first refusal over the applicable property in the event of a sale by its landlord and the subsequent purchaser may require that we vacate the property.

Acquisitions of educational institutions, in certain circumstances, must be approved by the Administrative Council for Economic Defense.

Brazilian legislation provides that acquisitions of educational institutions meeting certain requirements must be approved by Brazil's Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*, or CADE) prior to the completion of the acquisition if one of the companies or group of companies involved has gross annual revenues in Brazil of at least R\$750.0 million in the year immediately prior to the acquisition and any other party or group of companies involved has gross income of at least R\$75.0 million in that same period. As part of this process, CADE must determine whether the specific operation affects the competitiveness of the market in question or the consumers in such markets. CADE may not approve our future acquisitions or may condition approval of our acquisitions on our disposal of some of the operations of the target of the acquisition, or impose restrictions on the operations and commercialization of the target. Failure to obtain approval for future acquisitions or any conditional approvals of future acquisitions may result in expenses that may adversely affect our results of operations and financial condition. As a result of our growth strategy through acquisitions of new entities, we may need additional funds to implement our strategy. Therefore, if we cannot obtain adequate financing to conclude any potential acquisition and implement our expansion plans, our growth strategy will be affected.

Some of the properties that we occupy are owned by companies controlled by one of our controlling shareholders. Therefore, we are exposed to conflicts of interest, since the administration of such properties may conflict with our interests, those of such controlling shareholder and those of our other shareholders.

Some of the properties we occupy, including properties where some of our campuses are located, are owned and operated by companies controlled by one of our controlling shareholders. Therefore, the interests of our controlling shareholder in the administration of such property may conflict with our interests and those of our other shareholders. For further information, see "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions" and note 8 to our audited consolidated financial statements.

Our holding company structure makes us dependent on the operations of our subsidiaries. We depend on dividend distributions by our subsidiaries, and we may be adversely affected if the performance of our subsidiaries is not positive.

We are a Cayman Islands exempted company with limited liability. Our material assets are our direct and indirect equity interests in our subsidiaries. We control a number of subsidiary companies that carry out the business

[Table of Contents](#)

activities of our corporate group. Our ability to comply with our financial obligations and to pay dividends to our shareholders depends on our ability to receive distributions from the companies we control, which in turn depends on the cash flow and profits of those companies. There is no guarantee that the cash flow and profits of our controlled companies will be sufficient for us to comply with our financial obligations and pay dividends or interest on shareholders' equity to our shareholders. Furthermore, exchange rate fluctuation will affect the U.S. dollar value of any distributions our subsidiaries make with respect to our equity interests in those subsidiaries.

In addition, the Brazilian federal government recently stated that the income tax exemption on the distribution of dividends may be repealed and income tax assessed on the distribution of dividends in the future, and that applicable taxes on the payment of interest on shareholders' equity may be increased in the future. Any repeal of the income tax exemption on the distribution of dividends and any increase in applicable taxes on the payment of interest on shareholders' equity may adversely affect us.

We and our subsidiaries may be held directly or indirectly responsible for labor claims pursuant to contracted services.

To meet the needs of our students and offer greater comfort and quality in all areas and aspects of our activities, we depend on service providers and suppliers for services such as cleaning, surveillance, telemarketing and security. We may be adversely affected if these third-party service providers and suppliers do not meet their obligations under Brazilian labor laws. In particular, according to Brazilian law we may be liable to the employees of these service providers and suppliers for labor obligations of these service providers and suppliers to the extent such service providers and suppliers fail to indemnify such employees pursuant to court orders, and we may also be fined by the relevant authorities. If we are held liable for such claims, we may be adversely affected.

We may not be able to pass on increases in our costs by adjusting our monthly tuition fees.

Our primary source of income is the monthly tuition payments we charge to our students. Our payroll costs and expenses account for the majority of the costs of services and general and administrative expenses, or 53.1%, 53.3% and 59.2% of such costs and expenses for the years ended December 31, 2021, 2020 and 2019, respectively. Our utilities expenses (comprised mainly of water, electricity and telephone expenses) represented 0.8%, 0.7% and 1.2%, respectively, of our costs of services and general and administrative expenses. Personnel costs and expenses, lease values and the cost of electricity are adjusted regularly using indices that reflect changes in inflation levels. If we are not able to transfer any increases in our costs and expenses to students by increasing the amounts of their monthly tuition fees, such as in the context of an economic crisis due to the COVID-19 pandemic, our operating results may be adversely affected.

If we are not able to attract and retain students, or are unable to do so without decreasing our tuition fees, our revenues may decline.

The success of our business depends primarily on the number of students enrolled in our programs and the tuition fees that they pay. Our ability to attract and retain students depends mainly on the tuition fees we charge, the convenient locations of our facilities, the infrastructure of our campuses and the quality of our programs as perceived by our existing and potential students. These factors are affected by, among other things, our ability to (i) respond to increasing competitive pressures, (ii) develop our educational systems to address changing market trends and demands from post-secondary education institutions and students, (iii) develop new programs and enhance existing programs to respond to changes in market trends and student demands, (iv) adequately prepare our students for careers in their chosen professional occupations, (v) successfully implement our expansion strategy, (vi) manage our growth while maintaining our teaching quality and (vii) effectively market and sell our programs to a broader base of prospective students. If we are unable to continue to attract new students to enroll in our programs and to retain our current students without significantly decreasing tuition, for example as a result of changes in our students preferences due to an economic crisis arising from the COVID-19 pandemic, our revenues and our business may decline and we may be adversely affected.

[Table of Contents](#)

Our Digital Services segment is subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter-to-quarter and adversely impact our working capital and liquidity throughout the year, adversely affecting our business, financial condition and results of operations.

Afya has now three reporting segments: (1) Undergrad, which provides educational services through undergraduate courses related to medicine, other health sciences and other undergraduate programs; (2) Continuing Education, which provides specialization programs and graduate courses; and (3) Digital Services, which provides content and technology for medical education, clinical decisions software, practice management tools and electronic medical records, doctor-patient relationship, telemedicine and digital prescription.

Digital Services are comprised mostly by Medcel, Pebmed and iClinic revenues. While Pebmed and iClinic do not have significant fluctuation regarding seasonality, Medcel revenues are concentrated in the first and last quarter of the year, as a result of enrollments of Medcel's clients period. The majority of Medcel's revenues is derived from printed books and e-books, which are recognized at the point in time when control is transferred to the customer. Consequently, Digital Services segment generally has higher revenues and results of operations in the first and last quarter of the year compared to the second and third quarters of the fiscal year.

In addition, the deterioration of Brazilian macroeconomic conditions as a result of the COVID-19 pandemic resulted in the reduction of the disposable income of current and prospective customers of our Continuing Education, leading to the postponement of their residency and post-graduate specialization plans, consequently reducing the demand for our residency preparatory courses and medical post-graduate specialization programs. Uncertainties in relation to the COVID-19 pandemic have also affected the decision to purchase products that are not of primary need for the doctor, especially for post-graduate specialization programs. Regarding the preparatory courses, it is worth adding that there was a drop in demand in the courses with short duration due to the uncertainty on whether there would be exams or any related delays.

Accordingly, we expect quarterly fluctuations in our revenues and operating results to continue. These fluctuations could result in volatility and adversely affect our liquidity and cash flows. As our business grows, these seasonal fluctuations may become more pronounced. As a result, we believe that sequential quarterly comparisons of our financial results may not provide an accurate assessment of our financial position.

We face risks relating to our Digital Services segment.

We may face risks relating to the expansion, including through acquisitions, of our Digital Services segment, which provides content and technology for medical education, clinical decisions software, practice management tools and electronic medical records, doctor-patient relationship, telemedicine and digital prescriptions. Companies operating in this segment are subject to significant execution risk since they are providing new digital features and developing a new market. In addition, we also face operational risks relating to the integration of any such companies to build our ecosystem, including userbase and platform integration risks, among other risks. As a result, any acquisitions we may make in this segment involve a number of uncertainties, risks and challenges that may have a material adverse effect on our business and results of operations, and result in the risk of impairment. See also "—We may not be able to identify and acquire new medical higher education institutions or meet our strategic and financial goals in connection with any business acquisition we seek, and difficulties in effectively integrating and managing a growing number of acquisitions may adversely affect our strategic objectives."

We are subject to environmental laws and regulations, which may become more stringent in the future and increase our obligations and capital expenditures with respect to their compliance.

We are subject to several environmental municipal, state and federal laws. Compliance with these laws and regulations is monitored by governmental agencies and bodies that may impose administrative, civil and criminal sanctions on us. Violations of these laws and regulations may result in the imposition of criminal and administrative sanctions, as well as civil liability, seeking redress for alleged environmental damages and damages to third parties. Causing environmental damage may lead to administrative sanctions, which may include, among other consequences, penalties such as fines (ranging from R\$50 to R\$50 million), revocation of our licenses and authorizations, and the temporary or permanent suspension of our activities. There is no limit to the amount that the courts may award to cover the costs of remediation in the case of civil liability or, if the environmental damage cannot be repaired, the payment of an indemnity. In addition, a claim seeking compensation for environmental damages is not subject to a statute of limitations. The enactment of more stringent laws and regulations or more

[Table of Contents](#)

stringent interpretations of existing laws and regulations may force us to increase our capital expenditures relating to environmental compliance, therefore diverting funds from previously planned investments. These changes could have a material adverse effect on us. Governmental agencies or other authorities may also significantly delay or deny the issuance of permits and authorizations required for our operations, preventing us from making constructions and improvements in our campuses. In addition, the improper disposal of solid waste, as well as accidents resulting from the transportation of such wastes, may give rise to administrative, civil and criminal sanctions. Considering the provision on strict and joint environmental civil liability, the hiring of third parties to provide services for the collection, transportation and final disposal of waste does not exempt us from liability for any environmental damage caused by such third parties.

We may be adversely affected if the government changes its investment strategy in education.

According to Brazilian Federal Law No. 9,394/1996, as amended, providing education is a duty of the government and of the family, and private education is permitted, in accordance with the terms set forth by the Brazilian constitution and applicable laws and regulations. Certain public institutions may have certain competitive advantages over us in the admissions process, as they do not charge tuition fees and may be perceived to be more prestigious than private institutions, but the limited number of positions available and the competitive nature of the admission process to public institutions significantly restricts access to these institutions by students. However, the Brazilian government may change its policy and increase the competition we face by (i) increasing the level of public investment in basic education and post-secondary education in general, opening a higher amount of positions and increasing the quality of education offered by public entities; and (ii) shifting resources from institutions that are centers of excellence and research to public post-secondary education institutions. The introduction and extension of affirmative action admission policies by federal and state institutions based on income, race or ethnicity criteria could also heighten the level of competition in the industry. Any policy change affecting the level of public investment in any aspect of the education sector may adversely affect us. As of the date of this annual report, our management is not aware of any pending policy changes or proposed legislation affecting the level of public investment in the education sector in Brazil.

Government agencies, MEC and third parties may conduct inspections, file administrative proceedings or initiate litigation against us.

Because we operate in a highly regulated industry, government agencies, MEC or third parties may conduct inspections, file administrative proceedings or initiate litigation for non-compliance with regulations against us or the institutions we purchase. If the results of these proceedings or litigations are unfavorable to us, or if we are unable to successfully defend our cases, we may be required to pay monetary damages or be subject to fines, limitations, injunctions or other penalties. Even if we adequately address issues raised by an inspection conducted by an agency or successfully defend our case in an administrative proceeding or court action, we may have to set aside significant financial and management resources to settle issues raised by these proceedings or to those lawsuits or claims. Administrative proceedings or court actions brought against us may damage our reputation, even if such lawsuits or claims are without merit.

Failure to prevent or detect a malicious cyber-attack on our systems and databases could result in a misappropriation of confidential information or access to highly sensitive information.

Cyber-attacks are becoming more sophisticated and pervasive. Across our business, we hold large volumes of personally identifiable information, including that of employees, institutions, customers, students and parents and legal guardians. Individuals may try to gain unauthorized access to our data in order to misappropriate such information for potentially fraudulent purposes, and our security measures may fail to prevent such unauthorized access. A breach of our systems could result in a devastating impact on our reputation, financial condition or student experience. In addition, if we were unable to prove that our systems are properly designed to detect an intrusion, we could be subject to severe penalties and loss of existing or future business.

Pursuant to the Brazilian Data Protection Law (*Lei Geral de Proteção de Dados*, or LGPD), security breaches that may result in significant risk or damage to personal data must be reported to the ANPD, the data protection regulatory body, within a reasonable time period. The notice to the ANPD must include: (a) a description of the nature of the personal data affected by the breach; (b) the affected data subjects; (c) the technical and security measures adopted; (d) the risks related to the breach; (e) the reasons for any delays in reporting the breach, if applicable; and (f) the measures adopted to revert or mitigate the effects of the damage caused by the breach.

[Table of Contents](#)

Failure to comply with the LGPD may result in formal warnings, public sanctions, the deletion of data, or the suspension of data processing activities. Furthermore, a company may be subject to a fine equal to up to 2% of its gross sales, or the gross sales of its economic group in Brazil, in the preceding fiscal year, excluding taxes, but limited to a total of R\$50 million per infraction. LGPD sanctions are expected to go into effect in August 2021.

Our success depends on our ability to monitor and adapt to technological changes in the education sector and maintain a technological infrastructure that works adequately and without interruption.

Information technology is an essential factor for our growth. Our information technology systems and tools may become obsolete or insufficient, or we may have difficulties in following and adapting to technological changes in the education sector, particularly in the distance learning segment where the technological needs and expectations of our customers and market standards change rapidly and we must quickly adapt to new distance learning technology, practices and standards. Moreover, our competitors may introduce better products or service platforms. Our success depends on our ability to efficiently improve our current products while developing and introducing new products that are accepted in the marketplace. Additionally, a failure to upgrade our technology, features, content, security infrastructure, network infrastructure, or other infrastructure associated with our platform could harm our business. Adverse consequences could include unanticipated disruptions, slower response times, bugs, degradation in levels of customer support, impaired quality of users' experiences of our educational platform and delays in reporting accurate financial information.

Our business, particularly our distance learning segment, depends on our information technology infrastructure functioning properly and without interruptions. Several problems regarding our information technology structure, such as viruses, hackers, system interruptions and technical difficulties regarding our satellite transmissions of data, sound and image, may have a material adverse effect on us and our business.

In addition, we face risks associated with unauthorized access to our systems, including by hackers and due to failures of our electronic security measures. These unauthorized entries into our systems can result in the theft of proprietary or sensitive information, including student information, or cause interruptions in the operation of our systems. As a result, we may be forced to incur considerable expenses to protect our systems from electronic security breaches and to mitigate our exposure to technological problems and interruptions.

The Internet Act (Law No. 12,965/2014) applies only to personal data collected through the internet, and establishes other principles and rules with respect to the privacy and protection of the personal and behavioral data of internet users. The Internet Act guarantees, among others, the privacy of internet and privately stored communications. Any data processing activity is subject to the data subject's informed, free and express consent.

Decree No. 8,771/2016, which regulates the Internet Act, requires internet app providers to maintain certain security measures in connection with the storage of personal data, including: (i) strict controls on access to personal data; (ii) authentication safeguards; (iii) detailed data inventories (e.g., date, time and duration of access to the data, identity of the employee that accessed the data and the actions taken), and (iv) use of IT solutions to ensure the data is protected (for example, data encryption or other equivalent protective measures). If we fail to comply with the provisions of the Internet Act, we may be subject to sanctions and penalties, including damages, which will be assessed based on the nature and degree of our non-compliance, among other factors.

On August 15, 2018, the LGPD was published. Following ratification by Brazil's President of Converted Law No. 34/2020 relating to Provisional Measure No. 959/2020, the General Personal Data Protection Law became effective as of September 18, 2020, although the penalties established under the General Personal Data Protection Law became effective as of August 1, 2021, in accordance with Law No. 14,010/2020.

The LGPD regulates the use of personal data in Brazil. The LGPD significantly transformed the data protection system in Brazil and is in line with recent European legislation (the General Data Protection Regulation, or GDPR). The LGPD establishes detailed rules for the collection, use, processing and storage of personal data. It will affect all economic sectors, including the relationship between customers and suppliers of goods and services, employees and employers and other relationships in which personal data is collected, both in the digital and physical environment.

If we fail to comply with the LGPD, we and our subsidiaries may also be subject to the following sanctions, on an individual or cumulative basis: (1) warnings; (2) an obligation to disclose the infraction; (3) an obligation to temporarily block and/or delete personal data; and (4) a fine of up to 2% of our revenue or the revenue of our

[Table of Contents](#)

economic group in the most recent fiscal year, excluding taxes, not to exceed R\$50.0 million per infraction. In addition, we may be held liable for any individual or collective property and moral damages caused by us and be held jointly and severally liable for any individual or collective property and moral damages caused by our subsidiaries and service suppliers to the extent such damages resulted from non-compliance with the LGPD.

Failure to comply with data privacy regulations could result in reputational damage to our brands and adversely affect our business, financial condition and results of operations.

Any perceived or actual unauthorized disclosure of personally identifiable information, whether through breach of our network by an unauthorized party, employee theft, misuse or error or otherwise, could harm our reputation, impair our ability to attract and retain our customers, or subject us to claims or litigation arising from damages suffered by individuals. Failure to adequately protect personally identifiable information could potentially lead to penalties, significant remediation costs, reputational damage, the cancellation of existing contracts and difficulty in competing for future business. In addition, we could incur significant costs in complying with relevant laws and regulations regarding the unauthorized disclosure of personal information, which may be affected by any changes to data privacy legislation at both the federal and state levels.

Companies subject to the LGPD (including our Brazilian operations) are required to comply with the obligations of the LGPD. Failure to comply with the LGPD may result in formal warnings, public sanctions, the deletion of sensitive data, or the suspension of data processing activities. Furthermore, a company may be subject to a fine equal to up to 2% of its gross sales, or the gross sales of its economic group in Brazil, in the preceding fiscal year, excluding taxes, but limited to a total of R\$50 million per infraction.

In the past, we and our independent registered public accounting firm identified material weaknesses in our internal control over financial reporting and, if we fail to maintain effective internal controls over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.

Disclosure controls and procedures over financial reporting are designed to provide reasonable assurance that information required to be disclosed by the Company is accumulated and communicated to management, and recorded, processed, summarized and reported in accordance with applicable rules.

These disclosure controls and procedures have inherent limitations which include the possibility that judgments in decision-making can be faulty and that breakdowns occur because of errors or mistakes. Additionally, controls can be circumvented by any unauthorized management override of controls. Consequently, our businesses are exposed to risk from potential noncompliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions, civil claims and serious reputational or financial harm. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective. Accordingly, because of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.

In the past, we have identified material weaknesses in our internal control over financial reporting, and we cannot assure that significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as the laws, regulations and policies standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to maintain an effective internal control environment, we could suffer material misstatements in our financial statements, fail to meet our reporting obligations or fail to prevent fraud, which would likely cause investors to lose confidence in our reported financial information, the trading price of our shares and ADSs could decline, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities. Failure to remedy any future material weakness in our internal controls over financial reporting, or to implement or maintain other effective control systems required of public companies in the United States, could also restrict our future access to capital markets and reduce or eliminate the trading market for our shares and ADSs.

For details of the controls and remediation plan mentioned above, see the section of this annual report entitled "Item 15. Controls and Procedures - B. Management's Annual Report on Internal Control Over Financial Reporting."

[Table of Contents](#)

We may be adversely affected by the ongoing armed conflict between Russia and Ukraine.

As a result of the current geopolitical tensions and conflict between Russia and Ukraine, and the recent recognition by Russia of the independence of the self-proclaimed republics of Donetsk and Luhansk in the Donbas region of Ukraine, the governments of the United States, the European Union, Japan and other jurisdictions have recently announced the imposition of sanctions on certain industry sectors and parties in Russia, Belarus and the regions of Donetsk and Luhansk, as well as enhanced export controls on certain products and industries. These and any additional sanctions and export controls, as well as any counter responses by the governments of Russia or other jurisdictions, could adversely affect, directly or indirectly, the global supply chain, with negative implications on the availability of raw materials, energy prices, and our customers, as well as the local and global financial markets and financial services industry and the global economy in general, which has also been impacted by the ongoing COVID-19 pandemic.

Certain Risks Relating to Brazil

The Brazilian federal government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement as well as Brazil's political and economic conditions could harm us and the price of our Class A common shares.

The Brazilian federal government frequently exercises significant influence over the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases or decreases in interest rates, changes in fiscal policies, wage and price controls, foreign exchange rate controls, blocking access to bank accounts, currency devaluations, capital controls and import and export restrictions. We have no control over and cannot predict what measures or policies the Brazilian government may take in the future. We and the market price of our securities may be harmed by changes in Brazilian government policies, as well as general economic factors, including, without limitation:

- growth or downturn of the Brazilian economy;
- interest rates and monetary policies;
- exchange rates and currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets, in particular in the current context of the COVID-19 pandemic;
- import and export controls;
- exchange controls and restrictions on remittances abroad and payments of dividends;
- modifications to laws and regulations according to political, social and economic interests;
- fiscal policy and changes in tax laws;
- economic, political and social instability, including general strikes and mass demonstrations;
- the regulatory framework governing the educational industry;
- labor and social security regulations;
- energy and water shortages and rationing;
- commodity prices;
- changes in demographics, in particular declining birth rates, which will result in a decrease in the number of enrolled students in education in the future; and

36

[Table of Contents](#)

- other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian federal government will implement reforms or changes in policy or regulation affecting these or other factors in the future may affect economic performance and contribute to economic uncertainty in Brazil, which may have an adverse effect on our activities and consequently our operating results, and may also adversely affect the trading price of our Class A common shares. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and our Class A common shares. See "Item 5. Operating and Financial Review and Prospects—Significant Factors Affecting Our Results of Operations—Brazilian Macroeconomic Environment."

Economic uncertainty and political instability in Brazil may harm our business and the price of our Class A common shares.

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected and continue to affect the confidence of investors and the general public, which have historically resulted in economic deceleration and heightened volatility in the securities offered by companies with significant operations in Brazil.

The recent economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. In addition, various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigation, known as "*Operação Lava Jato*," have negatively impacted the Brazilian economy and political environment. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether the ongoing investigations will result in further political and economic instability, or if new allegations against government officials and/or executives of private companies will arise in the future.

In addition, political demonstrations in Brazil over the last few years have affected the development of the Brazilian economy and investors' perceptions of Brazil. For example, street protests, which started in mid-2013 and continued through 2016, demonstrated the public's dissatisfaction with the worsening Brazilian economic condition (including an increase in inflation and fuel prices as well as rising unemployment), and the perception of widespread corruption. Moreover, on October 28, 2018, Jair Bolsonaro won the Brazilian presidential election and took office on January 1, 2019. It is unclear if and for how long the political divisions that arose before the election will continue under President Jair Bolsonaro's presidency and the effects that such divisions will have on his ability to govern Brazil and implement reforms. The continuation of any such political divisions may result in a congressional impasse, political unrest, protests or strikes that materially adversely affect us. In addition, uncertainties relating to the implementation by the new Brazilian government of changes to monetary, fiscal and social security policy and related legislation may contribute to economic instability. These uncertainties and new measures may increase the volatility of the Brazilian capital markets.

Furthermore, a failure by the Brazilian government to implement necessary reforms may result in diminished confidence in the Brazilian government's budgetary condition and fiscal stance, which could result in downgrades of Brazil's sovereign foreign credit rating by credit rating agencies, negatively impact Brazil's economy, and lead to further depreciation of the *real* and an increase in inflation and interest rates, which could adversely affect our business, financial condition and results of operations.

Also, the ongoing COVID-19 pandemic is expected to continue causing a material and adverse effect on the general economic, financial, political, demographic and business conditions in Brazil, which may reduce the disposable income of our students and their families, and consequently (1) adversely affect the ability of our students (current and/or prospective) to pay our tuition fees and/or (2) increase our attrition rates.

Any of the above factors may harm the Brazilian economy and, consequently, our business and the price of our Class A common shares.

37

[Table of Contents](#)

Inflation and certain measures by the Brazilian government to curb inflation have historically harmed the Brazilian economy and Brazilian capital markets, and high levels of inflation in the future would harm our business and the price of our Class A common shares.

In the past, Brazil has experienced extremely high rates of inflation. Inflation and some of the measures taken by the Brazilian government in an attempt to curb inflation have had significant negative effects on the Brazilian economy generally. Inflation, policies adopted to curb inflationary pressures and uncertainties regarding possible future governmental intervention have contributed to economic uncertainty and heightened volatility in the Brazilian capital markets.

According to the National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA), which is published by the Brazilian Institute for Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*, or IBGE), Brazilian inflation rates were 4.3%, 3.7% and 2.9% as of December 31, 2019, 2018 and 2017, respectively. Brazil may experience high levels of inflation in the future and inflationary pressures may lead to the Brazilian government intervening in the economy and introducing policies that could harm our business and the trading price of our Class A common shares. In the past, the Brazilian government's interventions included the maintenance of a restrictive monetary policy with high interest rates that restricted credit availability and reduced economic growth, causing volatility in interest rates. For example, the official interest rate in Brazil decreased from 14.25% as of December 31, 2015, to 4.50% as of December 31, 2018, as established by the Monetary Policy Committee (*Comitê de Política Monetária do Banco Central do Brasil*), or COPOM. On February 7, 2018, the COPOM reduced the base interest rate (*Sistema Especial de Liquidação e Custódia*) or the SELIC rate, to 6.75% and further reduced the SELIC rate to 6.50% on March 21, 2018. The COPOM reconfirmed the SELIC rate of 6.50% on May 16, 2018, and subsequently on June 20, 2018. As of December 31, 2018, the SELIC rate was 6.50%. The COPOM reconfirmed the SELIC rate of 6.50% on February 6, 2019, but reduced the SELIC rate to 6.00% on August 1, 2019 and further reduced the rate to 4.50% on December 12, 2019. On February 5, 2020, the COPOM reduced the SELIC rate to 4.25% and further reduced the rate to 3.75% on March 18, 2020, to 3.00% on June 5, 2020, to 2.25% on June 17, 2020, to 2.00% on August 5, 2020. On March 17, 2021, the COPOM raised the SELIC rate to 2.75% and further raised the SELIC rate to 3.50% on May 5, 2021, to 4.25% on June 16, 2021, to 5.25% on August 4, 2021, to 6.25% on September 22, 2021, to 7.75% on October 27, 2021, to 9.25% on December 8, 2021, to 10.75% on February 2, 2022 and to 11.75% on March 16, 2022. As of the date of this annual report, the SELIC rate is 11.75%. Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may continue to trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant

interest rate increases, which could negatively affect us and increase our indebtedness.

Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our Class A common shares.

The Brazilian currency has been historically volatile and has been devalued frequently over the past three decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Although long-term depreciation of the real is generally linked to the rate of inflation in Brazil, depreciation of the real occurring over shorter periods of time has resulted in significant variations in the exchange rate between the real, the U.S. dollar and other currencies.

The real/U.S. dollar exchange rate reported by the Central Bank was R\$4.031 per US\$1.00 on December 31, 2019, which reflected a 4.0% depreciation in the real against the U.S. dollar during 2019. The real/U.S. dollar exchange rate reported by the Central Bank was R\$5.196 per US\$1.00 on December 31, 2020, which reflected a 22.4% depreciation in the real against the U.S. dollar during 2020. The real/U.S. dollar exchange rate reported by the Central Bank was R\$5.580 per US\$1.00 on December 31, 2021, which reflected a 7.3% depreciation in the real against the U.S. dollar during 2020. As of April 28, 2022, the exchange rate for the sale of U.S. dollars as reported by the Central Bank was R\$5.011 per US\$1.00, which reflected an appreciation of 10.2% in the real against the U.S. dollar since December 31, 2021. There can be no assurance that the real will not again depreciate against the U.S. dollar or other currencies in the future.

A devaluation of the *real* relative to the U.S. dollar could create inflationary pressures in Brazil and cause the Brazilian government to, among other measures, increase interest rates. Any depreciation of the *real* may generally restrict access to the international capital markets. It would also reduce the U.S. dollar value of our results of

38

[Table of Contents](#)

operations. Restrictive macroeconomic policies could reduce the stability of the Brazilian economy and harm our results of operations and profitability. In addition, domestic and international reactions to restrictive economic policies could have a negative impact on the Brazilian economy. These policies and any reactions to them may harm us by curtailing access to foreign financial markets and prompting further government intervention. A devaluation of the *real* relative to the U.S. dollar may also, as in the context of the current economic slowdown, decrease consumer spending, increase deflationary pressures and reduce economic growth.

On the other hand, an appreciation of the real relative to the U.S. dollar and other foreign currencies may deteriorate the Brazilian foreign exchange current accounts. Depending on the circumstances, either devaluation or appreciation of the *real* relative to the U.S. dollar and other foreign currencies could restrict the growth of the Brazilian economy, as well as our business, results of operations and profitability.

Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years, with growth of 3.0% in 2013 but decreasing to 0.5% in 2014, a contraction of 3.5% in 2015, a contraction of 3.3% in 2016, a growth of 1.0% in 2017, a growth of 1.1% in 2018 and 1.1% in 2019, a contraction of 4.1% in 2020, and a growth of 4.6% in 2021. Growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, general strikes, the lack of a qualified labor force, and the lack of private and public investments in these areas, which limit productivity and efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth and ultimately have a material adverse effect on us.

Developments and the perceptions of risks in other countries, including other emerging markets, the United States and Europe, may harm the Brazilian economy and the price of our Class A common shares.

The market for securities offered by companies with significant operations in Brazil is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging markets, as well as the United States, Europe and other countries. To the extent the conditions of the global markets or economy deteriorate, including as a result of the COVID-19 outbreak, the business of companies with significant operations in Brazil may be harmed. The weakness in the global economy has been marked by, among other adverse factors, lower levels of consumer and corporate confidence, decreased business investment and consumer spending, increased unemployment, reduced income and asset values in many areas, reduction of China's growth rate, currency volatility and limited availability of credit and access to capital. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to companies with significant operations in Brazil and resulted in considerable outflows of funds from Brazil, decreasing the amount of foreign investments in Brazil.

Crises and political instability in other emerging market countries, the United States, Europe or other countries could decrease investor demand for securities offered by companies with significant operations in Brazil, such as our Class A common shares. In June 2016, the United Kingdom had a referendum in which the majority voted to leave the European Union (so-called "Brexit").

The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations. The United Kingdom formally withdrew from the European Union on January 31, 2020. On December 24, 2020, the United Kingdom and the European Commission reached an agreement on the terms of its future cooperation with the European Union. On December 31, 2020, the European Union (Future Relationship) Act was enacted in the United Kingdom. Significant political and economic uncertainty remains about whether the terms of the relationship between the United Kingdom and the European Union will differ materially in practice from the terms before withdrawal. We have no control over and cannot predict the effect of the United Kingdom's exit from the European Union nor over whether and to which effect any other member state will decide to exit the European Union in the future. These developments, as well as potential crises and forms of political instability arising therefrom or any other as of yet unforeseen development, may harm our business and the price of our Class A common shares.

39

[Table of Contents](#)

In addition, public health crises, pandemics and epidemics, could have a material adverse effect on global, national and local economies, as well as on our business, our subsidiaries and our students by disrupting our activities and delaying transactional activities (including acquisitions). For instance, the outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in the financial markets. The potential impact of a pandemic, epidemic or outbreak of a contagious disease on our subsidiaries and our students is difficult to predict, and could have a material adverse effect on our results of operations and financial condition, as well as heighten the volatility of the price of our Class A common shares. See "—Certain Risks Relating to Our Business and Industry—Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, have adversely affected and may continue to adversely affect our business."

Any further downgrading of Brazil's credit rating could reduce the trading price of our Class A common shares.

We and the trading price of our Class A common shares may be harmed by investors' perceptions of risks related to Brazil's sovereign debt credit rating. Rating agencies regularly evaluate Brazil and its sovereign credit ratings, which are based on a number of factors, including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the perspective of changes in any of these factors.

The rating agencies began to review Brazil's sovereign credit rating in September 2015. Subsequently, the three major rating agencies downgraded Brazil's investment-grade status:

- In 2015, Standard & Poor's initially downgraded Brazil's credit rating from BBB-negative to BB-positive and subsequently downgraded it again from BB-positive to BB, maintaining its negative outlook, citing a worse credit situation since the first downgrade. On January 11, 2018, Standard & Poor's further downgraded Brazil's credit rating from BB to BB-stable. The BB-stable rating was reaffirmed on November 30, 2021.
- In December 2015, Moody's reviewed and downgraded Brazil's issue and bond ratings from Baa3 to below investment grade, Ba2 with a negative outlook, citing the prospect of a further deterioration in Brazil's debt indicators, considering the low growth environment and the challenging political scenario. In April 2018, Moody's reaffirmed its Ba2 rating, but altered its outlook from "negative" to "stable," also supported by the projection that the Brazilian government would approve fiscal reforms and that economic growth in Brazil would resume gradually. On April 12, 2022, Moody's maintained Brazil's credit rating at Ba2-stable.
- In 2016, Fitch downgraded Brazil's sovereign credit rating to BB-positive with a negative outlook, citing the rapid expansion of the country's budget deficit and the worse-than-expected recession. In February 2018, Fitch downgraded Brazil's sovereign credit rating again to BB-negative, citing, among other reasons, fiscal deficits, the increasing burden of public debt and an inability to implement reforms that would structurally improve Brazil's public finances. On December 14, 2021, Fitch reaffirmed Brazil's credit rating at BB-negative.

Brazil's sovereign credit rating is currently rated below investment grade by the three main credit rating agencies. Consequently, the prices of securities offered by companies with significant operations in Brazil have been negatively affected. A prolongation or worsening of the current Brazilian recession and continued political uncertainty, among other factors, could lead to further ratings downgrades. Any further downgrade of Brazil's sovereign foreign credit ratings could heighten investors' perception of risk and, as a result, cause the trading price of our Class A common shares to decline.

Certain Risks Relating to Our Class A Common Shares

An active trading market for our Class A common shares may not be sustainable. If an active trading market is not maintained, investors may not be able to resell their shares and our ability to raise capital in the future may be impaired.

Although our Class A common shares are listed and being traded on the Nasdaq Global Select Market, an active trading market for our shares may not be maintained. If an active market for our Class A common shares is not maintained, it may be difficult for you to sell shares without depressing the market price for the shares or at all. An

40

[Table of Contents](#)

inactive trading market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration. In addition to the risks described above, the market price of our Class A common shares may be influenced by many factors, some of which are beyond our control, including:

- announcements by us or our competitors of significant contracts or acquisitions;
- technological innovations by us or competitors;
- the failure of financial analysts to cover our Class A common shares or changes in financial estimates by analysts;
- actual or anticipated variations in our operating results;
- changes in financial estimates by financial analysts, or any failure by us to meet or exceed any of these estimates, or changes in the recommendations of any financial analysts that elect to follow our Class A common shares or the shares of our competitors;
- future sales of our shares; and
- investor perceptions of us and the industries in which we operate.

In addition, the stock market in general has experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected, such as in the context of an economic crisis due to the COVID-19 pandemic. These broad market and industry factors may materially harm the market price of our Class A common shares, regardless of our operating performance. In the past, following periods of volatility in the market price of certain companies' securities, securities class action litigation has been instituted against these companies. This litigation, if instituted against us, could adversely affect our financial condition or results of operations. If a market is not maintained, the liquidity and price of our Class A common shares could be seriously harmed.

The Esteves Family and Bertelsmann, our largest group of shareholders, own 100% of our outstanding Class B common shares, which represents approximately 90.6% of the voting power of our issued share capital, and control all matters requiring shareholder approval. This concentration of ownership and voting power limits your ability to influence corporate matters.

Nicolau Carvalho Esteves, Rosângela de Oliveira Tavares and NRE Capital Ventures Limited, or the Esteves Family, and Bertelsmann control our company and beneficially own 48.9% of our issued share capital through their beneficial ownership of all of our outstanding Class B common shares, and consequently, 90.6% of the combined voting power of our issued share capital. Our Class B common shares are entitled to 10 votes per share and our Class A common shares, which are the common shares trading on NASDAQ, are entitled to one vote per share. Our Class B common shares are convertible into an equivalent number of Class A common shares and generally convert into Class A common shares upon transfer subject to limited exceptions. As a result, the Esteves Family and Bertelsmann control the outcome of all decisions at our shareholders' meetings, and are able to elect a majority of the members of our board of directors. They are also able to direct our actions in areas such as business strategy, financing, distributions, acquisitions and dispositions of assets or businesses. For example, the Esteves Family and Bertelsmann may cause us to make acquisitions that increase the amount of our indebtedness or outstanding Class A common shares, sell revenue-generating assets or inhibit change of control transactions that benefit other shareholders. The decisions of the Esteves Family and Bertelsmann on these matters may be contrary to your expectations or preferences, and they may take actions that could be contrary to your interests. They are able to prevent any other shareholders, including you, from blocking these actions. For further information regarding shareholdings in our company, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders." In addition, for so long as they beneficially own more than two-thirds of our issued share capital, the Esteves Family and Bertelsmann also have the ability to unilaterally amend our Articles of Association, which may be amended only by special resolution of shareholders (requiring a two-thirds majority, of those attending the relevant shareholder meeting, vote).

41

[Table of Contents](#)

So long as the Esteves Family and Bertelsmann continue to beneficially own a sufficient number of Class B common shares, even if they beneficially own significantly less than 50% of our outstanding share capital, acting together, they will be able to effectively control our decisions. For example, if our Class B common shares amounted to 15% of our outstanding common shares, beneficial owners of our Class B common shares (consisting of the Esteves Family and Bertelsmann), would collectively control 63.8% of the voting power of our outstanding common shares. If the Esteves Family and Bertelsmann sell or transfer any of their Class B common shares, they will generally convert automatically into Class A common shares, subject to limited exceptions, such as transfers to affiliates, to trustees for the holder or its affiliates and certain transfers to U.S. tax exempt organizations. The fact that any Class B common shares convert into Class A common shares if the Esteves Family or Bertelsmann sell or transfer them means that the Esteves Family and Bertelsmann will in many situations continue to control a majority of the combined voting power of our outstanding share capital, due to the voting rights of any Class B common shares that they retain. However, if our Class B common shares at any time represent less than 10% of the total number of shares in the capital of the Company outstanding, the Class B common shares then outstanding will automatically convert into Class A common shares. For a description of our dual class equity structure, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Share Capital."

Class A common shares eligible for future sale may cause the market price of our Class A common shares to drop significantly.

The market price of our Class A common shares may decline as a result of sales of a large number of our Class A common shares in the market (including Class A common shares issuable upon conversion of Class B common shares) or the perception that these sales may occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of December 31, 2021, we have outstanding 46,265,141 Class A common shares and 45,802,763 Class B common shares that, except as set forth below, are freely tradable without restriction or further registration under the Securities Act by persons other than our affiliates within the meaning of Rule 144 of the Securities Act.

Our shareholders or entities controlled by them or their permitted transferees will be able to sell their shares in the public market from time to time without registering them, subject to certain limitations on the timing, amount and method of those sales imposed by regulations promulgated by the SEC.

If any of our shareholders, the affiliated entities controlled by them or their respective permitted transferees were to sell a large number of their shares, including common shares issuable upon conversion of the Series A perpetual convertible preferred shares, the market price of our Class A common shares may decline significantly. In addition, the perception in the public markets that sales by them might occur may also adversely affect the market price of our Class A common shares.

Our Articles of Association contain anti-takeover provisions that may discourage a third party from acquiring us and adversely affect the rights of holders of our Class A common shares.

Our Articles of Association contain certain provisions that could limit the ability of others to acquire our control, including a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. These provisions could have the effect of depriving our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain our control in a tender offer or similar transactions.

If securities or industry analysts publish inaccurate or unfavorable research, about our business, the price of our Class A common shares and our trading volume could decline.

The trading market for our Class A common shares will depend in part on the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. In the event one or more of the analysts who covers us downgrades us or releases negative publicity about our Class A common shares, our share price would likely decline.

Further, as we are not required to publish quarterly financial information, if we cease to publish that information, any analysts covering us may not have enough information to compare us to our peers on a regular

42

[Table of Contents](#)

basis and may choose to cease coverage. If one or more of these analysts ceases to cover us or fails to regularly publish reports on us, interest in our Class A common shares may decrease, which may cause our share price or trading volume to decline.

It is unlikely that we will declare any dividends on our common shares in the foreseeable future and therefore, you must rely on price appreciation of our common shares for a return on your investment.

We do not anticipate paying any dividends in the foreseeable future. Instead, we intend to retain earnings, if any, to fund the operation of our business and future growth. Any decision to declare and pay dividends in the future will be made at the discretion of our general meeting of shareholders, acting pursuant to a proposal by our board of directors, or by our board, and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions (including under our outstanding Series A perpetual convertible preferred shares) and other factors that our general meeting of shareholders or board of directors may deem relevant. Accordingly, investors will most likely have to rely on sales of their common shares, which may increase or decrease in value, as the only way to realize cash from their investment. As a result, capital appreciation in the price of our Class A common shares, if any, will be your only source of gain on an investment in our Class A common shares. There is no guarantee that the price of our common shares will ever exceed the price that you pay.

Our Series A perpetual convertible preferred shares have rights, preferences and privileges that are not held by, and are preferential to, the rights of our common shares, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our Series A perpetual convertible preferred shares differing from those of our common shareholders.

The Series A perpetual convertible preferred shares ranks senior to our common shares with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation,

dissolution or winding up of our affairs. The holders of Series A perpetual convertible preferred shares have the right to receive a liquidation preference entitling them to be paid out of our assets available for distribution to stockholders before any payment may be made to holders of any other class or series of our share capital, an amount equal to the greater of (a) the sum of the original liquidation preference plus all accrued but unpaid dividends or (b) the amount that such holder would have been entitled to receive upon our liquidation, dissolution and winding up if all outstanding shares of such series of Series A perpetual convertible preferred shares had been converted into common shares immediately prior to such liquidation, dissolution or winding up. In addition, the holders of the Series A perpetual convertible preferred shares are entitled to a cumulative dividend at the rate of 6.5% per annum. The holders of the Series A perpetual convertible preferred shares are also entitled to participate in dividends declared or paid on our common shares on an as-converted basis. The holders of our Series A perpetual convertible preferred shares also have the right, subject to certain exceptions, to require us to repurchase all or any portion of the Series A perpetual convertible preferred shares upon certain change of control events at the repurchase price set forth in the applicable certificate of designations.

These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for general corporate purposes. Our obligations to the holders of the Series A perpetual convertible preferred shares could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. These preferential rights could also result in divergent interests between the holders of shares of Series A perpetual convertible preferred shares and holders of our common shares.

The issuance of Series A perpetual convertible preferred shares reduces the relative voting power of holders of our common stock, and the conversion and sale of those shares would dilute the ownership of holders of common shares and may adversely affect the market price of our common shares.

As of December 31, 2021, 150,000 Series A perpetual convertible preferred shares were outstanding, representing approximately 8.4% of our outstanding common shares, including the Series A perpetual convertible preferred shares on an as-converted basis. Holders of Series A perpetual convertible preferred shares are entitled to a cumulative dividend at the rate of 6.5% per annum. Because holders of our Series A perpetual convertible preferred shares are entitled to vote on certain matters described in "—SoftBank and any other holders of our Series A perpetual convertible preferred shares may exercise influence over us," the issuance of the Series A perpetual convertible preferred shares, and the subsequent issuance of additional Series A perpetual convertible preferred shares, effectively reduce the relative voting power of the holders of our common shares.

43

[Table of Contents](#)

In addition, the conversion of the Series A perpetual convertible preferred shares into common shares would dilute the ownership interest of existing holders of our common shares. Furthermore, any sales in the public market of the common shares issuable upon conversion of the Series A perpetual convertible preferred shares would increase the number of shares of our common shares available for public trading, and could adversely affect prevailing market prices of our common shares. Sales of a substantial number of shares of our common shares in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common shares.

SoftBank and any other holders of our Series A perpetual convertible preferred shares may exercise influence over us.

As of December 31, 2021, outstanding Series A perpetual convertible preferred shares represented approximately 8.4% of our outstanding common shares, including the Series A perpetual convertible preferred shares on an as-converted basis. The terms of the Series A perpetual convertible preferred shares require the approval of a majority of our Series A perpetual convertible preferred shares by a separate class vote for us to take the following decisions, among others described in the respective certificate of designations:

- amend our organizational documents in a manner that would have an adverse effect on the Series A perpetual convertible preferred shares; or
- issue securities that are senior to, or equal in priority with, the Series A perpetual convertible preferred shares.

Circumstances may occur in which the interests of SoftBank and its affiliates could diverge from, or even conflict with, the interests of our other shareholders. For example, the existence of SoftBank as a significant shareholder may have the effect of delaying or preventing changes in control or management or limiting the ability of our other shareholders to approve transactions that they may deem to be in our best interests. SoftBank and its affiliates may seek to cause us to take courses of action that, in their judgment, could enhance its investment in us but which might involve risks to our other shareholders or adversely affect us or our other shareholders.

Our dual class equity structure means our shares will not be included in certain indices. We cannot predict the impact this may have on our share price.

In 2017, FTSE Russell, S&P Dow Jones and MSCI announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices to exclude companies with multiple classes of shares of common stock from being added to such indices. FTSE Russell announced plans to require new constituents of its indices to have at least five percent of their voting rights in the hands of public stockholders, whereas S&P Dow Jones announced that companies with multiple share classes, such as ours, will not be eligible for inclusion in the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. MSCI also opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from its ACWI Investable Market Index and U.S. Investable Market 2500 Index; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria.

We cannot assure you that other stock indices will not take a similar approach to FTSE Russell, S&P Dow Jones and MSCI in the future. Under the announced policies, our dual class equity structure would make us ineligible for inclusion in any of these indices and, as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices will not invest in our stock. It continues to be somewhat unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from the indices, but in certain situations they may depress these valuations compared to those of other similar companies that are included. Exclusion from indices could make our Class A common shares less attractive to investors and, as a result, the market price of our Class A common shares could be adversely affected.

The dual class equity structure of our common stock has the effect of concentrating voting control with the Esteves Family and Bertelsmann; this will limit or preclude your ability to influence corporate matters.

Each Class A common share entitles its holder to one vote per share, and each Class B common share will entitle its holder to 10 votes per share, so long as the total number of the issued and outstanding Class B common

44

[Table of Contents](#)

shares is at least 10% of the total number of shares outstanding. Due to the 10-to-one voting ratio between our Class B and Class A common shares, the beneficial owners of our Class B common shares (composed of the Esteves Family and Bertelsmann) collectively will continue to control a majority of the combined voting power of our common shares and therefore be able to control all matters submitted to our shareholders so long as the total number of the issued and outstanding Class B common shares is at least 10% of the total number of shares outstanding.

In addition, our Articles of Association provide that at any time when there are Class A common shares in issue, additional Class B common shares may only be issued pursuant to (1) a share split, subdivision of shares or similar transaction or where a dividend or other distribution is paid by the issue of shares or rights to acquire shares or following capitalization of profits, (2) a merger, consolidation, or other business combination involving the issuance of Class B common shares as full or partial consideration, or (3) an issuance of Class A common shares, whereby holders of the Class B common shares are entitled to purchase a number of Class B common shares that would allow them to maintain their proportional ownership interests in Afya (following an offer by us to each holder of Class B common shares to issue to such holder, upon the same economic terms and at the same price, such number of Class B common shares as would ensure such holder may maintain a proportional ownership interest in Afya pursuant to our Articles of Association).

Future transfers by holders of Class B common shares will generally result in those shares converting to Class A common shares, subject to limited exceptions, such as certain transfers effected to permitted transferees or for estate planning or charitable purposes. The conversion of Class B common shares to Class A common shares will have the effect, over time, of increasing the relative voting power of those holders of Class B common shares who retain their shares in the long term.

In light of the above provisions relating to the issuance of additional Class B common shares, the fact that future transfers by holders of Class B common shares will generally result in those shares converting to Class A common shares, subject to limited exceptions as provided in the Articles of Association; as well as the 10-to-one voting ratio of our Class B common shares and Class A common shares, holders of our Class B common shares will in many situations continue to maintain control of all matters requiring shareholder approval. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future. For a description of our dual class equity structure, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Share Capital—Voting Rights."

We are a Cayman Islands exempted company with limited liability. The rights of our shareholders, including with respect to fiduciary duties and corporate opportunities, may be different from the rights of shareholders governed by the laws of U.S. jurisdictions.

We are a Cayman Islands exempted company with limited liability. Our corporate affairs are governed by our Articles of Association and by the laws of the Cayman Islands. The rights of shareholders and the responsibilities of members of our board of directors may be different from the rights of shareholders and responsibilities of directors in companies governed by the laws of U.S. jurisdictions. In particular, as a matter of Cayman Islands law, directors of a Cayman Islands company owe fiduciary duties to the company and separately a duty of care, diligence and skill to the company.

Under Cayman Islands law, directors and officers owe the following fiduciary duties: (i) duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole; (ii) duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose; (iii) directors should not improperly fetter the exercise of future discretion; (iv) duty to exercise powers fairly as between different sections of shareholders; (v) duty to exercise independent judgment; and (vi) duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests. Our Articles of Association have varied this last obligation by providing that a director must disclose the nature and extent of his or her interest in any contract or arrangement, and following such disclosure and subject to any separate requirement under applicable law or the listing rules of the Nasdaq, and unless disqualified by the chairman of the relevant meeting, such

director may vote in respect of any transaction or arrangement in which he or she is interested and may be counted in the quorum at the meeting. Conversely, under Delaware corporate law, a director has a fiduciary duty to the corporation and its stockholders (made up of two components) and the director's duties prohibit self-dealing by a director and mandate that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the

[Table of Contents](#)

shareholders generally. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Share Capital—Principal Differences between Cayman Islands and U.S. Corporate Law."

We may need to raise additional capital in the future by issuing securities, use our Class A common shares as acquisition consideration or enter into corporate transactions with an effect similar to a merger, which may dilute your interest in our share capital and affect the trading price of our Class A common shares.

We may need to raise additional funds to grow our business and implement our growth strategy going forward through public or private issuances of common shares or securities convertible into, or exchangeable for, our common shares, which may dilute your interest in our share capital or result in a decrease in the market price of our common shares. In addition, we may also use our Class A common shares as acquisition consideration or enter into mergers or other similar transactions in the future, which may dilute your interest in our share capital or result in a decrease in the market price of our Class A common shares. Any fundraising through the issuance of shares or securities convertible into or exchangeable for shares, the use of our Class A common shares as acquisition consideration, or the participation in corporate transactions with an effect similar to a merger, may dilute your interest in our capital stock or result in a decrease in the market price of our Class A common shares.

As a foreign private issuer, we have different disclosure and other requirements than U.S. domestic registrants and non-emerging growth companies.

As a foreign private issuer, we are subject to different disclosure and other requirements than domestic U.S. registrants. For example, as a foreign private issuer, in the United States, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports on Form 10-Q or to file current reports on Form 8-K upon the occurrence of specified significant events, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules applicable to domestic U.S. registrants under Section 16 of the Exchange Act. In addition, we rely on exemptions from certain U.S. rules which permit us to follow Cayman Islands legal requirements rather than certain of the requirements that are applicable to U.S. domestic registrants.

We follow Cayman Islands laws and regulations that are applicable to Cayman Islands companies. However, Cayman Islands laws and regulations applicable to Cayman Islands companies do not contain any provisions comparable to the U.S. proxy rules, the U.S. rules relating to the filing of reports on Form 10-Q or 8-K or the U.S. rules relating to liability for insiders who profit from trades made in a short period of time, as referred to above.

Furthermore, foreign private issuers are required to file their annual report on Form 20-F within 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information, although we will be subject to Cayman Islands laws and regulations having substantially the same effect as Regulation Fair Disclosure. As a result of the above, even though we are required to file reports on Form 6-K disclosing the limited information which we have made or are required to make public pursuant to Cayman Islands law, or are required to distribute to shareholders generally, and that is material to us, you may not receive information of the same type or amount that is required to be disclosed to shareholders of a U.S. company.

As a foreign private issuer, we rely on permitted exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer's directors consist of independent directors. This may afford less protection to holders of our Class A common shares.

Section 5605 of the Nasdaq equity rules requires listed companies to have, among other things, a majority of their board members be independent, and to have independent director oversight of executive compensation, nomination of directors and corporate governance matters. As a foreign private issuer, however, we are permitted to, and we will, follow home country practice in lieu of the above requirements. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Share Capital—Principal Differences between Cayman Islands and U.S. Corporate Law."

[Table of Contents](#)

We may lose our foreign private issuer status, which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

In order to maintain our current status as a foreign private issuer, either (a) more than 50% of our Class A common shares must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors may not be U.S. citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. If we lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the costs we will incur as a foreign private issuer.

Our shareholders may face difficulties in protecting their interests because we are a Cayman Islands exempted company.

Our corporate affairs are governed by our Articles of Association, by the Companies Act (as revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. Therefore, you may have more difficulty protecting your interests than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less formal nature of Cayman Islands law in this area.

While Cayman Islands law allows a dissenting shareholder to express the shareholder's view that a court-sanctioned reorganization of a Cayman Islands company would not provide fair value for the shareholder's shares, Cayman Islands statutory law does not specifically provide for shareholder appraisal rights in connection with a merger or consolidation of a company. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the acquirer gives you additional consideration if you believe the consideration offered is insufficient. However, Cayman Islands statutory law provides a mechanism for a dissenting shareholder in a merger or consolidation to apply to the Grand Court of the Cayman Islands for a determination of the fair value of the dissenter's shares if it is not possible for the company and the dissenter to agree on a fair price within the time limits prescribed.

Shareholders of Cayman Islands exempted companies (such as us) have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have discretion under our Articles of Association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

United States civil liabilities and certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. In addition, the majority of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons is located outside of the United States. As a result, it may be difficult to effect service of process within the United States upon these persons. It may also be difficult to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors who are not resident in the United States and the substantial majority of whose assets are located outside of the United States.

Further, it is unclear if original actions predicated on civil liabilities based solely upon U.S. federal securities laws are enforceable in courts outside the United States, including in the Cayman Islands and Brazil. Courts of the Cayman Islands may not, in an original action in the Cayman Islands, recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the securities laws of the United States or any state of the United States on the grounds that such provisions are penal in nature. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, courts of the Cayman Islands will recognize and enforce

[Table of Contents](#)

a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, provided it is not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands' judgment in respect of the same matters, and was not obtained in a manner which is contrary to the public policy of the Cayman Islands. In addition, a Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

Judgments of Brazilian courts to enforce our obligations with respect to our Class A common shares may be payable only in reais.

Most of our assets are located in Brazil. If proceedings are brought in the courts of Brazil seeking to enforce our obligations in respect of our Class A common shares, we may not be required to discharge our obligations in a currency other than the *real*. Under Brazilian exchange control laws, an obligation in Brazil to pay amounts denominated in a currency other than the *real* may only be satisfied in Brazilian currency at the exchange rate, as determined by the Central Bank, in effect on the date the judgment is obtained, and such amounts are then adjusted to reflect exchange rate variations through the effective payment date. The then-prevailing exchange rate may not afford non-Brazilian investors with full compensation for any claim arising out of or related to our obligations under the Class A common shares.

Management Professionalization

Our highly skilled and experienced management team has extensive experience in the education industry and were hired from some of the best health, education and technology institutions in Brazil. Our management team is part of a company-wide strategy to attract and retain the best talent. Our CEO, Virgílio Deloy Capobianco Gibbon, has over 13 years of experience in education. Our CFO, Luis André Blanco, has over 12 years of experience as CFO, and Lélío de Souza Junior, our Vice President of Innovation & Digital Services, has more than 22 years of experience in tech companies.

Integration of Processes & Services

In order to create synergies, we have developed several initiatives to improve operational efficiency and to integrate processes across all our campuses and operations. Our high standard Shared Services Center and Integrated Systems (ERP + Academic System + Learning Management System) went live in October 2017. These initiatives will help us grow our student base and keep our marginal costs low.

In 2017, we began to roll out the integration of the educational curriculum throughout all medical school units. This rollout begins with the new entrants curriculum and will be fully completed as the course matures its students. Accordingly, we have been streamlining the teaching methodology and quality across our undergraduate medical courses. Since the second half of 2019, all undergraduate medical students have access to our fully integrated Educational Curriculum.

50

[Table of Contents](#)

Continuing Innovation

We take a blended approach to our methodology, integrating in-person teaching with online tools and features. By integrating face-to-face and online features through data collection and analysis, we are able to individualize the student experience at all times. Through seven key initiatives, we create a 100% student-centric ecosystem. These initiatives include: Medical content mapping, proprietary methodological assembly, significant learning experiences, comprehensive adaptive learning, daily learning process evaluation, and practical learning and knowledge.

Organic Growth and Entry into Adjacent Markets

In 2018, the MEC awarded new licenses to Afya Brazil, allowing it, subject to the verification by the MEC of the satisfactory implementation by Afya Brazil of all regulatory requirements, to operate seven new medical schools through the "Mais Médicos" program, with an aggregate amount of 350 new medical school seats per year. As of April 4, 2022, two of these campuses are already operating, as described below. We expect four more to start its operations in the second semester of 2022.

On May 9, 2019, we consummated the acquisition of IPEMED, marking our entry into the medical graduate and specialization segment. IPEMED is a leading medical graduate school founded over 13 years ago, with over 2,300 students across eleven different campuses.

On October 2, 2020, we announced that the Secretary of Regulation and Supervision of Higher Education of the MEC granted authorization to Afya to operate the undergraduate medicine course in Santa Inês in the State of Maranhão, under *Mais Médicos II* program. This medical school is the first authorized in connection with the "Mais Médicos" program for Afya and will contribute 50 seats to our operating seats base. Santa Inês is one of the seven undergraduate campuses Afya was awarded in 2018 in connection with the "Mais Médicos" program, the largest number awarded to any education group.

On December 30, 2020, the Secretary of Regulation and Supervision of Higher Education of the MEC granted the authorization to Afya to operate the undergraduate medicine course in Cruzeiro do Sul in the State of Acre, under *Mais Médicos II* program. This medical school is the second authorized school in connection with the "Mais Médicos" program for Afya and will contribute 50 seats to our operating seats base. Cruzeiro do Sul is one of the seven undergraduate campuses Afya was awarded in 2018 in connection with the "Mais Médicos" program, the largest number awarded to any education group.

On February 23, 2022, we announced that the Secretary of Regulation and Supervision of Higher Education of the Ministry of Education ("MEC") authorized the operations of the medical schools in Abaetetuba, in the State of Pará, and Itacoatiara, in the State of Amazonas, both under *Mais Médicos II* program. With the authorizations, Afya reaches its third and fourth authorized schools to start operating under the *Mais Médicos II* program. Each medical school will contribute with 50 seats.

On March 16, 2022, the Secretary of Regulation and Supervision of Higher Education of MEC authorized the operation of medical schools in Bragança, in the State of Pará, and Manacapuru, in the State of Amazonas, both under the *Mais Médicos II* program (our fifth and sixth authorized schools under the *Mais Médicos II* program, respectively). Each medical school will contribute with 50 seats.

On March 18, 2022, the Secretary of Regulation and Supervision of Higher Education of MEC authorized 28 seats additional at Centro Universitário São Lucas in Ji-Paraná State of Rondônia. With this authorization, we reach 2,759 approved seats, which will represent around 19,865 students at maturity, considering FIES and PROUNI.

The acquisitions of PEBMED, MedPhone, iClinic, Medicinae, Medical Harbour, Cliqefarma, Shosp, RX PRO and Alem da Medicina, marked our evolution in the digital health services sector, complementing our end-to-end offering to healthcare professionals. For more information on PEBMED, MedPhone, iClinic, Medicinae, Medical Harbour, Cliqefarma, Shosp, RX PRO, Alem da Medicina and Cardiopapers, see "—B. Business Overview."

BR Health Investment in Afya Brazil

In 2016, BR Health (which merged into Afya Brazil on March 29, 2019) acquired a 30% interest in the share capital of Afya Brazil from certain members of the Esteves family (which has since increased to 41.5% following

51

[Table of Contents](#)

share capital increases and the subscription of new shares by BR Health). The acquisition was secured by the following guarantees by certain members of the Esteves family members (and/or companies controlled by them at the time) in favor of BR Health with respect to certain indemnification obligations of certain members of the Esteves family members: (i) a fiduciary assignment of 70% of certain educational services credit rights of IESVAP up to August 2022, (ii) a pledge of shares pursuant to which Nicolau Carvalho Esteves pledged 308,998 common shares owned by him in Afya Brazil, and Rosângela de Oliveira Tavares Esteves pledged 92,859 common shares owned by her in Afya Brazil, valid up to April 2024 and which can be partially released on certain dates subject to certain conditions being met, and (iii) mortgages (*hipotecas*) over land located in Araguaína and Porto Nacional in the State of Tocantins. Certain of the guarantees were amended in 2018 to cover certain Esteves family indemnification obligations in connection with the IPTAN and IESVAP transactions.

On March 28, 2019, prior to the merger of BR Health into Afya Brazil, BR Health assigned the guarantees described above to Crescera, and Crescera and certain members of the Esteves family renegotiated the guarantees, which are composed of: (i) a pledge of shares pursuant to which Rosângela de Oliveira Tavares Esteves pledged 2,497,275 shares owned by her in Univaço Patrimonial Ltda., (ii) mortgages (*hipotecas*) over land located in Araguaína and Porto Nacional in the State of Tocantins, and (iii) a fiduciary assignment of land located in Pamaíba, in the State of Piauí, and in Palmas, in the State of Tocantins.

Our Pre-IPO Corporate Reorganization

Prior to the consummation of our initial public offering, certain members of the Esteves Family, Crescera, other members of the Esteves family and the other shareholders of Afya Brazil, or the Afya Brazil Minority Shareholder Group, contributed all of their shares in Afya Brazil to us. In return for this contribution, we issued 58,485,140 new Class B common shares to Nicolau Carvalho Esteves, Rosângela de Oliveira Tavares Esteves and Crescera and 17,370,248 new Class A common shares to the other members of the Esteves family and the Afya Brazil Minority Shareholder Group, in each case in a one-to-28 exchange for the shares of Afya Brazil contributed to us.

On March 29, 2019, BR Health (a wholly-owned subsidiary of Crescera that controlled Guardaya), and Guardaya (which owns 100% of Medcel Editora and CBB Web) merged into Afya Brazil, resulting in the transfer to Afya Brazil of 100% of Medcel Editora and CBB Web and 15% of União Educacional do Planalto Central S.A., or UEPC, a medical school located in the Federal District.

Additionally, on June 18, 2019, Afya Brazil acquired an additional 15% interest in UEPC through a contribution by Crescera of its additional 15% interest in UEPC into Afya Brazil's share capital. The purchase price was R\$24.5 million. This contribution was conducted as part of our corporate reorganization and pursuant to the terms and conditions of (i) a purchase agreement between BR Health and UEPC's controlling shareholders, which was assigned by BR Health to Crescera on March 25, 2019, and which required Crescera to acquire the 15% interest in UEPC directly from UEPC's controlling shareholders, and (ii) an investment agreement dated March 29, 2019, among Crescera, certain members of the Esteves family, certain minority shareholders and Afya Brazil, pursuant to which Crescera agreed to subsequently contribute its additional 15% interest in UEPC into Afya Brazil's share capital in exchange for a certain number of shares in Afya Brazil, to be calculated at the time of the contribution in accordance with the calculation formula set forth in the investment agreement.

Roll-up transactions

On June 14, 2019, we concluded the roll-up of the minority shareholders of FASA to Afya Brazil. On June 16, 2019, we concluded the roll-up of the minority shareholders of IESP to Afya Brazil. On June 17, 2019, we concluded the roll-up of the minority shareholders of UNIVAÇO to Afya Brazil. See "Item 4. Information of the Company—C. Organizational Structure—" for our current corporate structure.

Pre-IPO and Post-IPO Acquisitions

Please see "—Business Overview—Our Recent Acquisitions"

Initial Public Offering and Recent Equity Follow-on Offering

In July 2019, we completed our initial public offering, in which we sold an aggregate of 15,805,841 of our Class A common shares at a public offering price of US\$19.00 per common share. We received approximately US\$242.7 million of net proceeds from our initial public offering (i.e., after deducting underwriting discounts,

[Table of Contents](#)

commissions and offering expenses). Our shares began trading on the Nasdaq Global Select Market on July 19, 2019, under the symbol "AFYA."

In February 2020, we completed an equity follow-on offering, in which we sold an aggregate of 3,260,480 of our Class A common shares at a public offering price of US\$27.50 per common share. We received approximately US\$86.6 million of net proceeds from our follow-on offering (i.e., after deducting underwriting discounts, commissions and offering expenses).

SoftBank Investment

On April 26, 2021, we announced that the SoftBank Latin America Fund, or SoftBank, agreed to purchase R\$822 million, equivalent to US\$150 million, of Afya's Series A perpetual convertible preferred shares, subject to customary closing conditions. In addition, Crescera Educacional II Fundo de Investimento em Participações Multiestratégia and the Esteves Family agreed to sell 2,270,208 Class A common shares to SoftBank. In connection with such sale, at the time, Paulo Passoni from SoftBank was appointed as a board member of Afya, being replaced by Maria Tereza Azevedo in 2022.

The key terms of the Series A perpetual convertible preferred shares, as set forth under the relevant certificate of designations, are: (i) 6.5% per annum cumulative dividend payable quarterly and in Brazilian reais (payable in U.S. dollars in Brazilian reais equivalent); (ii) SoftBank shall have the right at any time, to convert its Series A perpetual convertible preferred shares into 5,917,888 common shares, at an initial conversion price established at US\$25.35; (iii) SoftBank shall have the right to redeem any time after the 5th year anniversary at 105% premium; and (iv) Afya will have the right to force conversion after the 3rd year anniversary if forced conversion trigger conditions are satisfied. For further information, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness—Financing—Series A Perpetual Convertible Shares" and note 13.2.1(f) to our audited consolidated financial statements included elsewhere in this annual report.

SoftBank and its affiliates will beneficially own approximately 8.4% of the total shares of the Company (on an as-converted basis for the Series A perpetual convertible preferred shares).

Crescera Transfer of Shares

On June 7, 2021, we announced that an affiliate of Bertelsmann SE& Co. KGaA, or "Bertelsmann" acquired 23,074,134 Class B Afya's common shares held by Crescera Educacional II Fundo de Investimento em Participações Multiestratégia, or "Crescera Educacional".

Since Afya's inception, Bertelsmann has indirectly held a stake in Afya through its investment in Crescera Educacional. In addition, Bertelsmann has had Daulins Emilio, the Managing Director at Bertelsmann Brazil Investments (BBI) and Head of the Bertelsmann Corporate Center in Brazil, as a member of Afya's board of directors since 2019.

Under Afya's amended and restated memorandum and articles of association and shareholders agreement between the Esteves family and Crescera Educacional, Bertelsmann has the right to acquire Crescera Educacional's Class B common shares and become party to the shareholders' agreement. In connection with such transaction, Bertelsmann has appointed Kay Krafft and Shobhna Mohn as members of Afya's board of directors, together with Daulins Rêni Emilio, who was already a member of Afya's board of directors.

Bertelsmann to Increase Stake in Afya

On April 25, 2022, we announced that we were notified that an affiliate of Bertelsmann SE& Co. KGaA, or "Bertelsmann" has agreed to buy 6,000,000 Class B common shares of Afya at the purchase price of US\$26.90 per share, pursuant to a binding offer made by Nicolau Carvalho Esteves, Rosângela de Oliveira Tavares Esteves and

[Table of Contents](#)

NRE Capital Ventures Ltd (together with Nicolau Carvalho Esteves and Rosângela de Oliveira Tavares Esteves, the "Esteves Family"), as previously disclosed to the market on March 7, 2022.

Following the transaction, Bertelsmann and the Esteves Family will beneficially own 57.5% and 33.1% voting interest, and 31.0% and 17.8% of the total shares respectively, in Afya.

B. Business Overview

We are the leading medical education group in Brazil based on number of medical school seats, as published by MEC as of December 31, 2020, delivering an end-to-end physician-centric ecosystem that serves and empowers students to be lifelong medical learners from the moment they join us as medical students through their medical residency preparation, graduation program, medical post-graduate specialization programs and continuing medical education activities, or CME, including through digital health services.

Our innovative methodological approach combines integrated content, interactive learning, and an adaptive experience for lifelong medical learners. Through our educational content and technology-enabled activities, we focus on effective, personalized learning that mirrors one-on-one tutoring.

We have the largest medical education footprint in Brazil. Our undergraduate and graduate campuses are spread across 13 Brazilian states, and our digital medical platform is available across Brazil. As of December 31, 2021, our network of 46 undergraduate and graduate medical school campuses consisted of 30 undergrad operating units (units that have been approved by MEC and that have commenced operations) and five approved units (units that have been approved by MEC but that have not yet commenced operations), compared to 25 and 20 operating units as of December 31, 2020 and as of December 31, 2019, respectively. As of December 31, 2021, our network of 2,731 medical school seats consisted of 2,481 operating seats (seats that have been approved by MEC and that have commenced operations) and 278 approved seats (seats that have been approved by MEC but that have not yet commenced operations), compared to 1,893 and 1,222 operating seats as of December 31, 2020 and as of December 31, 2019, respectively. We plan to expand our network by opening, subject to the verification by the MEC of the satisfactory implementation by Afya Brazil of all regulatory requirements, the seven approved medical school campuses we were awarded in connection with the "Mais Médicos" program (the Brazilian federal government initiative to reduce shortages of doctors in the most underserved and vulnerable regions of Brazil) by December 31, 2021, taking our total to 35 operating medical school campuses in 13 Brazilian states and approximately 2,481 available medical school seats per year.

Following our acquisition of Medcel in the first quarter of 2019 and IPEMED in the second quarter of 2019, we also offer residency preparatory courses and medical postgraduate specialization programs, delivering printed and digital content, an online medical education platform and practical medical training.

[Table of Contents](#)

The acquisition of PEBMED, Medphone, iClinic, Medicinae, Medical Harbour, Cliquefarma, Shosp and RX PRO marked our evolution in the digital health services sector, complementing our end-to-end offering to healthcare professionals.

Through PEBMED, we acquired three different products: (i) Whitebook, a mobile and web application that assists doctors and medical professionals in clinical daily decision-making; (ii) Nursebook, a mobile application that assists nurses in clinical decision-making; (iii) Portal PEBMED, a website that offers free content, including opinions, papers and updates in connection with medical news and scientific publications. PEBMED has more than 194,000 monthly active users on the Whitebook and Nursebook platforms and approximately 4 million monthly active users to Portal PEBMED. The acquisition expanded our products and services offerings and offers significant cross-sell and upsell opportunities.

iClinic is a SaaS model physician focused technology company and one of the leading medical practice management software in Brazil. They seek to empower doctors to be more independent and have more control over their careers by digitalizing their daily routine, so they can increase their productivity and deliver better healthcare services. Their portfolio includes: (i) Electronic Medical Record: the first electronic medical record as a SaaS model in Brazil focused on the physician experience; (ii) Clinical Management System: with this software doctors can schedule patients online, organize their financial records, use marketing tools to promote their clinics and others; (iii) Telemedicine: a platform to provide online consultations fully integrated with doctor's schedule and records; and (iv) Physicians Marketplace: a website that connects doctors and patients to schedule consultations.

As of December 31, 2021, the software had almost 18,000 users. The platform is currently used for almost 2.5 million medical consultations per month, of which around 8,500 were through telemedicine and prescribed more than 341,600 electronic medical prescriptions.

Medicinae is a healthcare technology company specializing in healthcare payments and financial services. It offers a financial platform that allows healthcare professionals to manage receivables in an efficient and scalable way using FIDC (receivables investment fund). We believe Medicinae relieves a number of challenges in the healthcare payments industry, by reducing long payment cycles for professionals and consolidating financial information, improving the consumer financial experience.

Medical Harbour offers educational health and medical imaging solutions through an interactive platform for anatomical study, 3D virtual dissection and analysis of medical images, which allow the exploration, and knowledge of human anatomy with digital resources: (i) educational health solutions: Athena Hub specialized in anatomy was created to support dynamic teaching and allow physicians, teachers and students to interact and manipulate a real human body on a digital platform. Considering the high prices, restriction policies and difficulty on maintaining a human body for anatomy classes, Athena Hub allows students to interact with a digital human body instead of the aged and degenerate bodies for educational purposes. The solution count with virtual body, anatomy modules, and real exam analysis with photorealistic rendering. And (ii) medical imaging solutions: Athena DICOM and MH Cloud specialized in medical imaging with a range of products that simplifies radiology and teleradiology. Allow physicians to visualize, manipulate, share and store medical imaging with the certification of ANVISA (Brazilian Health Agency).

Cliquefama is a healthtech company operating a free-to-use website that tracks prescription drugs, cosmetics and personal hygiene product prices in Brazil. Users of Cliquefama can search for medications or healthcare products and compare prices from over 15,000 pharmacies in Brazil. The traffic generated is monetized through a cost-per-click model, where drugstores pay for each click on their ads, and a cost-per-acquisition model, where drugstores pay for each concluded sale. In 2021, Cliquefama generated traffic of 16.8 million visitors.

Shosp is a clinical management software that offers all functionalities needed for clinics all over Brazil to manage their financials, patients' appointments, medical records, marketing, and others. The acquisition of Shosp reinforces the digital prescription digital pillar and creates synergies with iClinic and Medicinae solutions.

RX PRO is a Digital Platform that connects physicians with the pharmaceutical industry, providing specialized and personalized marketing for those companies, in a more convenient way for physicians. RX PRO has already delivered free samples to more than 50,000 physicians with an innovative digital experience, with an NPS of 86 and as of today has more than 12 pharmaceutical companies using its platform. RX PRO is monetized by providing a B2B subscription service to the pharmaceutical industry.

[Table of Contents](#)

Além da Medicina is an online medical content platform for physicians and medical students that provides educational tools and technical medical content to assist them throughout their careers. Its robust content includes mentoring for residency, soft skills, finance, accounting, and investment basics for physicians. Além da Medicina had more than 4,000 subscribers as of December 31, 2021, with a general NPS of 77 and almost 100,000 followers on Instagram.

Cardiopapers is the main medical content and education platform in the Cardiology field, offering courses and books developed by physicians and for physicians, covering all phases of the medical career, aligned with Afya's overall business strategy. CardioPapers had 7,000 students in 2021 and almost 215,000 followers on Instagram. The company expects R\$18.8 million of gross revenue for 2022.

In addition to health sciences courses, which comprise medicine, dentistry, nursing, radiology, psychology, pharmacy, physical education, physiotherapy, nutrition and biomedicine, we also offer degree programs and courses in other subjects and disciplines across several of our campuses, including undergraduate and postgraduate courses in business administration, accounting, law, civil engineering, industrial engineering and pedagogy. These non-health courses are not part of our core business, although the number of non-health sciences courses we offer has increased as a consequence of our strategic acquisitions in 2020, 2019 and 2018 of multi-disciplinary schools with strong health sciences programs, which are our principal focus. Although non-health courses are not part of our growth strategy, we expect to continue to offer them to the extent they generate local demand. Following our acquisition of Medcel in the first quarter of 2019 and IPEMED in the second quarter of 2019, we also offer residency preparatory courses and medical post-graduate specialization programs, delivering printed and digital content, an online medical education platform and practical medical training.

As of December 31, 2021, we had 61,118 enrolled students, compared to 36,206 enrolled students as of December 31, 2020, representing an increase of 68.8% for the period, and compared to 23,969 enrolled students as of December 31, 2019, representing an increase of 51.1% for the period.

Our business model is characterized by high revenue visibility and operating leverage. Approximately 90% of our historical revenue for the years ended December 31, 2021, 2020 and 2019 was composed of the monthly tuition fees we charge students enrolled in our undergraduate and graduate courses.

Our ability to execute our business model and strategy, primarily through our (i) acquisitions (which represented approximately 80.5% of our total growth in terms of net revenue in 2021, 54.0% of our total growth in terms of net revenue in 2020 and 62.0% of our total growth in terms of net revenue in 2019) and (ii) organic growth (which represented approximately 19.5% of our total growth in terms of net revenue in 2021, 46.0% of our total growth in terms of net revenue in 2020 and 39.0% of our total growth in terms of net revenue in 2019), has led to growth, profitability and cash generation:

- Our net revenue totaled R\$1,719.4 million, R\$1,201.2 million and R\$750.6 million in 2021, 2020 and 2019, respectively, representing a compound annual growth rate, or CAGR, of 51.4% since 2019;
- Medical school's tuition fees represented 75.9%, 73.7% and 69.3% of our historical undergraduate programs combined tuition fees in 2021, 2020 and 2019, respectively. The average monthly ticket for medical school tuition fees was R\$8,615 for year ended December 31, 2021, which represents an increase of 6.8% from R\$8,065 for year ended December 31, 2020, which represents an increase of 10.3% from the R\$7,311 average monthly ticket for medical school tuition fees for the year ended December 31, 2019;
- Residency preparatory course, continuing medical education, medical post graduate specialization programs offerings and digital services totaled R\$224.9 million and R\$200.3 million in net revenue for the years ended December 31, 2021 and 2020, respectively;
- We generated net income of R\$242.3 million, R\$308.0 million and R\$172.8 million in 2021, 2020 and 2019, respectively, representing a CAGR of 18.4% since 2019;
- Our Adjusted EBITDA totaled R\$754.8 million, R\$563.1 million and R\$331.2 million in 2021, 2020 and 2019, respectively, representing a CAGR of 50.5% since 2019;

[Table of Contents](#)

- Our Operating Cash Conversion Ratio was 100.8%, 75.7% and 100.5% for the years ended December 31, 2021, 2020 and 2019, respectively.

Quality is a cornerstone of our value proposition. As of December 2021, our average Institutional Concept score, which is measured and published by MEC, and is based on certain institutional planning and development, academic, and management criteria, was 4.4 on a scale of 1 to 5, compared to the Brazilian average of 3.5.

In 2018, we were also awarded seven new undergraduate campuses in connection with the "Mais Médicos" program, the largest number awarded to any education group, with a total of 350 new medical school seats. The operation of certain of these campuses was subject to the verification by MEC of the satisfactory implementation by Afya Brazil of all regulatory requirements. As of the date of this annual report, four of these campuses are already in operation. See "Item 4. Information on the Company—Business Overview—Our Geographic Presence."

Our Recent Acquisitions

The entry point to a medical career begins in undergraduate institutions, so part of our mission is to consolidate this market. Accordingly, expanding our operations through acquisitions has been a key component of our growth strategy. We have been able to apply our operating business model to our acquisitions, allowing us to add quality, value and increase profitability.

In addition, we have equipped ourselves through key initiatives for strategic and relevant acquisitions to our portfolio, including: the creation of a Shared Services Center dedicated to serving our campuses and running our integration processes, the centralization of content creation and the creation of a dedicated sales team for each market we operate in.

Our recent acquisitions include:

IPTAN and IESVAP

On January 11, 2018, certain members of the Esteves family, BR Health and Afya Brazil entered into an investment and purchase agreement providing for (a) an initial Afya Brazil capital increase which was paid: (i) by certain members of the Esteves family with the contribution of the ownership interest held by certain members of the Esteves family in IPTAN and IESVAP in an amount equal to R\$11.6 million; and (ii) by BR Health through a cash contribution in an amount equal to R\$55.0 million, followed by (b) a sale by certain members of the Esteves family to BR Health of shares in Afya Brazil for a purchase price equal to R\$37.5 million. The transaction was consummated on April 26, 2018 and the aggregate purchase price was R\$200.3 million.

IPTAN is a post-secondary education institution located in the city of São João Del Rei, in the State of Minas Gerais. It offers on-campus post-secondary undergraduate and graduate education courses in medicine and other academic subjects and disciplines. IPTAN contributed 49 undergraduate medical seats to Afya.

IESVAP is a post-secondary education institution located in the city of Parnaíba, in the State of Piauí. It offers on-campus post-secondary undergraduate education courses in medicine, dentistry and law. IESVAP contributed 80 undergraduate medical seats to Afya.

CCSI

On May 30, 2018, Afya Brazil acquired control of CCSI, through the acquisition of 60% of CCSI. CCSI is a post-secondary education institution located in the city of Itajubá, in the State of Minas Gerais. CCSI offers on-campus post-secondary undergraduate courses in medicine. This acquisition was strategic to Afya Brazil. The purchase price paid by Afya Brazil amounted to R\$39.0 million, of which (i) R\$9.2 million was paid in cash on the acquisition date, and (ii) R\$29.8 million was paid through several monthly installments, which are adjusted by the IGP-M rate, and the last installment owed was paid in May 2019.

IESP

On November 27, 2018, Afya Brazil acquired control of IESP, through the acquisition of 80.0% of IESP. IESP is a post-secondary education institution located in the city of Teresina, in the State of Piauí. It offers on-campus undergraduate medicine courses and a variety of other on-campus and distance learning post-secondary

[Table of Contents](#)

undergraduate and graduate education programs. This acquisition was strategic to Afya Brazil. The purchase price paid by Afya Brazil amounted to R\$248.9 million, of which (i) R\$129.8 million paid in cash on the acquisition date; (ii) R\$4.0 million was paid in December 2018; (iii) R\$8.9 million was paid in February 2019; and (iv) R\$106.2 million was paid in three equal installments of R\$35.4 million due on November 27, 2019,

November 27, 2020 and November 27, 2021, respectively, adjusted by the CDI rate and customary purchase price adjustment mechanisms.

FADEP

On December 5, 2018, Afya Brazil acquired control of FADEP, through the acquisition of 100% of RD Administração e Participação Ltda., which has an 89% interest in FADEP and Afya Brazil also acquired 11% interest in FADEP from the selling shareholder. FADEP is a post-secondary education institution located in the city of Pato Branco, in the State of Paraná. It offers on-campus post-secondary undergraduate and graduate education courses in medicine and other academic subjects and disciplines. The acquisition of FADEP represented an opportunity for Afya Brazil to achieve greater scale and to expand its operations to the southern region of Brazil.

The purchase price paid by Afya Brazil amounted to R\$133.0 million, of which (i) R\$80.1 million was paid in cash on the acquisition date; and (ii) R\$18.2 million was paid in June 2019 (iii) R\$18.7 million was paid in December 2019 and (iv) R\$19.1 million was paid in June 2020, as adjusted by the SELIC rate.

Medcel

On March 29, 2019, (i) BR Health, a wholly-owned subsidiary of Crescera that controlled Guardaya; and (ii) Guardaya which owns 100% of Medcel Editora and CBB Web, were merged into Afya Brazil, resulting in the transfer to Afya Brazil of 100% of Guardaya, Medcel Editora and CBB Web shares. In connection with this transaction, 15% of UEPC's shares were also acquired by Afya Brazil. Afya Brazil issued 378,696 Class B common shares as a consideration for the interest held by Crescera in BR Health and Guardaya. The fair value of the purchase consideration was R\$259.1 million.

Additionally, on June 18, 2019, Afya Brazil acquired an additional 15% interest in UEPC through a contribution by Crescera of its additional 15% interest in UEPC into Afya Brazil's share capital. UEPC is a medical school and has 120 undergraduate medical seats. UEPC also offers courses in business administration, architecture, accounting, law, physical education, nursing, civil engineering, pharmacy, physical therapy, veterinary medicine, nutrition, dentistry, pedagogy and psychology, among others.

FASA

On February 12, 2019, Afya Brazil entered into a purchase agreement with the shareholders of FASA providing for the acquisition of 90% of FASA by Afya Brazil. FASA is a post-secondary education institution with campuses located in the States of Bahia and Minas Gerais. It offers on-campus postsecondary undergraduate courses in medicine. The FASA transaction was consummated on April 3, 2019. The purchase price was R\$201.6 million, of which (i) R\$102.3 million was paid in cash on the acquisition date; (ii) R\$ 39.7 million was paid in April 2020; (iii) R\$29.8 million was paid in April 2021; and (iv) R\$29.8 million is payable in April 2022, adjusted by the IPCA rate plus 4.1% per year and customary purchase price adjustment mechanisms. On June 14, 2019, we concluded the roll-up of the minority shareholders of FASA to Afya Brazil.

IPEMED

On May 9, 2019, Afya Brazil acquired control of IPEMED, through the acquisition of 100% of its shares. IPEMED is a post-secondary education institution with campuses located in the States of Bahia, Minas Gerais, Rio de Janeiro, São Paulo and in the Federal District (*Distrito Federal*). It focuses on medical graduate programs. The purchase price was R\$97.5 million, of which: (i) R\$ 25.0 million was paid in cash as advance through April 2019; (ii) R\$27.2 million was paid in cash on the acquisition date; and (iii) R\$45.3 million is payable in five annual installments due from February 2020 through February 2024 adjusted by the CDI rate and customary purchase price adjustment mechanisms.

IPEC

On August 13, 2019, Afya Brazil acquired 100% of the share capital of IPEC, which at the time of the acquisition was a non-operational post-secondary education institution with governmental authorization to offer on-

[Table of Contents](#)

campus, post-secondary undergraduate courses in medicine in the State of Pará. The acquisition contributed approximately 120 medical seats to Afya. IPEC became operational in September 2019.

The aggregate purchase price was R\$108 million, of which: (i) R\$54 million was paid in cash on the transaction closing date, and (ii) R\$54 million is payable in two equal installments, adjusted by the CDI rate, and due annually at the end of the first and the second year from the transaction closing date. In August 2020, we paid R\$28.1 million, adjusted by the CDI rate and in August 2021, we paid R\$ 28.8 million, adjusted by the CDI rate.

UniRedentor

On January 31, 2020, we acquired 100% of UniRedentor. UniRedentor is a post-secondary education institution with governmental authorization to offer on-campus, undergraduate courses in medicine in the State of Rio de Janeiro. UniRedentor also offers other health-related undergraduate degrees and graduate programs in medicine and health, as well as other courses.

The aggregate purchase price of R\$214.6 million was adjusted by R\$4.5 million and was comprised by: (i) R\$114.6 million paid in cash on the acquisition date; and (ii) R\$100 million payable in five equal installments from January 2021 to July 2024, adjusted by the CDI rate. The purchase consideration adjustment of R\$4.5 million was deducted from the first installment paid in January 2021.

The acquisition contributed 112 medical school seats to us, with a potential 44 additional medical school seats subject to approval by MEC.

UniSL

On May 5, 2020, we acquired 100% of the total share capital of UniSL. UniSL is a post-secondary education institution with governmental authorization to offer on-campus, undergraduate courses in medicine in the State of Rondônia.

The aggregate purchase consideration of R\$201.5 million was adjusted by R\$7.8 million, of which: (i) 70% paid in cash on the transaction closing date; and (ii) 30% payable in cash in three equal installments through 2023, adjusted by the CDI rate. The purchase consideration adjustment of R\$7.8 million was deducted from the first installment due in May 2021.

The acquisition contributed 182 medical school seats to us. There are 100 additional seats still pending approval that, if approved by MEC, will result in a potential additional payment by us of up to R\$80.0 million, adjusted by the CDI rate.

PEBMED

On July 20, 2020, we acquired 100% of the total share capital of PEBMED. PEBMED offers content and clinical tools for healthcare professionals, including mobile and web apps. The original purchase price of R\$132.9 million was adjusted by R\$0.03 million and was comprised by: (i) R\$115.3 million paid in cash on the acquisition date; and (ii) R\$17.5 million was paid with Afya Brazil's shares which were subsequently contributed to us in exchange for the issuance of 141,976 of our shares. The price multiple is equivalent to four times PEBMED's annual recurring revenue.

This acquisition will contribute to the development and expansion of our online services, increasing our monthly active users and bringing active physicians to our digital platform.

FESAR

On November 3, 2020, we acquired, through Afya Brazil, 100% of the total share capital of FESAR. FESAR is a post-secondary education institution with government authorization to offer on-campus, undergraduate courses in medicine in the State of Pará.

The aggregate purchase price was R\$260.8 million, including the CDI rate adjustment from the signing date and the real state of the operation, estimated at R\$17.3 million, of which 100% was paid in cash on the closing of the

[Table of Contents](#)

operation. The purchase consideration was adjusted by R\$1.5 million and was paid on February 25, 2021. This acquisition contributed 120 medical school seats to us.

MedPhone

On November 4, 2020, Afya Brazil concluded the acquisition of 100% of the total share capital of MedPhone. The net purchase price was R\$6.4 million, and was paid in cash on the acquisition date. MedPhone is a clinical decision and leaflet consultation app in Brazil, that helps physicians, medical students and other healthcare professionals to make faster and more accurate decisions on a daily basis. MedPhone has more than 175,000 registered users and more than 58,000 monthly active users, with an NPS score of 75. The app has more than 9,100 reviews in the AppStore with a score of 4.9 out of 5.

The integration of MedPhone's clinical decision software with PEBMED will create great synergy and allow us to offer both products through the same platform.

FCMPB

On November 9, 2020, we acquired, through Afya Brazil, 100% of the total share capital of FCMPB. FCMPB is a post-secondary education institution with government authorization to offer on-campus,

undergraduate courses in the State of Paraíba.

The total net purchase price of R\$379.9 million was adjusted to R\$378.8 million and comprised (i) R\$189.9 million paid in cash on the transaction closing date, and (ii) R\$188.9 million payable in cash in four equal installments through 2024, adjusted by the CDI rate. The acquisition contributed 157 medical school seats to us.

iClinic

On January 21, 2021, we completed the acquisition of 100% of the total share capital of iClinic, through our wholly-owned subsidiary Afya Brazil. iClinic is a SaaS model physician focused technology company and the leading practice management software in Brazil. This software empowers doctors to be more independent and have more control over the non-medicine aspect of their practices by digitalizing their daily routine, so they can increase their productivity and deliver better healthcare. The aggregate purchase price of R\$191.1 million is comprised of: (i) 62.6% was paid in cash, and (ii) 37.4% was settled with Afya's shares on the transaction closing date.

Medicinae

On March 25, 2021, Afya Brazil acquired 100% of the total share capital of Medicinae, a leading Brazilian healthcare technology company that specializes in healthcare payments and financial services. The aggregate purchase price of R\$9.2 million is comprised of: (i) R\$5.6 million of which 100% was paid in cash on the transaction closing date; and (ii) an earn-out ("contingent consideration") of up to R\$4.4 million is payable in connection with product development goals for 2021 and revenue achievements for 2022. The contingent consideration of R\$3.6 million is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

Medical Harbour

On April 8, 2021, Afya Brazil acquired 100% of the total share capital of Medical Harbour, which offers educational health and medical imaging solutions through an interactive platform for anatomical study, 3D virtual dissection and analysis of medical images, which allow the exploration, and knowledge of human anatomy with digital resources. The aggregate purchase price of R\$11.3 million is comprised of: (i) R\$5.0 million of which 100% was paid in cash on the transaction closing date; and (ii) an earn-out ("contingent consideration") of up to R\$9.0 million is payable in connection with product development goals for 2021 and 2022 and revenue achievements for 2023. The contingent consideration of R\$6.3 million is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

Cliquefarma

On April 16, 2021, Afya Brazil acquired 100% of the total share capital of Cliquefarma, a healthtech company operating a free-to-use website that tracks prescription drugs, cosmetics and personal hygiene product prices in

[Table of Contents](#)

Brazil. The aggregate purchase price of R\$22.1 million is comprised of: (i) R\$16.2 million paid in cash; (ii) R\$3.0 million settled with Afya's shares on the transaction closing date; and (iii) an earn-out ("contingent consideration") of R\$3.0 million is payable in relation to product development. The contingent consideration of R\$2.9 million is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

Shosp

On May 13, 2021, we announced the acquisition of 100% of the total share capital of Shosp, a clinical management software that offers all functionalities needed for clinics all over Brazil to manage their financials, patients appointments, medical records, marketing, and others. Afya's intention is to reinforce the Digital Services operating segment. The aggregate purchase price of R\$7.9 million is comprised of: (i) R\$5.9 million paid in cash; (ii) R\$454 thousand in consideration to be transferred; and (iii) an earn-out ("contingent consideration") of up to R\$1.8 million payable in relation to product development. The contingent consideration of R\$1.6 million is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

UNIFIPMoc

On June 1, 2021, we announced the closing of its acquisition, through Afya Participações S.A., of 100% of the total share capital of UNIFIPMoc. The aggregate purchase price was R\$328.3 million paid in cash at date of acquisition. There are 40 additional seats still pending approval, which, if approved by MEC, will result in a potential additional payment of up to R\$50,000. UNIFIPMoc is a post-secondary education institution with governmental authorization to offer on-campus, undergraduate degree programs in medicine and healthcare, as well as in other courses, in the states of Minas Gerais and Bahia.

Unigranrio

On August 4, 2021, we announced the closing of its acquisition, through Afya Participações S.A., of 100% of the total share capital of Unigranrio. The original aggregate purchase price was R\$626.1 million, which was later adjusted to R\$619.0 million as result of net debt adjustments. The purchase price was paid 60% in cash on the closing date, and the remaining 40% will be paid in four equal annual installments, adjusted by the CDI rate. There are 82 additional seats still pending approval which, if approved by MEC, will result in a potential additional payment of up to R\$90,200. Unigranrio is a post-secondary education institution with government authorization to offer on-campus, undergraduate medical and health-related courses in the state of Rio de Janeiro and Santa Catarina.

RX PRO

On October 1, 2021, we announced the closing of the acquisition of 100% of the total share capital of RX PRO, a solution that connects physicians with the pharmaceutical industry, providing specialized and personalized marketing for those companies, in a more convenient way for physicians. RX PRO does this by delivering free samples to a community of pre-selected physicians and offering medical updates regarding pharmaceutical products and treatments in a fast and efficient way for doctors. RX PRO incorporates the digital prescription pillar and further strengthens Afya's digital ecosystem thesis. The aggregate purchase price paid to sellers was R\$45.6 million, of which R\$30.3 million was paid in cash and R\$5.1 million paid in Afya stock. An earn-out of up to R\$21 million can be paid related to gross revenue achievements for 2022, 2023 and 2024. The contingent consideration of R\$10.2 million is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

Garanhuns

On November 5, 2021, we announced that the Secretary of Regulation and Supervision of the MEC authorized the operation of the medical school in Garanhuns in the State of Pernambuco. This authorization is in connection with a previous requirement made by ITPAC, a subsidiary of Afya Participações (Afya Brazil), to expand their operation and open a branch in the city of Garanhuns, before the consolidation of Afya.

Além da Medicina

[Table of Contents](#)

On March 4, 2022, we announced the closing of the acquisition of 100% of the total share capital of Além da Medicina. Além da Medicina is a medical content online platform for physicians and medical students that provides educational tools besides technical medical content that can assist them throughout their careers. Its robust content includes mentoring for residency, soft skills, finance, accounting, and investment basics for physicians. Além da Medicina had more than 4,000 subscribers in 2021, with a general NPS of 77 and almost 100,000 followers on Instagram. This business combination incorporates new capabilities to the content & technology for the medical education pillar and further strengthens Afya's digital ecosystem. The aggregate purchase price (enterprise value) paid to sellers was R\$16.0 million, which was 100% paid in cash. An earn-out of up to R\$19.2 million can be paid related to gross revenue achievements for 2023 and 2024.

Cardiopapers

On April 4, 2022, we announced the closing of the acquisition of 100% of the total share capital of Cardiopapers. CardioPapers is the main medical content and education platform in the Cardiology field, offering courses and books developed by physicians and for physicians, covering all phases of the medical career, aligned with Afya's overall business strategy. The platform includes more than ten courses, such as a cardiology specialist degree preparatory course, cardiological emergencies course, preoperative course, dyslipidemia course, EKG course and diabetes course, exploring the cardiologic medical field and also expanding to other medical areas. CardioPapers had 7,000 students in 2021 and almost 215,000 followers on Instagram. The company expects R\$18.8 million of gross revenue for 2022. This business combination incorporates new capabilities to the content & technology for the medical education pillar and further strengthens Afya's digital ecosystem. The aggregate purchase price (enterprise value) paid to sellers was R\$35.0 million, of which 100% was paid in cash. An earn-out of up to R\$15 million is payable, of which R\$14 million is related to revenue goals and R\$1 million related to other goals, both of which established with respect to 2023 and 2024.

Our Competitive Strengths

Continuous focus on disrupting traditional medical education

- We have an in-depth understanding of medical education and the related issues faced by students in Brazil. As the largest medical education group in Brazil, we are able to identify trends and adapt our services accordingly;
- We have developed a methodological approach to learning that incorporates individualization and technology in both digital and physical format;

- We currently produce content that is centralized, continuously updated and available to all our institutions and students;
- We have the largest operating infrastructure in medical education in Brazil, with more than 1,000 partner teaching hospitals and clinics and almost 248,000 physicians and specialists in our ecosystem;
- We have developed the first instructional medical web series created globally, and we have completed the first two seasons and have already begun working on the third season;
- We believe we are the first education group in Brazil to offer a fully digital and customized service for medical residency exam preparation;
- We believe we are the first player to offer supplemental medical education content to third-party institutions through a business-to-business model; and
- We started offering content and clinical tools for healthcare professionals, including mobile and web apps.

High-quality standards

Quality is a cornerstone of our value proposition. Our operating infrastructure and innovative methodological approach has achieved high levels of satisfaction across our medical schools. Through our digital platforms, we monitor our students' learning experience using several criteria and variables. According to Educainsights, our Net

Table of Contents

Promoter Score, or NPS, a widely known survey methodology that measures the willingness of customers to recommend a company's products and services, was 42 for medical students that graduated more than five years ago, 34 for medical students that graduated more than two years ago and less than five years ago, and 54 for medical students that graduated less than two years ago. This gradual improvement in our NPS score shows our continuing commitment to high-quality education and the medical careers of our students. Additionally, as of December 31, 2020, our average Institutional Score (*Conceito Institucional*), which is measured and published by MEC, and is based on certain institutional planning and development, academic and management criteria, was 4.3 on a scale of 1 to 5, compared to the Brazilian average of 3.5. See "Item 4. Information on the Company—Business Overview—Regulatory Overview—Regulatory Processes of Post-secondary Education Institutions—Accreditation of Post-secondary Education Institutions and Authorization and Recognition of Programs" for further information on the *Conceito Institucional*.

In addition, through our online medical education platform that offers distance learning residency preparatory courses, we are able to monitor our students' learning experience using several criteria and variables, including the educational materials they access and use, frequently asked questions, their study hours and schedule, and their attendance record. Furthermore, as a result of the quality of the content and methodology and the differentiated services offered by Medcel, third-party medical schools proactively contact it seeking to adopt Medcel's medical education content to improve their medical students' learning experience and academic scores. As of December 31, 2020, six third-party schools had adopted Medcel's medical education content compared to approximately nine as of December 31, 2019.

The nature of our business model

Attractive financial model: We have a strong combination of significantly low customer acquisition costs, calculated as the sum of sales and marketing and personnel expenses divided by student additions, which were approximately R\$2,016, R\$2,488 and R\$1,900 per student as of December 31, 2021, 2020 and 2019, respectively, high occupancy rates of approximately 100% of medical seats in our medical schools as of December 31, 2021, 2020 and December 31, 2019, and strong operating cash conversion of 100.8%, 75.7% and 100.5% as of December 31, 2021, December 31, 2020 and December 31, 2019, respectively. As of December 31, 2021, our Life Time Value (LTV) was R\$353,404, calculated as the sum of R\$58,901 gross income per student divided by 16.7% (to account for one-sixth of the student base graduating every year). As of December 31, 2020, our Life Time Value (LTV) was R\$286,227, calculated as the sum of R\$47,704 gross income per student divided by 16.7% (to account for one-sixth of the student base graduating every year). As of December 31, 2019, our Life Time Value (LTV), calculated as the sum of R\$55,463 gross income per student divided by 16.7% (to account for one-sixth of the student base graduating every year), was R\$332,777.

Contracted growth: We have contracted growth visibility into medical schools that are in the initial six years of operations as a result of the six-year maturation cycle of our medical school seats.

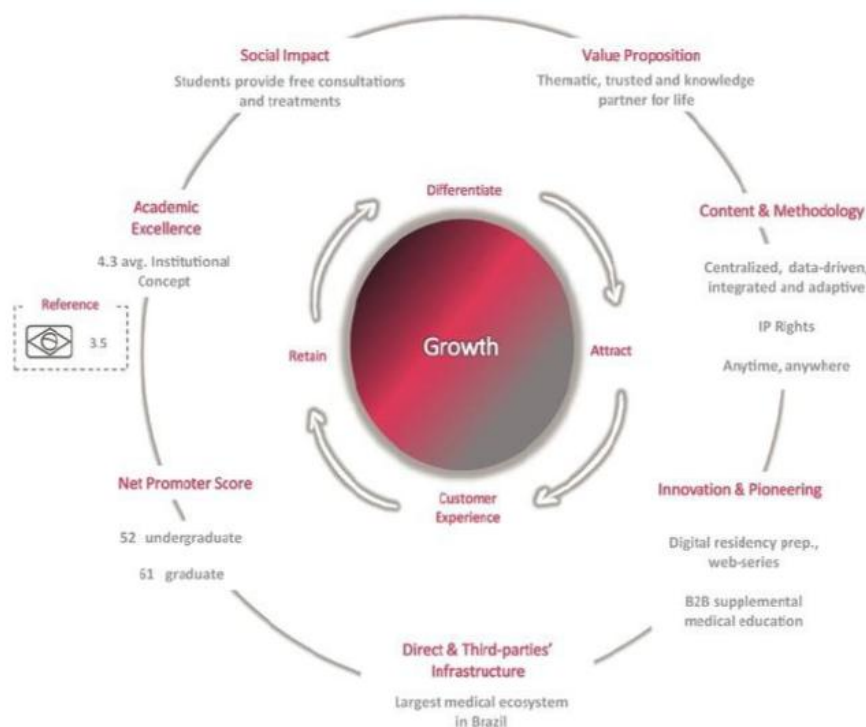
This cycle begins when a medical school becomes operational, with a first year medical school class that progresses through the required six years as the next classes begin behind it, and ends when the medical school has six school years of medical students and has therefore reached capacity at maturation (i.e., the maximum number of approved seats). Since the maximum number of medical seats per medical school is set by regulation, the only way to grow our medical school seats, and thus our numbers of enrollments, is through acquisitions or starting new medical schools. As of December 31, 2021, we had 2,731 approved medical school seats out of an expected total capacity of 19,663 medical school enrollments by 2027, which gives us visibility as to the growth potential of our revenues over the period. See "Item 5. Operating and Financial Review and Prospects—Medical School Regulatory Capacity and Capacity at Maturation."

End-to-end ecosystem: Successfully integrating the businesses we invest in or acquire, allows us to offer an end-to-end physician-centric ecosystem. The point of entry of one business unit is the point of exit from another, which increases cross-selling and upselling opportunities.

Difficult to replicate: We believe the combination of regulatory barriers, demand and supply imbalance and our end-to-end physician-centric ecosystem are difficult to replicate and that it would take a significant amount of time for competitors to reach the scale of our operation.

Table of Contents

Self-reinforcing network effects of our education cycle: As we aim to be the trusted content and knowledge partner for lifelong medical learners in Brazil, we have created and have been nurturing an education cycle that entails differentiation, talented stakeholders and recognition. Our continuous focus on implementing all stages of our cycle has allowed us to continuously expand our footprint.



Extensive M&A track record

We have extensive capabilities in, and a strong track record of, identifying, negotiating and successfully integrating acquisitions. We have developed an integration model, operated by a dedicated team

responsible for analyzing, mapping and integrating the systems of our acquired businesses, that we believe enables us to fully integrate the businesses we acquire in an efficient manner and within 12 months of their acquisition.

Our integration model is composed of four stages:

- Stage 1 (Preliminary Analysis): Preliminary analysis of the available infrastructure, organizational structure and teaching model of the acquired business to identify potential integration issues.
- Stage 2 (Detailed Mapping): Detailed migration diagnosis and mapping of the systems, processes and teaching model of the acquired business to be integrated into our centralized shared-services center and academic model.
- Stage 3 (Integration/Migration): Centralization and migration of the systems and processes into our shared services center and standardization of the teaching model of the acquired business.
- Stage 4 (Ongoing Support): Post migration/integration remote and on-site support and monitoring to stabilize the integrated operations of the acquired business.

In 2021, 2020 and 2019, we successfully acquired or invested in a total of 18 companies, increasing our number of medical schools seats, expanding into new medical education segments and integrating new technologies that allow us to innovate and enhance our value proposition to lifelong medical learners. As of the date of this annual report, we have fully integrated the operations of 16 of our acquisitions and are in the process of integrating the operations of another 10 of our acquisitions with our existing business (Medphone, Shosp, Clieufarma, Medical Harbour, Medicinae, iClinic, Unigranrio, RX PRO, Além da Medicina and Cardiopapers).

64

[Table of Contents](#)

Our limited operating history as a consolidated company and our recent acquisitions entail a number of challenges, such as effectively integrating the operations of any acquired companies with our existing business and managing a growing number of campuses. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—We may not be able to identify and acquire new medical higher education institutions or meet our strategic and financial goals in connection with any business acquisition we seek, and difficulties in effectively integrating and managing a growing number of campuses may adversely affect our strategic objectives" and "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Our limited operating history as a consolidated company, our recent acquisitions and the comparability of our results may make it difficult for investors to evaluate our business, financial condition, results of operations and prospects."

Purpose driven culture

Medical education requires a core human value: compassion. As we endeavor to revolutionize medical education in Brazil, we believe that by training and educating better physicians we are helping people and their communities across Brazil. This mission has united families and entrepreneurs, executives and sponsors with over 20 years of know-how and expertise in the education sector. Our internal satisfaction survey conducted in 2019 showed employee satisfaction levels of 81.5 out of a possible 100, based on several criteria, such as trust in, and a commitment to, our values, leadership satisfaction, work satisfaction, learning and development, and active participation in our activities, reinforcing our strong commitment to our mission and purpose.

Our Growth Strategies

We aim to continue to grow organically and through acquisitions and to generate greater shareholder value by implementing the following strategic initiatives:

Maturation of current number of authorized medical school seats

We benefit from contracted growth visibility in our medical schools that are in the initial six years of operations, which we derive from two main sources: (1) the six-year maturation cycle of our medical school seats, which begins when a medical school becomes operational, with a first year medical school class which progresses through the required six years as the next classes begin behind it, and which ends when the medical school has six school years of medical students and has therefore reached capacity at maturation (i.e., the maximum number of approved seats), and (2) new enrollments from our seven awarded campuses in connection with the "Mais Médicos" program.

Since the maximum number of medical seats per medical school is set by applicable regulations, the only way to grow our medical school seats, and thus our number of enrollments, is through acquisitions or starting new medical schools. Assuming full compliance with applicable regulations and that our seven new "Mais Médicos" campuses mature as expected with 50 medical seats for each campus, we estimate reaching a total medical student base of 19,638 students by 2027. See "Item 5. Operating and Financial Review and Prospects—Medical School Regulatory Capacity and Capacity at Maturation" and "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—The post-secondary education sector is highly regulated, and our failure to comply with existing or future laws and regulations could significantly impact our business."

Open new campuses in connection with the "Mais Médicos" program

In 2018, we were also awarded seven new undergraduate campuses in connection with the "Mais Médicos" program, the largest number awarded to any education group, with a total of 350 new medical school seats. The operation of such campuses is subject to the verification by MEC of the satisfactory implementation by Afya Brazil of all regulatory requirements. As of the date of this annual report, MEC had inspected six of the campuses, and the final verification was published in (i) October 2020 for ITPAC Santa Inês; (ii) December 2020 for ITPAC Cruzeiro do Sul; (iii) February 2022 for ITPAC Abaetetuba (iv) February 2022 for ITPAC Itacoatiara; (v) March 2022 for ITPAC Bragança and (vi) March 2022 for ITPAC Manacapuru.

Expand our medical residency preparation enrollments base

Competition for medical residencies should increase as the number of graduating physicians grows and the number of available residency seats remains static. According to a third-party consulting firm, the number of

65

[Table of Contents](#)

applicants for medical residency programs is expected to grow at a rate of 13.4% per year through 2022. We plan to continue to grow our medical residency exam preparation student enrollments, leveraging the academic outcome, scalability and learning experience of our digital platform.

Expand our graduate programs enrollments base

Due to the shortage of medical residency seats and the growing demand for medical graduate courses, we believe we will be able to expand our current offering in this segment.

We intend to continue developing our business-to-business strategy by increasing the number of partners and student enrollments through increased marketing and sales effort.

Cross-sell across our existing medical student base

Because our solutions target the lifelong education journey of medical students, we have identified an opportunity to increase student enrollments at a low marginal cost driven by cross-selling opportunities, such as increasing the number of former undergraduate students subscribing to our medical residency exam solutions and the number of former undergraduate and/or medical residency students applying to our graduate and CME courses.

Expand our B2B capabilities

B2B contracts are effective customer entry points to our products and services. Students are familiar with our platforms, increasing our brand equity and helping us attract more physicians to enroll in preparatory courses, graduate programs and CME products.

Expand our distribution channels

We plan to continuously expand our distribution network by increasing our presence in direct and third-party channels, launching graduate courses or CME for third-party continuing medical education hubs (including, but not limited to, hospitals, clinics and other medical schools) to grow our graduate medical footprint, through partnerships with such third-party continuing medical education hubs.

Leverage infrastructure and extract synergies from acquisitions

We believe we have been able to successfully integrate our acquisitions into our ecosystem. We plan to implement several measures to improve the profitability of recent acquisitions, including but not limited to:

- Streamlining fee discounts and scholarship policies;
- Integrating operations with our shared-services center;
- Streamlining faculty training in line with our career plan; and

- Integrating teaching models into our academic model.

Continue to selectively pursue M&A opportunities

We plan to selectively pursue acquisitions that will complement our current medical education services offering and/or enhance our product portfolio, such as digital content platforms, continuing medical education institutions and other medical certification companies, among others. We are currently evaluating possible acquisition opportunities and submit non-binding proposals from time to time. We believe that we have developed a strong capability and track record of acquisitions. In 2021 to date, we acquired or invested in eleven companies. The acquisitions will increase our total number of approved medical school seats to 2,759 from 2,143 as of December 31, 2020. In 2020, we acquired or invested in six companies and agreed to acquire two companies, which increased our medical school seats by more than 36% over the year. In 2019, we acquired or invested in six companies, which increased our medical school seats by more than 33% over the year. In 2018, we acquired or invested in five companies, which increased our medical school seats by more than 118.3% over the year. Our acquisition of Medcel enabled us to access the medical residency preparation market, and the acquisition of IPEMED, enabled us to enter the graduate

[Table of Contents](#)

and specialization courses market. Our acquisition strategy is mainly focused on expanding our medical school footprint by adding new institutions to our existing portfolio.

Enter into new markets

We believe our end-to-end physician-centric ecosystem is equipped to serve medical students in complementary segments where our innovative, methodological, data-driven approach can continue to disrupt traditional vendors and legacy business models. We believe opportunities exist in new sectors and regions of Brazil. In the future, we intend to focus on expanding further into continuing medical education. We may also seek to grow our business by selectively expanding into international markets with similar fundamentals.

Develop new products

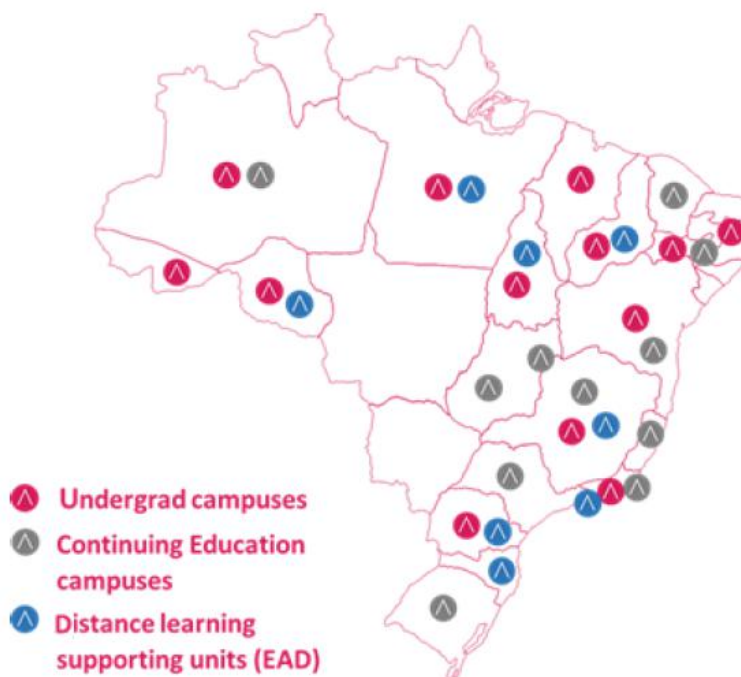
We plan to continuously evolve our platform and offer solutions that keep up with the growing demands of our students. We have a planned pipeline of new products, including new medical web-series seasons, corporate medical training, new extension health programs, a tutoring suite, a peer-to-peer suite and a virtual reality product.

Our Geographic Presence

Our headquarters and most of our shared services operations are located in Nova Lima, in the State of Minas Gerais. Our content creation and dedicated sales team is located in São Paulo, in the State of São Paulo.

As of December 31, 2021, our network consisted of a total of 46 undergraduate and graduate campuses, composed of (i) 35 undergraduate medical school campuses, 30 of which are operating units (units that have been approved by MEC and that have commenced operations) and five of which are approved units (units that have been approved by MEC, but that have not yet commenced operations), (ii) 11 graduate campuses that offer medicine- and health-related courses. We plan to expand our network by opening the five approved undergraduate medical school campuses we were awarded in connection with the "Mais Médicos" program by 2022/2023. As of December 31, 2021, we had 17,171 students enrolled in our online prep-courses spread across Brazil.

The chart and table below illustrate our current footprint of undergraduate and graduate medical schools.



[Table of Contents](#)

Campus	State	Brand	Year of Acquisition	Approved Seats(2)	Semester(1)
Porto Nacional	TO	ITPAC	Before 2018	120	02.04
Pato Branco	PR	FADEP	2018	50	02.17
Pato Branco	PR	FADEP	2018	60	02.18
Itajubá	MG	FMIT	2018	87	01.68
Parnaíba	PI	IIESVAP	2018	80	02.15
Palmas	TO	ITPAC	2018	120	02.17
Teresina	PI	UNINOVAFAPI	2018	110	02.04
Teresina	PI	UNINOVAFAPI	2018	61	02.17
São João Del Rei	MG	UNIPTAN	2018	38	02.15
São João Del Rei	MG	UNIPTAN	2018	11	1.16
Araguaína	TO	UNITPAC	2018	80	02.06
Ipatinga	MG	Univaço	2018	100	01.99
Marabá	PA	FACIMPA	2019	120	02.19
Vitória da Conquista	BA	FASA	2019	100	01.15
Itabuna	BA	FASA	2019	85	02.18
Cametá	PA	ITPAC - Mais Médicos	2019	50	To be started
Cruzeiro do Sul	AC	ITPAC - Mais Médicos	2019	50	2.20

Santa Inês	AM	ITPAC - Mais Médicos	2019	50	2.20
Manacapuru	AM	ITPAC - Mais Médicos	2019	50	2.22
Itacoatiara	MA	ITPAC - Mais Médicos	2019	50	2.22
Abetetuba	PA	ITPAC - Mais Médicos	2019	50	2.22
Bragança	PA	ITPAC - Mais Médicos	2019	50	2.22
Itaperuna	RJ	Uniredentor	2019	112	2.15
João Pessoa	PB	FCMPB	2020	124	2.17
João Pessoa	PB	FCMPB	2020	33	2.18
Redenção	PA	FESAR	2020	120	2.18
Porto Velho	RO	UniSL	2020	52	2.19
Porto Velho	RO	UniSL	2020	130	2.05
Guanambi	BA	FIP GUANAMBI	2021	60	2.18
Garanhuns	PE	ITPAC	2021	120	1.22
Montes Claros	MG	UNIFIPMOC	2021	100	2.07
Duque de Caxias	RJ	UNIGRANRIO	2021	198	2.07
Rio de Janeiro	RJ	UNIGRANRIO	2021	110	2.18
Ji-Paraná	RO	UniSL	2022	28	2.22

(1) Schools with six or more years of operations are considered fully matured.

(2) Number of medical seats presented are estimated.

[Table of Contents](#)

Industry Overview

Introduction to Brazil's education environment

Brazil's education environment has become increasingly open to private capital. At the same time, the government has continued to play an important role through the municipalities, states, and federal government.

Post-secondary education

Higher education in Brazil differs significantly from pre-secondary education. The majority of higher education schools are under private management and account for approximately 88% (both for profit and nonprofit) of all higher education institutions. Higher education institutions are divided into three categories depending on the number of courses they offer, seniority of the teaching staff, and amount of research they conduct: they can be classified as colleges, university centers or universities. Typical post-secondary programs take between four to six years to complete. While some courses in these programs only occur during a certain period of the day (i.e., morning, afternoon, or evening), others are offered as full day courses. Tuition is paid on a monthly basis, primarily out of pocket by students and their families. Government financing is available, but not easily accessible. The main programs are FIES and PROUNI, which together accounted for 40% of total financing in 2014 prior to more regulated policies in recent years.

Introduction to Brazil's medical education industry

In Brazil, aspiring physicians apply to medical school following graduation from secondary education. Medical school in Brazil is a six year undergraduate program. Upon graduation, medical students gain a license and can start working as a generalist physician. At this point, they usually consider alternatives to gain a certification for one or more medical specialties.

The first and most common path to obtaining a medical specialty certification is through a medical residency program. If a candidate chooses the medical residency path, the student must pass an entrance examination, referred to as R1 exam administered by each institution offering a residency program. After getting approved by a residency institution, the student then starts the first year of residency with the support of a government study grant throughout the specialization period. If the physician wants to pursue a sub specialty, he or she will need additional years of study, which may or may not require incremental entrance tests.

Medical professionals, that do not choose or fail to be admitted into a residency program can still pursue a medical specialty certification through other alternatives. For instance, a generalist can take the specialist certification exam to become a specialist after meeting a variety of eligibility criteria. Those criteria can include internships, hours of work under supervision of a medical specialist, or hours of study in a certified graduate program, among other methods. Depending on the desired level of medical specialty, it can take four to 10 years for a generalist to meet the criteria and, in this context, graduate programs can be a shorter path to reach eligibility sooner.

As medical science continues to evolve very rapidly, medical professionals must seek ways to stay up to date on those developments. For that purpose, physicians and other medical professionals tend to use numerous sources of continuing medical education, or CME, including short term programs, scientific paper digests, and medical congresses, among others.

Medical education system: Brazil vs. United States

While Brazil mandates that students pursue a six year specific undergraduate medical education, a student in the United States must typically earn a four year undergraduate degree prior to applying for medical school. Although no specific undergraduate degree is required, pre medical, biology, and health focused majors are recommended.

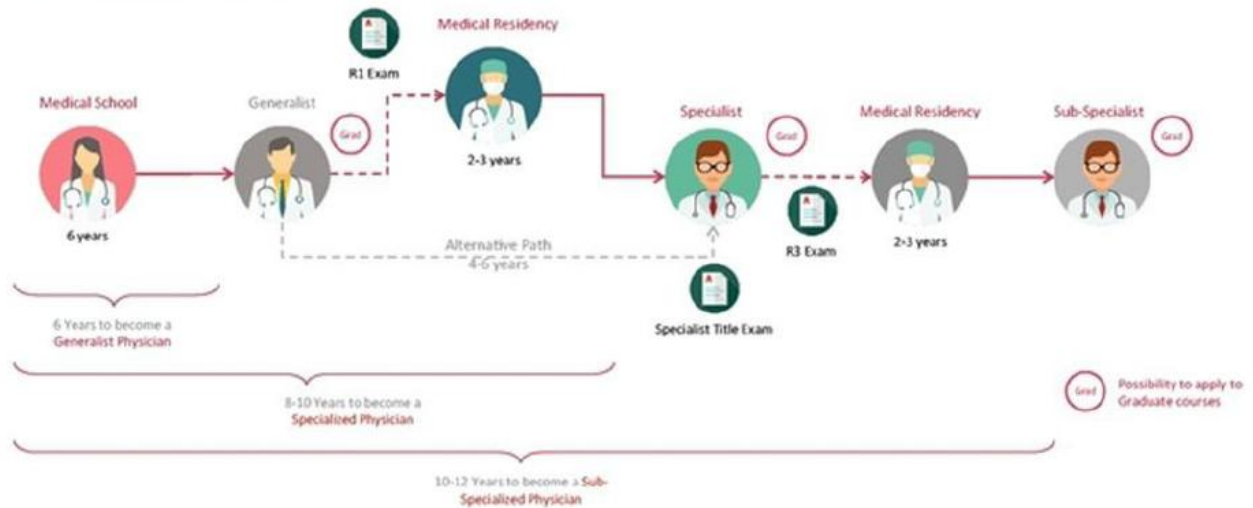
[Table of Contents](#)

A U.S. student must apply to medical school programs upon finishing his undergraduate degree, typically taking another four years to complete medical school. As is the case in Brazil, the U.S. medical school application process is highly competitive and has historically seen increasing medical course applications. In 2018, 21,622 U.S. students were enrolled out of 52,777 medical school applicants, representing an applicants per enrolled student ratio of 2.4x. Additionally, the number of medical school applicants increased at a 2.7% Compound Annual Growth Rate, or CAGR from 2010 to 2018, according to the AAMC.

While Brazilian students have the option to either pursue a medical residency or work as a generalist after graduating, U.S. students are required to go through a residency program after completing medical school to become an authorized physician. To do this, the student must enroll in the National Residency Matching Program, or NRMP, which matches physician applicants to U.S. residency training programs. In 2017, 35,969 U.S. medical school graduates applied for 31,757 residency positions, representing an applicants per enrolled student ratio of 1.2x. To complete the program and become an authorized physician, each student must also pass the United States Medical Licensing Examination, or USMLE.

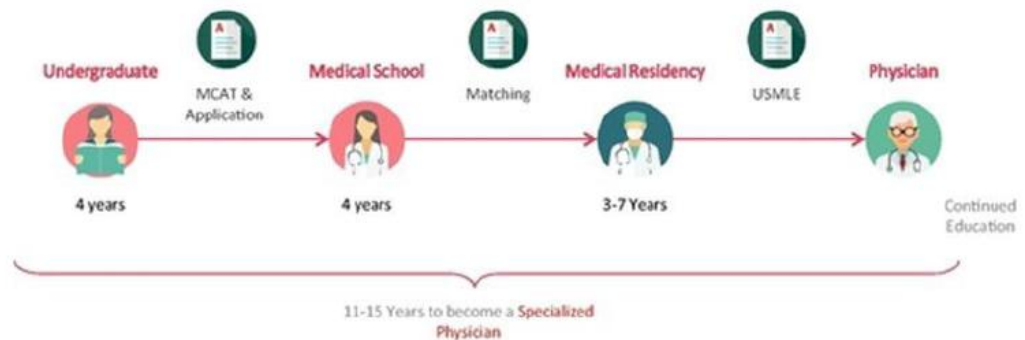
The diagram below illustrates the structure and timeline of the Brazilian medical education system relative to the United States:

Brazil – Illustrative Medical Career



Source: MEC

United States



Source: AAMC

70

[Table of Contents](#)

Regulatory overview and "Mais Médicos" program

Medical education in Brazil is subject to regulatory terms that aim to define the supply of medical seats across the country. From 2013 to 2018, the Brazilian government put initiatives in place to increase the number of annual medical school and residency vacancies, which have been recently revised.

In 2013, Law No. 12,871 defined the protocol for the creation of new medical courses in Brazil to address issues such as the unequal distribution of doctors across Brazilian states. Among the criteria that support the creation of medical schools seats, two relevant aspects are (i) the importance of these new openings in a specified region and (ii) the sufficiency of the current medical infrastructure in both public regional hospitals and in the applicant medical institution in order to obtain government authorization.

To reduce the shortage of doctors and mitigate the perceived healthcare inequality, the Brazilian federal government implemented a strategic initiative called "Mais Médicos." The program's main objectives included addressing the provision of doctors for primary care in municipalities, strengthening health care infrastructure, and allocating medical workforce to underserved areas.

According to WHO, from its inception in 2013 until 2018, "Mais Médicos" assigned physicians to over 4,000 municipalities benefiting poorer areas. For example, during that period, 63% of physicians working in this program in northeastern Brazil were assigned to work among the region's poorest municipalities. Until July 2014, 91% of the municipalities in northern Brazil with a shortage of physicians had been provided, on average, almost five physicians per municipality. Studies have demonstrated there was a significant increase, from 62.7% to 70.4%, in the population receiving primary care coverage from 2014 to 2016.

Regarding academics, "Mais Médicos" implemented short- and long-term measures to improve the Brazilian medical training system in both quantitative and qualitative ways. Among these measures was the opening of new medical school slots, in both undergraduate courses and residency programs. From its creation in 2013 until 2018, "Mais Médicos" reached an annual contribution of 11,400 new student slots in medical schools as well as 12,400 student slots for medical residency.

With the increase in annual offerings through "Mais Médicos," the MEC announced on April 5, 2018, that the government had decided to freeze the new offering of medical seats for a period of five years. The decision was based on the previously defined target of at least 11,000 annual medical seats, which according to WHO had already been achieved.

Brazilian medical education quantitative assessment

Given the national regulatory framework, expanding medical seats depends mostly on quality attributes and the need for additional doctors in the given geography. The number of medical seats remained approximately unchanged between 2005 and 2012, but increased at a faster pace from 2012 to 2014 to mitigate the shortage of physicians in the country.

Over the last five years, "Mais Médicos" has raised the medical seats offerings. From 2013 to 2018, it created approximately 13,000 seats in medical schools throughout the country, which contributed to the increase in enrollment in private medical schools. After the recent assessment of current medical seats offered versus planned back in 2013, the number of seats has been held constant at 36,700 by MEC since April 2018.

From 2010 to 2020, first-year enrollments in private medical schools have increased by 17,629, representing a 5.4% CAGR, compared to an additional 3,358 public medical first-year enrollments during that period.

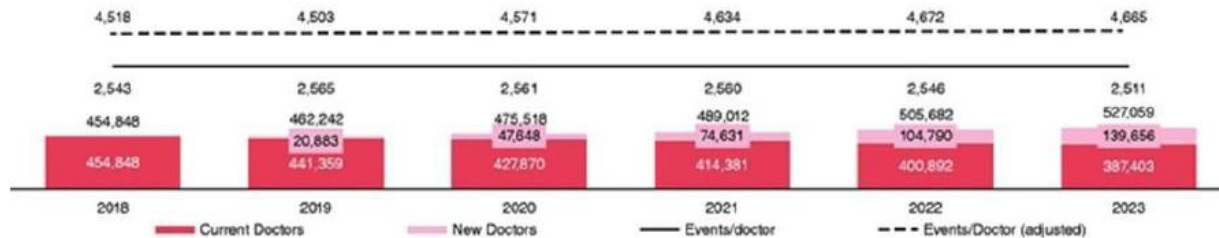
According to Demografia Médica, the number of physicians in Brazil increased from 320,477 to 500,000 from 2010 to 2020, representing a 56.0% increase. With that demand in place, a supply of new healthcare professionals is expected to keep growing to keep up with the increased demand for public and private health services.

By 2023 the total number of physicians in Brazil is expected to increase to 527,059 professionals, implying 2.44 doctors per 1,000 inhabitants, compared to the current level, below 2.2 doctors per 1,000 inhabitants. At the same time, the number of events per doctor is expected to slightly increase, driven primarily by the suppressed demand related to the public sector, with total events per doctor expected to reach 4,665 from the current 4,518.

71

[Table of Contents](#)

Projection of the ratio of events per doctor in Brazil (2018 to 2023)



Source: IBGE, INEP, and third-party consulting firm analysis.

Brazil is not expected to reach an excess supply of physicians through 2028, even considering the increasing number of medical graduates over the next 10 years.

Fundamentals of medical education in Brazil

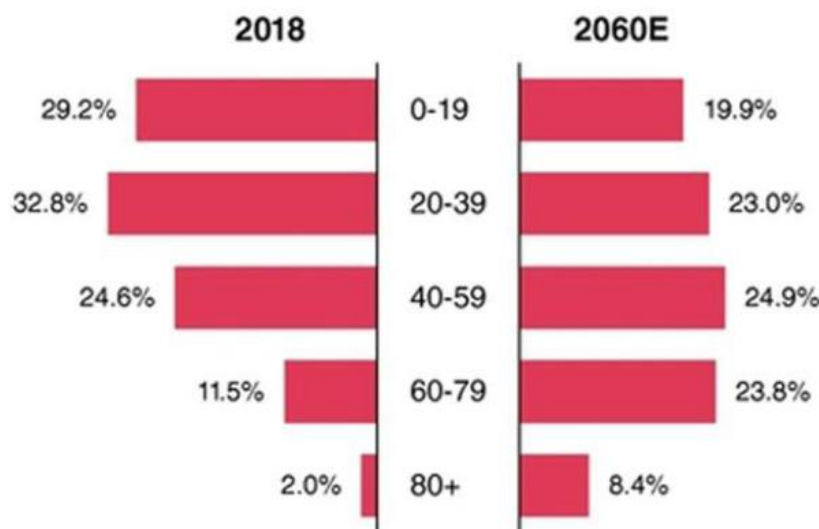
The medical education market in Brazil is supported mainly by the higher demand for medical courses than the actual seats offering, the low and uneven medical density when compared to the Organization of Economic Cooperation and Development, or OECD average, Brazil’s fast aging population, and compelling financial rewards for those seeking to pursue a medical career.

Brazil’s aging population

Brazil’s aging population is expected to drive an increase in demand for physicians and other healthcare service providers. Brazil’s aging ratio is twice that of the United Kingdom and three times that of the United States. Compared to 1995, life expectancy at birth is up from 66 years to 76 years, driven primarily by medical and health improvements.

By 2030, 13.5% of the Brazilian population is expected to be older than 65 years, compared to 7.3% in 2010. Furthermore, in 2060, the percentage of the population of 60 years and older is expected to exceed the number of people of 19 years and under, according to the Instituto Brasileiro de Geografia e Estatística, or IBGE.

Population distribution by age group—Brazil



Source: IBGE

Increase in medical services demand

The long-suppressed demand for health services in Brazil is expected to continue to increase given demographic changes in Brazil as well as a larger portion of the population being able to access private healthcare services. As of

Table of Contents

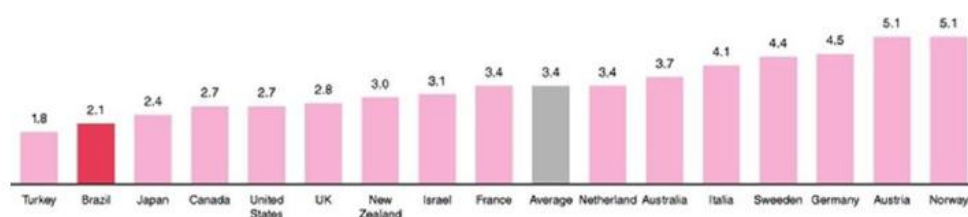
December 31, 2020, Private Health Insurance penetration in Brazil reached 24.2%, according to data from ANS. This is lower than countries such as Germany, Australia and the United States, which according to the OECD have 33.9%, 54.9% and 63.0% penetration, respectively.

Even with the expected increase in medical graduation, the demand for healthcare services is expected to surpass the current supply of physicians by medical schools creating a continued demand for medical courses and graduate education.

According to the OECD, Brazil currently has 2.1 doctors per 1,000 inhabitants, which is considerably below the international average and the average of developed countries, which have been through the demographic changes that are expected to happen in Brazil.

For example, according to WHO, Argentina had an average of 4.0 doctors per 1,000 inhabitants in 2017. Considering the projections of a total of 521,106 physicians in 2023 versus Brazil’s population growth over the same period, Brazil would have approximately 2.1 doctors per 1,000 inhabitants, which is still below the OECD average.

Doctors per thousand inhabitants, according to selected OECD countries—Brazil, 2018



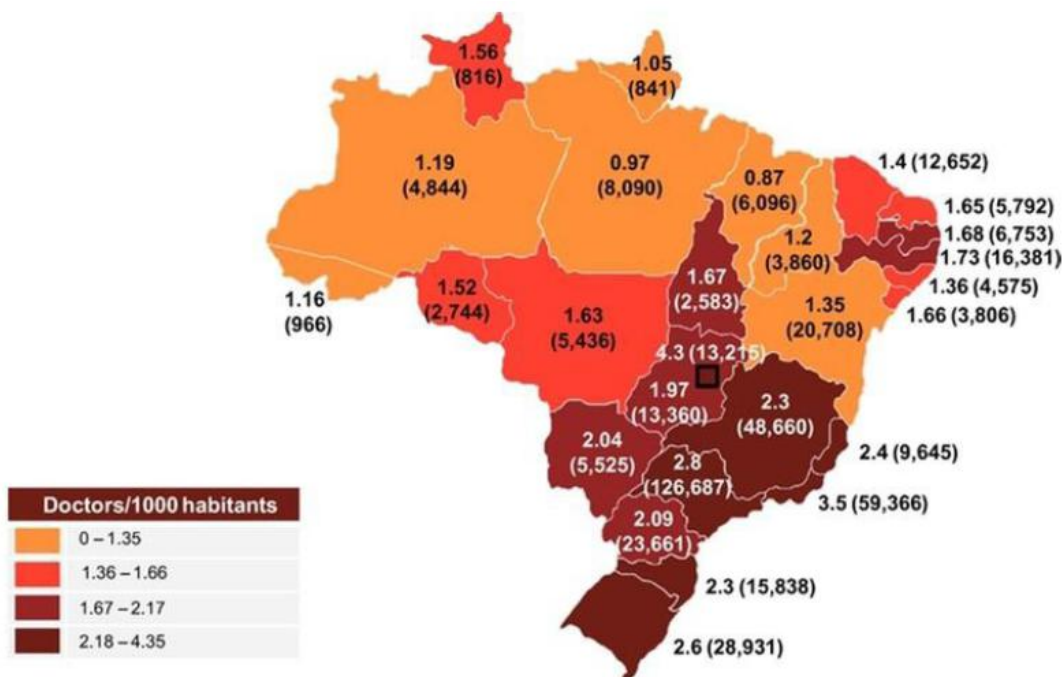
Source: OECD

Shortage and distribution of medical professionals in Brazil

Brazil’s low medical density and inequality in physician distribution is illustrated in the figure below. São Paulo and Rio de Janeiro have 2.8 and 3.5 doctors per 1,000 inhabitants, respectively, while the states of Amapá and Maranhão have 1.1 and 0.9 doctors per inhabitant, respectively. The north and northeast regions are the nation’s most underserved areas in the country and have been the focus of physicians’ assignment by the government. According to "Demografia Médica no Brasil", the national average of physicians per 1,000 inhabitants is 2.1, while the average outside urban capitals is 1.3.

Even with the expected increase in physicians over the next 10 years, Brazil’s medical density is expected to remain low when compared to developed countries, and is not expected to achieve the average

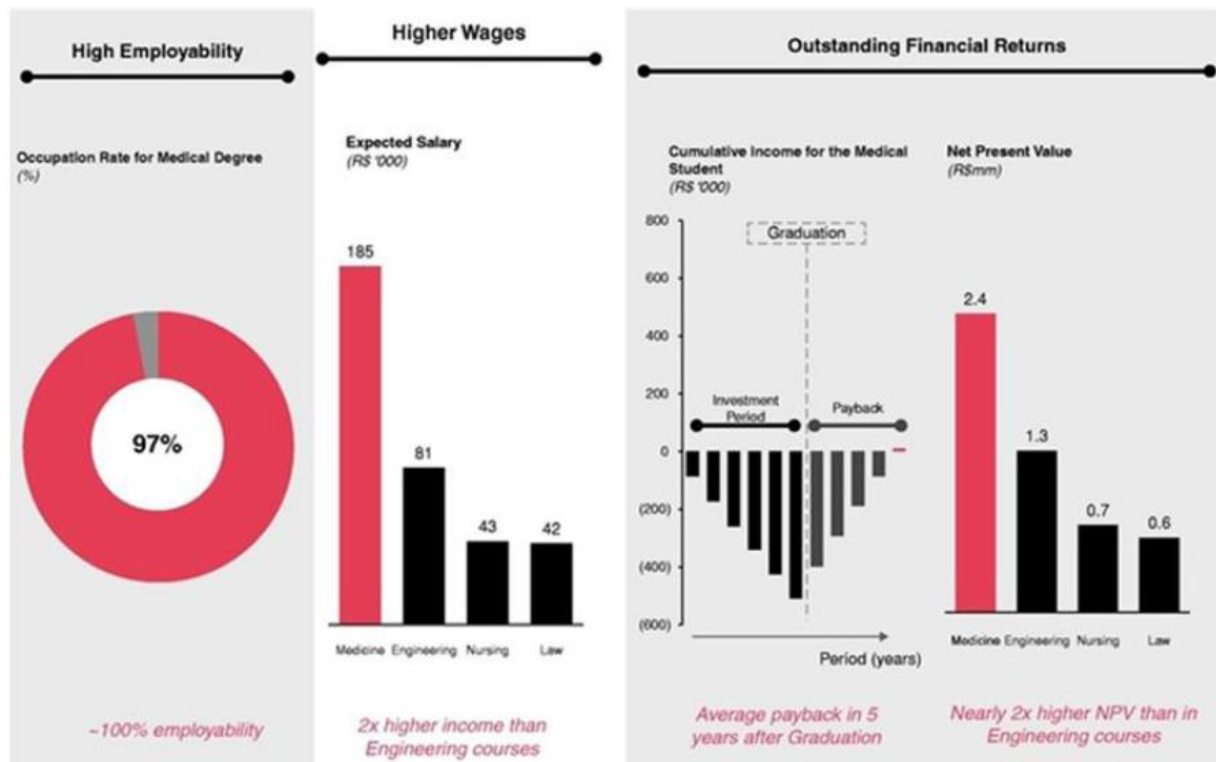
Distribution of doctors according to Brazilian states—2018



Source: Scheffer M et al., *Demografia Médica no Brasil 2018*

Compelling financial rewards for pursuing a medical career

One of the notable arguments for pursuing a medical career in Brazil is the financial outcome for the future physician, with higher salaries and fast payback. The main points of view that support the increasing demand for medical education analysis are: (i) nearly 100% employability of medical school graduates in Brazil; (ii) significantly higher salaries for medical school graduates than those enrolled in engineering courses (by approximately 128%), and (iii) a five-year post-graduation average payback period.

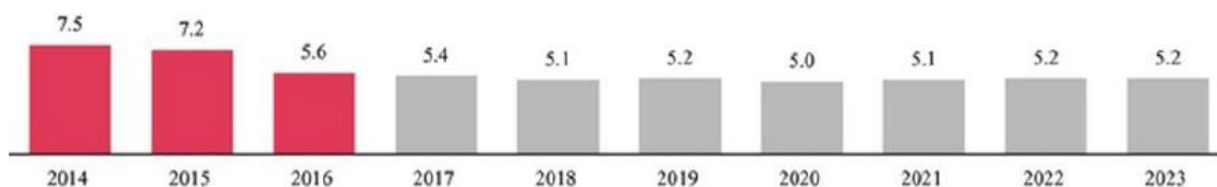


Source: Instituto de Pesquisa Econômica Aplicada—IPEA, Brazilian Ministry of Labor, Third-party consulting firm analysis

Even when considering the comparatively high tuition paid during the six-year medical undergraduate program, its above average income after graduation results in an average payback period of four years, a relatively short period compared to other undergraduate education majors.

Supply and demand imbalance for medical education

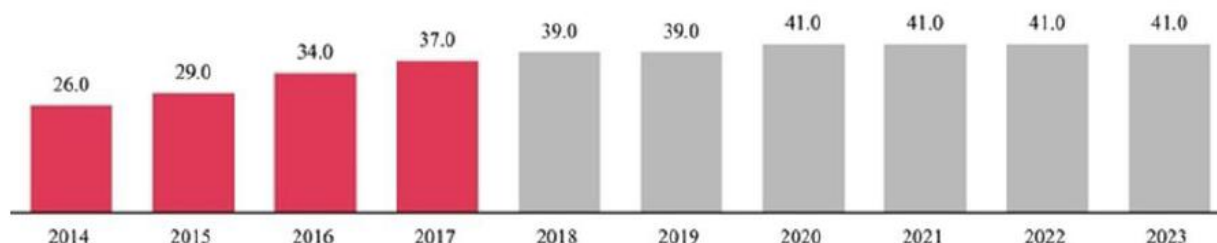
The number of applicants for medical school remained relatively constant from 2014 to 2017, with 196,000 applicants in both years. This compares to a 12.5% CAGR for the increase of seats openings for medical schools in the same period. Although the students seats have been increasing at higher rates, there remains a significant gap between the demand and supply of medical education, which is expected to drive continued competitiveness in medical entrance exams.



Source: INEP, MEC, third-party consulting firm analysis. 2017-2023 figures are projections.

[Table of Contents](#)

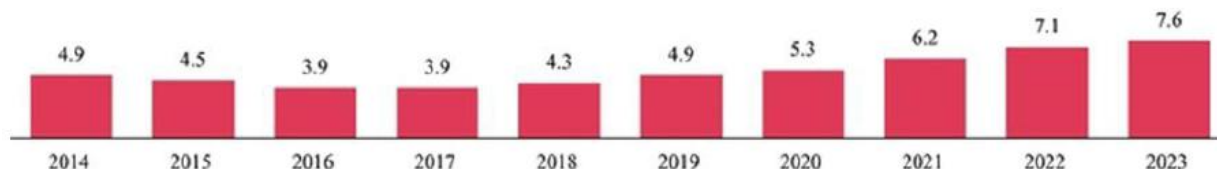
Total openings for medical school (in thousands)



Source: INEP, MEC, third-party consulting firm analysis. 2018-2023 figures are projections.

With future residency slots expected to remain virtually unchanged over the upcoming years and an occupancy rate of approximately 60% of current residency seats available as of 2017, increased competitiveness is expected in residency programs.

Applicants/openings for medical residency



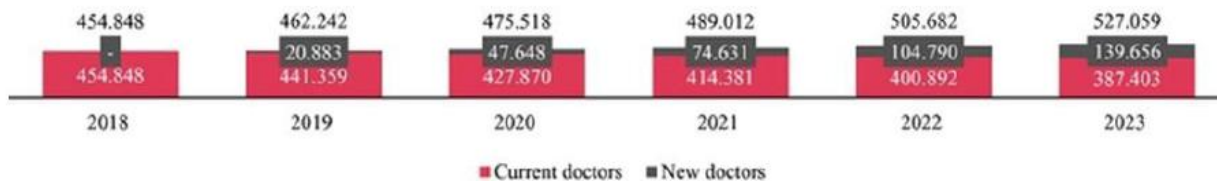
Source: MEC. 2019-2023 figures are projections.

Expansion in graduate programs and CME

The number of public and private medical graduate courses is not measured by any institution, as it is developing and growing as residency slots become increasingly restricted. Typically educational institutions partner with hospitals to provide an adequate infrastructure for teaching students. Unlike residencies, students pay out-of-pocket monthly tuition of around R\$4,000, according to a third-party consulting firm. These are usually one to two year courses and there is currently no government student financing for this segment.

Both graduate and other CME courses are expected to take advantage of the increasing graduation rates in Brazil, which are expected to add more than 130,000 new physicians over the next five years, in addition to the current 454,848 doctors that are expected to continue to access this market.

Projection of the number of doctors in Brazil (2018 to 2023)



Source: Scheffer M et al., Demografia Médica no Brasil 2018, third-party consulting firm analysis

Technological innovation driving enhancements to medical education

Technology has played a central role in shaping the medical profession. However, regulations coupled with restrictive characteristics of medical education hinder the ability of undergraduate distance learning programs to expand in Brazil. However, the residency preparatory market has rapidly shifted towards a more technological approach. Tech enabled features are promoting distance learning to spread within the sector, primarily because they facilitate enhanced student access to educational content.

[Table of Contents](#)

By eliminating the necessity of physical presence, both the market and the penetration rate are expected to expand. For these reasons, information and communication technology services in the education market are expected to grow from US\$83.2 billion in 2019 to US\$99.0 billion in 2023 worldwide, representing a 4.4% CAGR, according to Technavio. North America accounted for 40.6% of this market in 2018, indicating room for international expansion. In contrast, South America comprised 6.0% of the market in 2018 and is expected to grow at a 7.0% CAGR until 2023.

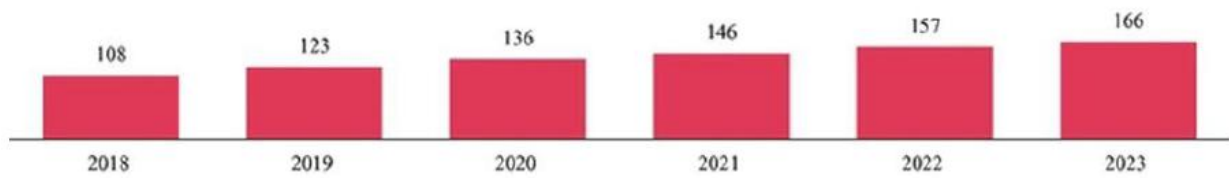
Market assessment and forecasts on medical education

Medical schools

There are currently 337 medical schools in Brazil, of which 60% are private and 40% are governmentally run, according to MEC. In terms of student seats, the relative distribution is comparable: 68% are private while 32% are governmentally run. The market is also highly fragmented. A student that begins a medical school program at the age of 18 would typically be expected to complete the program at 24 years old.

The medical schools segment shows that the current supply of students' seats in medical courses has not been sufficient to service the growth in demand for medical education in Brazil. The total number of enrolled medical students in private schools reached 108,000 in 2018 and is expected to increase to approximately 166,000 in 2023, assuming there will not be new openings by the government in the next five years.

Total students enrolled in private universities (in thousands)



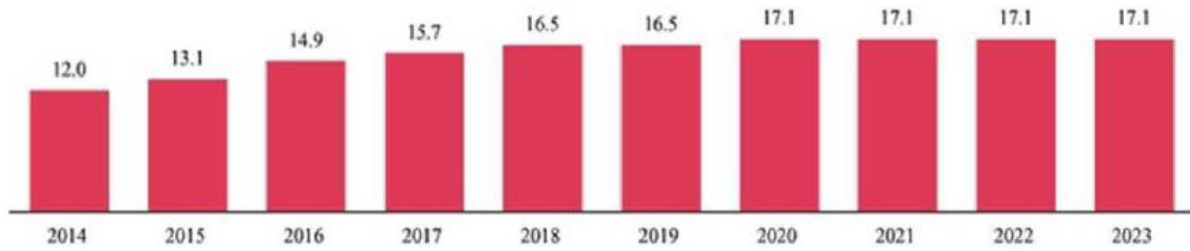
Source: INEP, third-party consulting firm analysis. 2019-2023 figures are projections.

With the increasing demand creating a favorable scenario for medical school tuition, a rise in the average current tuition is expected to post a 5.1% CAGR in the next five years, reaching R\$119,000 in 2023 according to a third-party consulting firm. Both increases in the number of enrolled students and average tuition support a market 14.9% CAGR between 2018 and 2023, implying that the current R\$10 billion market would grow to become a R\$19.8 billion market by 2023.

Residency and preparatory courses

The number of medical residency student slots available each year is regulated by the MEC and the Ministry of Health. Only hospitals are allowed to offer residency slots and no educational institution does it unless it has its own teaching hospital. Each student receives a scholarship from the government for the duration of their residency (from one to two years). Given the perceived lack of funding from the government, the number of residency students seats is expected to remain approximately unchanged in the future.

Openings for medical residency (in thousands)



Source: MEC. 2019-2023 figures are projections.

[Table of Contents](#)

According to Demografia Médica, in 2017, there were 790 hospitals that offered residency programs. The market is fragmented and the number of students' seats varies depending on the specialty the physician is looking for. In 2018, four main areas of interest corresponded to the first choice of approximately 40% of recently graduated students applying to residency programs. A student that begins a medical residency program at the age of 24 would typically be expected to complete the program at 26 or 27 years old, depending on the student's chosen specialty.

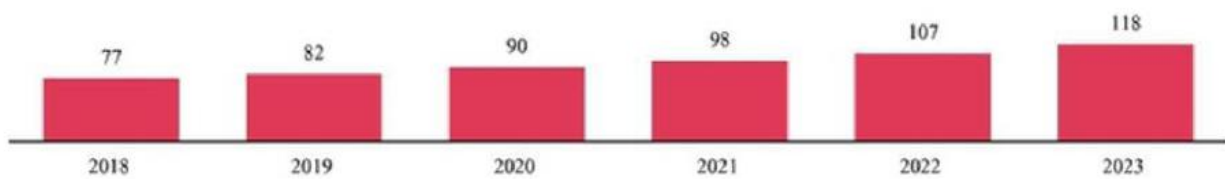
Assuming that 80% of the students enrolled in the fifth and sixth years of medical schools have an interest in taking the R1 test and that the R3 students will continue to grow at current rates, the preparatory courses segment is expected to grow from its current market size of R\$1.0 billion to approximately R\$2.4 billion by 2023, at a 18.7% CAGR.

Graduate programs

Similar dynamics affect the graduate segment, in which a student that begins a graduate program at the age of 24 would typically be expected to complete the program at 26 or 27 years old, depending on the chosen course. Graduate courses are expected to benefit from the increase in new physicians graduating over the coming years, and have an average duration of two to three years. The current graduate market accounts for a total of R\$3.7 billion and is expected to grow at a 13.5% CAGR until 2023. According to a third-party consulting firm, the implied applicant/opening ratio for medical residency programs was 4.3 in 2018.

This increase is primarily supported by the continuing need for specialization, which is expected to raise the current 77,000 students to approximately 118,000 students by end of 2023. A factor that supports the demand is the possibility of a student pursuing more than a single specialization along their career. In line with the increasing number of enrollments, the demand for specialization is expected to see price increases during the same period, implying a CAGR of 4.0%.

Specialization students (in thousands)

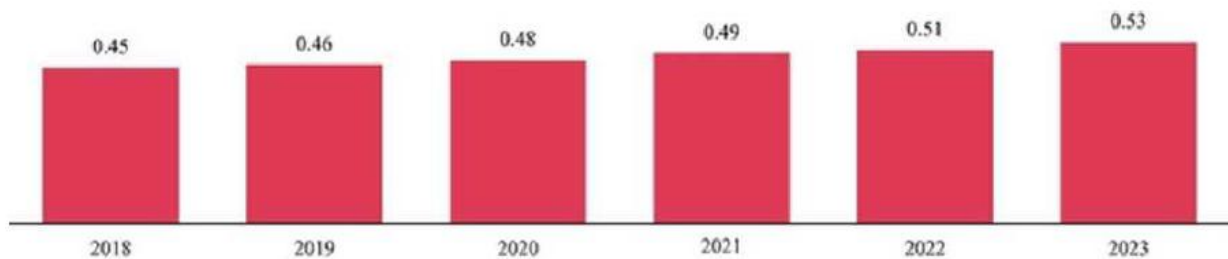


Source: MEC, third-party consulting firm analysis. 2019-2023 figures are projections.

CME

Doctors and other medical professionals are expected to continuously educate themselves on evolving developments within their practice throughout their careers. Consequently, the CME market in Brazil is expected to experience an increase in demand as the number of medical school graduates increases. The total number of physicians in Brazil is expected to increase from approximately 450,000 in 2018 to approximately 530,000 in 2023.

Total physicians in Brazil (in millions)



Source: Scheffer M. et al., Third-party consulting firm analysis. 2019-2023 figures are projections.

With both expected growth in the number of physicians between 2018 and 2023 and a tuition adjustment over this period, the CME market is expected to reach a total value of R\$2.4 billion by 2023, compared to R\$1.6 billion

[Table of Contents](#)

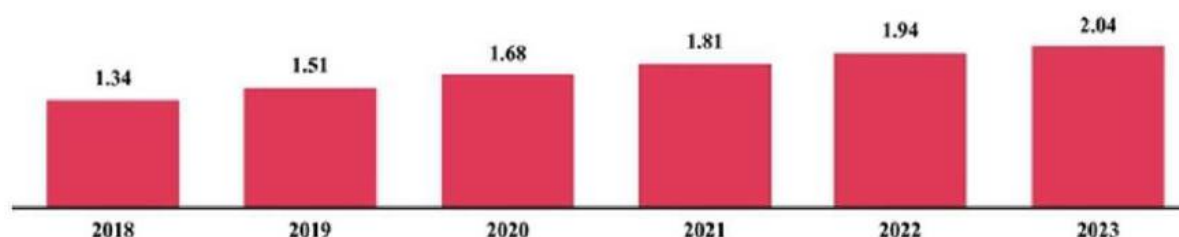
in 2018, implying an 8.5% CAGR. The increase is also supported by the need for continued education on new technologies and procedures, two recurring topics in the medical education segment.

Another important element of the CME market is that it is currently not mandatory for doctors to regularly take CME courses. We expect this to change and become more in line with other countries, where physicians must show their respective medical associations that they are up to date.

Other health non-medical school programs

Other health-related undergraduate courses which include dentistry, pharmacy, nutrition, physiotherapy, psychology, nursing, and physical education, enrolled a total of 1.3 million students in 2018, representing a R\$17 billion market. Although the impact of regulation and macroeconomic factors are comparable to those of medical school programs, fundamentals of other health non-medical school programs differ from those of medical schools because of consumer preferences, and the number of students is expected to remain flat. For health-related non-medical schools, average tuition growth rates are expected to be in line with consumer inflation. These other health-related courses are expected to grow at a 13.2% CAGR between 2018 and 2023, reaching a total addressable market of R\$31.8 billion.

Non-medical health students enrolled (in millions)



Source: INEP, Third-party consulting firm analysis. 2019-2023 figures are projections.

Total health education market potential

Considering all medical segments combined, there was an addressable market related to medical careers of approximately R\$16.4 billion as of December 31, 2018 and encompassing over 700,000 lifelong medical learners, composed of:

- a R\$10.0 billion addressable medical school market, calculated as (i) the number of medical student enrollments totaling 108,000, based on historical enrollment trends, and the addition of new medical schools seats (as published by the MEC), multiplied by (ii) the estimated R\$92,400 average annual tuition per student, based on an average of the annual tuition fees charged by private medical schools in Brazil;
- a R\$1.0 billion addressable residency preparatory courses market, calculated as (i) the number of medical residency candidates totaling 71,000, based on historical medical school graduation records and the number of medical school residency candidates (as published by the MEC), multiplied by (ii) the estimated R\$15,000 average annual course fees per candidate, based on an average of the annual course fees charged by the four largest residency preparatory course providers in Brazil;
- a R\$3.7 billion addressable medical specialization courses market, calculated as (i) the number of physicians seeking specialization courses totaling 76,600, based on historical medical school graduation and medical specialization course enrollment records (as published by the MEC), multiplied by (ii) the estimated R\$48,800 average annual course fees per physician, based on an average of the annual course fees charged by the four largest medical specialization course providers in Brazil; and
- a R\$1.6 billion addressable continuing medical education, or CME, market, calculated as (i) the number of physicians seeking CME courses totaling 454,848, based on the number of active physicians in Brazil (as published by the Brazilian Medical Association (*Associação Médica Brasileira*)), multiplied by (ii) the estimated R\$3,500 annual average amount spent per physician on CME courses, based on the findings of a primary survey conducted by a third-party consulting firm.

79

Table of Contents

The total addressable market is expected to grow to R\$31.6 billion and to over 910,000 lifelong medical learners by 2023. If the other health-related non-medical courses are added to this figure, the addressable market increases to R\$34.3 billion in 2018 and a projected R\$64.9 billion in 2023.

Market Opportunity

According to a third-party consulting firm, the total addressable market for the medical and healthcare career segment in Brazil was R\$66.5 billion as of March 31, 2020, composed of (i) a R\$14.0 billion medical school market, (ii) a R\$1.5 billion residency preparatory courses market, (iii) a R\$4.8 billion medical specialization courses market, (iv) a R\$1.8 billion continuing medical education market, (v) a R\$23.0 billion other health courses market and (vi) a R\$21.4 billion medical digital services market. We estimate that we currently capture approximately 1.5% of the total addressable market based on our net revenue for the last 12 months ended June 30, 2020. This market encompasses over 800,000 lifelong medical learners in Brazil, composed of 136,000 medical students, 91,000 students seeking residency preparatory courses, 90,000 and 500,000 physicians seeking to enroll in specialization courses and CME, respectively, and 1,680,000 students in other health courses.

Medical education in Brazil benefits from a combination of demographic and social factors, such as the expected increase in the number of people over 65 due to the increase in average life expectancy, as well as the shortage of medical professionals in Brazil, which has resulted in an imbalance between supply and demand. It also benefits from macroeconomic and financial factors, such as the increase in average household income, which has resulted in an increase in demand for medical services and an increase in private and public healthcare spending. Accordingly, we expect the medical education market in Brazil to continue to grow.

Additionally, given our end-to-end and physician-centric ecosystem, our strong business model, and our reputation for quality, we believe that we are well positioned to take advantage of the favorable growth dynamics of the medical education market in Brazil. According to a third-party consulting firm, the total addressable market for medical education is expected to grow at a CAGR of 10.4% from 2020 to 2025, reaching R\$23.0 billion in 2025. Including other healthcare education services, the addressable market is expected to grow at a CAGR of 9.6% in the same period, reaching R\$105.3 billion by 2025.

Information	Medical School	Preparatory Courses for Residency	Specialization Courses	Continuing Medical Education	Other Health Courses	Medical Digital Services	Total
Total market (2020)(1) R\$ billion	14.0	1.5	4.8	1.8	23.0	21.4	66.5
Total market (2025)(1) R\$ billion	23.0	3.0	9.1	3.0	35.0	32.2	105.3
CAGR (5 years)	10.4%	14.9%	13.6%	10.8%	8.8%	8.5%	9.6%
AVG Ticket (2020)(1) R\$	103,000	16,000	53,000	3,900	14,000		
Total number of students (2020)(1)	136,000	91,000	90,000	500,000	1,680,000		
Total number of students (2025)(1)	171,000	143,000	142,000	600,000	2,110,000		
Afyra's market share (2020)(2)	6.7%	12.6%	5.0%	—	—		

Source: Third-party consulting firm as of March 31, 2020.

(1) Estimated by the third-party consulting firm.

(2) Afyra's total students 2020 / total number of students 2020, by segment.

Underlying Trends of Medical Education in Brazil

In addition to a large and underpenetrated total addressable market, we have identified other trends that contribute to the strength of the markets we serve:

- **Increased life expectancy and demand for medical services:** The Brazilian population is aging at the fastest rate in its recent history. Average life expectancy is currently 76.2 years, and the number of people

80

Table of Contents

over 65 should double from 7% of the total population in 2012 to 14% of the total population in 2033. This has led to, and is expected to continue to drive, increased demand for healthcare professionals. In addition, private healthcare spending and public healthcare spending in Brazil grew at a CAGR of 14.0% and 11.8%, respectively, from 2010 to 2015, primarily due to an increase in demand for medical services as a result of an aging population and an increase in average household income. These trends have continued since 2015 to date.

- **Shortage of medical professionals in Brazil:** There is a shortage of medical professionals in Brazil, primarily due to the uneven socio-economic environment. On average, Brazilian cities with less than

50,000 inhabitants, which corresponds to approximately 90% of all cities in Brazil, have less than one physician per 1,000 residents. Brazil is expected to have an average of 3.07 physicians per 1,000 inhabitants by 2028, below the average of 3.4 for 2018 Organization for Economic Cooperation and Development, or OECD, countries.

- **Attractive financial incentives:** The medical profession is lucrative. Medical professionals are highly employable, with salaries that are on average more than three times higher than the average salary for other professions such as engineering, nursing and law, and 1.9 to 3.8 times higher than the net present value of engineering, nursing or law programs in Brazil.
- **Supply and demand imbalance for medical education:** The number of available medical course seats in Brazil is controlled by MEC, which has limited medical school intakes to current levels until 2023, resulting in a significant imbalance between supply and demand. In the last three years, medical schools have on average received five applications per available medical course seat, and four applications per available residency program vacancy, and the number of applications are expected to increase. We believe that graduate courses will gradually become a more popular, high-demand destination for physicians that are not admitted into residency programs.
- **CME Expansion:** The growing number of physicians in Brazil and the demand for ongoing education on new medical procedures, drugs, technologies and developments will continue to drive demand for CME.
- **Technological innovation is driving medical education:** The current generation of medical students and professionals requires instantly accessible digital content. Over 600,000 biomedical articles have been published globally every year since 2005, and it is critical for lifelong learners to be able to access information and learning methodologies regardless of location and physical availability.
- **Limited scope of existing product offerings:** By generally limiting their focus on individual aspects of a student's education cycle, traditional education providers have struggled to build comprehensive student track records and profile databases. Consequently, there is a general lack of integrated platforms that apply accumulated student information to efficiently tailor experiences to, or produce bespoke materials for, the particular needs of each student.

We believe we are well-positioned to take advantage of this market and its trends, bringing a more effective, personal and diversified service to our students, which will enable us to continue to grow our market share.

Our Competition

We believe we are the only company in Brazil with a focus on the entire learning career of a physician. However, several companies provide solutions that compete in some of the markets in which we operate.

We compete directly or indirectly with other post-secondary institutions that offer medical courses or any of the other higher education courses in our portfolio. This market is very fragmented and currently, there are more than 300 other institutions that offer medical courses in Brazil. The following table sets forth our main competitors and the number of approved medical seats they had as of December 31, 2021:

81

[Table of Contents](#)

	Number of Approved Medical Seats	As of April 1, 2022
Company		
Afya Brazil		2,731
Player 1		1,742
Player 2		1,533
Player 3		636
Player 4		473

The market for graduate medical courses is relatively new and a few small players operate in this segment.

Our Products and Services

We offer the following educational products and services to lifelong medical learners enrolled across our evolving distribution network, as well as to third-party medical schools.

Medical Schools

- A fully integrated core curriculum is offered to our medical school students across all our campuses.
- All our medical students have access to our supplemental instructional platforms as part of the internship module of their medical course, which we implemented for all incoming medical students of the fifth and sixth academic year.
- As of December 31, 2021, this product had 16,017 enrolled students, and had total historical combined tuition fees of RS1,511.4 million for the year ended December 31, 2021, which represented 26.2% and 75.9% of our total number of our undergraduate enrolled students and our historical undergraduate programs combined tuition fees, respectively. As of December 31, 2020, this product had 11,030 enrolled students, and had total historical combined tuition fees of RS911.0 million for the year ended December 31, 2020, which represented 30.5% and 73.7% of our total number of our undergraduate enrolled students and our historical undergraduate programs combined tuition fees, respectively. As of December 31, 2019, this product had 6,597 enrolled students, and had total historical combined tuition fees of RS550.2 million for the year ended December 31, 2019, which represented 17.2% and 69.3% of our total number of our undergraduate enrolled students and our historical undergraduate programs combined tuition fees, respectively.

Medical Residency Preparatory Courses

- Instructional content in digital format is offered to medical students and newly graduated physicians to prepare them for medical residency exams.
- Supplementary instructional content in digital format is offered to third-party medical schools that adopt our services.
- As of December 31, 2021, we had 21,631 enrolled students in our medical residency preparatory courses. As of December 31, 2020, we had 13,039 enrolled students in our medical residency preparatory courses.

Graduate Courses

- Graduate medical courses are offered to our medical school students across all our campuses. These students also have access to some of our supplemental instructional platforms.
- Supplementary instructional content for different medical specializations is offered to individual lifelong medical learners in our graduate courses.
- As of December 31, 2021, we had 3,189 enrolled students in our graduate courses. As of December 31, 2020, we had 4,181 enrolled students in our graduate courses.

82

[Table of Contents](#)

Other Programs

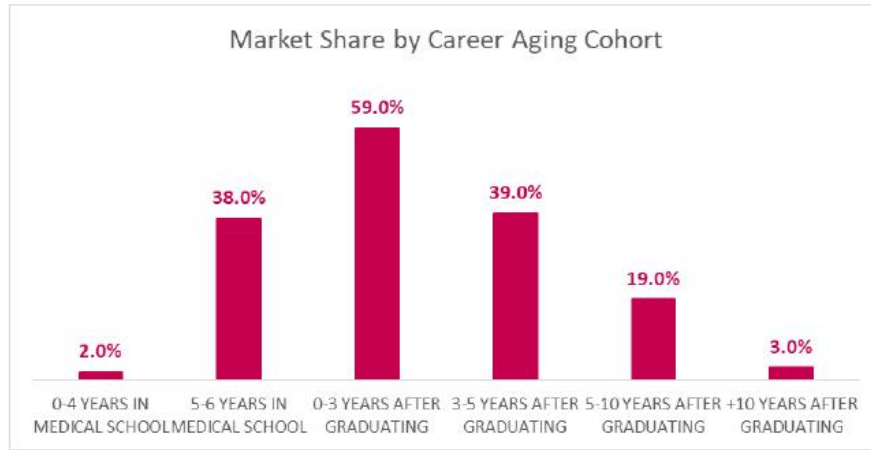
- Other national core curriculum is offered to all students across all of our undergraduate campuses: healthcare degrees and a subset of non-healthcare degrees, including business and engineering degrees offered by the companies we invested in or acquired.
- As of December 31, 2021, these programs had 45,101 enrolled students, and had total combined tuition fees of RS478.7 million for the year ended December 31, 2021, which represented 73.8% and 24.1% of our total number of enrolled students and our historical undergraduate programs combined tuition fees, respectively. As of December 31, 2020, these programs had 25,176 enrolled students, and had total combined tuition fees of RS325.5 million for the year ended December 31, 2020, which represented 41.0% and 14.0% of our total number of enrolled students and our historical undergraduate programs combined tuition fees, respectively. As of December 31, 2019, these programs had 17,372 enrolled students, and had total historical combined tuition fees of RS248.1 million for the year ended December 31, 2019, which represented 72.5% and 31.1% of our total number of enrolled students and total historical combined tuition fees from all courses offered, respectively.

Digital health services

- Subscription-based mobile app and website portal focused on assisting health professionals and students with clinical decision-making for 30 medical specializations through tools such as medical calculators, charts and updated content, including prescriptions, clinical scores, medical procedures and laboratory exams, among others.
- Free instructional content we offer to physicians, healthcare professionals and students.

- As of December 31, 2021, we had approximately 248,000 monthly active subscribers, consisting of approximately: 16,200 in Content and Technology for Medical Education, 194,300 in Clinical Decision Software and 37,000 in Clinical Management Tools.
- Our acquisition of PEBMED marked our entry in the digital health services sector, which we believe adds value to our platform. In particular, our acquisition of PEBMED included the Whitebook product, which added approximately 125,300 active users to our platform and increase our penetration in the segments in which we already operate through digital health services.

The following chart sets forth our market share by career aging cohort as of December 2021.



[Table of Contents](#)

Our Lifelong Medical Learner Clients

As of December 31, 2021, we had a total of 85,938 students across all our segments, including 16,017 enrolled in our undergraduate medical programs. As of December 31, 2021, we had 21,631 enrolled students in our medical residency preparatory courses and 3,189 enrolled students in our medical specialization programs.

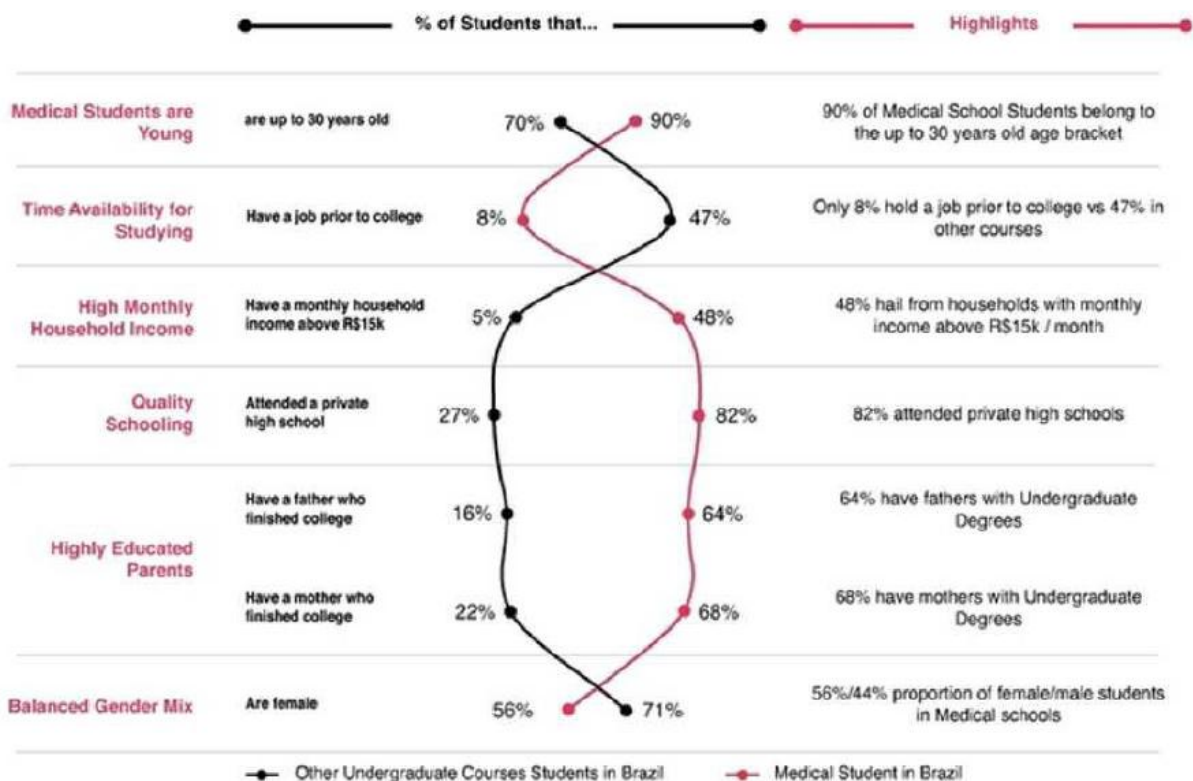
In addition to health sciences courses, which comprise medicine, dentistry, nursing, radiology, psychology, pharmacy, physical education, physiotherapy, nutrition and biomedicine, we also offer degree programs and courses in other non-health sciences subjects and disciplines across several of our campuses, including undergraduate and post graduate courses in business administration, accounting, law, civil engineering, industrial engineering and pedagogy. These non-health sciences courses are not part of our core business—the number we offer has increased as a consequence of our strategic acquisitions in 2018, 2019, 2020 and 2021 of multi-disciplinary schools with strong health sciences programs, which are our principal focus. Although non-health courses are not part of our growth strategy, we expect to continue to offer them to the extent they generate local demand. These non-health sciences programs represented 12.0%, 14.0% and 18.3% of total historical undergraduate programs combined tuition fees for all courses offered in 2021, 2020 and 2019.

The attractive dynamics for medical education in Brazil, including high demand for medical services and low medical density, combined with the exceptional rewards a physician receives (e.g., high wages, fast payback), create the perfect environment for us, with high demand for health sciences programs throughout the entire medical career. This scenario enables us to target a unique student profile during our selection process, capturing the most capable individuals in Brazil.

According to Educainsights, medical students are, at the outset of their medical journey, different from students that pursue other career paths. For example, while 27% of students from non-medical undergraduate courses have a private high school background, that number increases to 82% for medical students. In addition, 64% and 65% of medical students have a father and mother with at least a higher education diploma, respectively, while for non-medical courses, these figures are 16% and 22%, respectively. As a result, we are able to create a distinguished network of Afya students, which we believe is essential to the success of our long-term brand building initiatives.

[Table of Contents](#)

The following chart sets forth certain differences between medical and non-medical students in Brazil:



In addition, as of December 31, 2021, we had 43 contracts with other partner companies, which represents our B2B segment. These partnerships allow us to increase our distribution outreach to other institutions around the country and help us achieve our mission.

Student Financing and Incentive Programs

Student financing program—Fundo de Financiamento Estudantil ("FIES")

FIES is a MEC program created by Law No. 10,260/2001 to provide financing to undergraduate students who are unable to finance their own education.

After going through several reforms from 2015 onwards, the government launched the "New FIES" in early 2018, to be provided in the following categories:

- Public FIES—Per capita income of up to three minimum wages, with zero interest rate. The financing is provided by federal government funds and contributions from Higher Education Institutions, or HEIs, through the fund FG-FIES. Therefore, the credit risk is divided between the government and the private HEIs.
- Private FIES ("P-FIES")—Per capita income of up to five minimum wages, with low interest rates. Regional funds and private financial institutions, provide the financing.

As of December 31, 2021, our exposure to FIES was 7.0% of our total student base, which represented 8.0% of our total gross revenue for that period. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Changes to the rules or delays or suspension of tuition payments made through FIES may adversely affect our cash flows and our business." for further information.

85

[Table of Contents](#)

Incentive program—Programa Universidade Para Todos

Programa Universidade Para Todos, or PROUNI, was established in 2005 through Law No. 10,096/2005, which offers full and partial scholarships (50%), in private HEIs for undergraduate and subsequent courses of specific training, to Brazilian students without a higher education diploma. Additionally, the Government offers federal tax exemptions to the higher education institutions adhering to PROUNI.

Private higher education institutions, whether for profit or not, may join PROUNI by signing a term of adhesion (valid for 10 years), and at least (i) offer a full scholarship for every 10.7 students who pay a regular monthly fee and are regularly enrolled at the end of the previous school year; or (ii) an integral scholarship for every 22 students who pay the regular monthly tuition fees in specific undergraduate and subsequent courses, provided they also offer scholarships of 50% or 25%, in amounts necessary so that the sum of the benefits granted is equivalent to 8.5% of its annual revenue.

The tax exemptions (in whole or in part) for HEIs that participate in this program are the following:

- IRPJ (income tax) and CSLL (social contribution), with respect to the portion of net income in proportion to revenues from traditional and technology undergraduate programs; and
- COFINS (Contribution for the Financing of Social Security) and PIS (Program of Social Integration), concerning revenues from traditional and technology undergraduate programs.

As of December 31, 2021, our exposure to PROUNI was 6.1% of our student base. Although we fulfilled all required scholarships to receive 100% of tax exemption, PROUNI does not cover our operation outside of our undergraduate programs.

Other private financing program

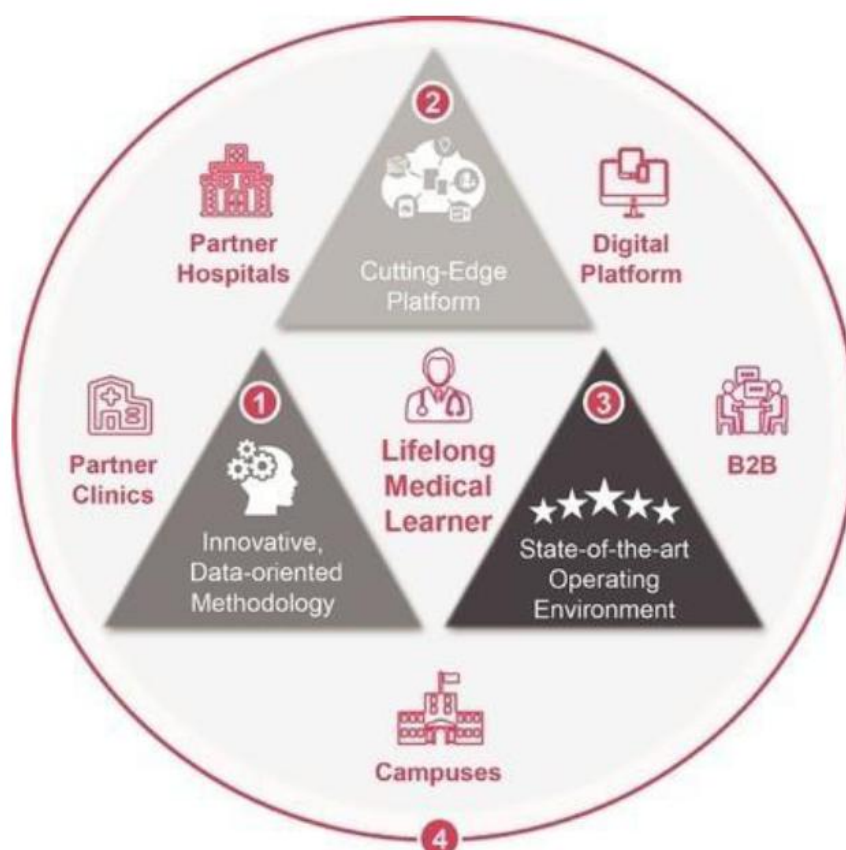
Afa offers private financing program through external partners (Banco Santander and Raydan) for undergraduate students. The credit risk is taken 100% by the partner.

Key Benefits for our Lifelong Medical Learners

We believe the end-to-end physician-centric ecosystem we have been developing for our students sets us apart from our peers, as we deliver content and learning activities that are tailored to each student's needs. This contributes to a more interactive and enjoyable learning process for our students, breaking away from a teaching system that we perceive as presenting students with an overwhelming amount of content, unengaging classes and scattered information. We achieve this based on three main pillars: innovative data-oriented methodology, a cutting-edge platform and state-of-the-art operating environment.

86

[Table of Contents](#)



Innovative, Data-oriented Methodology

Our proprietary methodology to support our students' lifelong medical education is based on the following concepts:

Standardized medical curricula: The organization of our medical curricula around interdisciplinary macro-medical topics to guide the development of in-person teaching plans and online learning tools, offering a scalable solution for schools through weekly synchronized content;

Active learning: Educational strategy to foster independent, critical and creative student thinking, as well as encourage effective teamwork through case-based problem-solving exercises, debates and small-group discussions;

Blended learning: Balanced in-person teaching with technology-assisted activities to improve student and teacher efficiency and results; and

Adaptive learning: A personalized instruction and assessment tool that provides training and content tailor-made to each student's individual profile. Students can access real-time feedback on areas in which they can improve, effective learning methods and teaching/study plans that are most suitable for them.

Cutting-Edge Digital Platform

We deliver modern, bespoke verbal and practical teaching. We continuously invest in creating innovative, technology-enabled activities and features to enhance our platform. We offer our medical school students doing internships or studying for residency exams the following features through our digital platform:

Web portal and in-app communication: Online platform combining supplementary instructional content and a personalized communication tool for students, through which they can also access our content offline;

Learning tools: We have over 36,000 digitally managed and delivered instructional tools designed by teachers to address complex learning objectives. Content is organized and tagged by theme and delivered in various formats,

[Table of Contents](#)

including, among others, online classes, podcasts, quizzes and books, to cater to different learning methods and the preferences of each student. As of December 31, 2021, our learning tools consisted of more than 17,079 video classes, 5,033 book chapters, 3,888 podcasts and an exam bank of approximately 120,000 questions;

Assessment tool: Broad database suite composed of quizzes and problem-solving activities, through which students can choose the subjects they would like to focus on, with additional teacher-led instructional content;

Tutoring/mentoring platform: An online monitoring and support platform for both undergraduate and graduate medical students, which we launched in October 2019. The platform allows tutors to interact with students through emails, video calls, voice calls and push notifications, and keeps records of such interactions. It also allows students to ask the tutors questions and schedule appointments. The platform also tracks individual student performance and progress; and

Digital health services platform: A combination of mobile and web applications focused on helping physicians, nurses, healthcare professionals and medical students in their clinical decision-making and providing medical references and updates for the medical community.

State-of-the-Art Operating Environment

For us, individualized learning should be used not just when offering content or technology-supported activities, but also during in-person encounters. Our professors can use our resources to approach lessons more objectively, focusing on each student's needs:

Modern teaching facilities: We have designed our classrooms to engage students in active learning. We rely on cutting-edge didactical equipment and simulation labs and state-of-the-art realistic simulation technologies;

Medical specializations centers: Our campuses offer simulation centers and clinics where students can practice primary and secondary care, leveraging the learning process and providing medical assistance to the local population; and

Practical learning network: Throughout the internship cycle, our students can access over 60 partner teaching hospitals and clinics, the largest network of any education group in Brazil.

Evolving Distribution Network

We believe that an effective end-to-end physician-centric ecosystem goes beyond offering the largest and most complete operating infrastructure to the students enrolled at our campuses and with access to our digital platforms. Through our evolving distribution model, we also expect to empower lifelong medical learners across our growing network of diversified partner teaching hospitals, clinics and third-party medical schools by increasing our products and services offerings as we continue to expand our business-to-business, or B2B capabilities. Our partnerships include renowned institutions such as the Brazilian Cancer Foundation, which joined our network in January 2020.

Seasonality of Operations

Afya has now three reporting segments: (1) Undergrad, which provides educational services through undergraduate courses related to medicine, other health sciences and other undergraduate programs; (2) Continuing Education, which provides specialization programs and graduate courses; and (3) Digital Services, which provides content and technology for medical education, clinical decisions software, practice management tools and electronic medical records, doctor-patient relationship, telemedicine and digital prescription.

Digital Services are comprised mostly by Medcel, Pebmed and iClinic revenues. While Pebmed and iClinic do not have significant fluctuation regarding seasonality, Medcel revenues are concentrated in the first and last quarter of the year, as a result of enrollments of Medcel's clients period. The majority of Medcel's revenues is derived from printed books and e-books, which are recognized at the point in time when control is transferred to the customer. Consequently, Digital Services segment generally has higher revenues and results of operations in the first and last quarter of the year compared to the second and third quarters of the fiscal year.

[Table of Contents](#)

Marketing and Sales

Our marketing strategy is focused on identifying, qualifying and converting potential students into enrollments.

We execute our marketing strategy as follows:

- **Identification:** We use online and offline media channels to distribute relevant content for all decision-making phases of current and future physicians, so that they interact with our solutions throughout their learning careers.
- **Qualification:** After we obtain data on a potential student, we identify his/her needs by offering content that matches his/her academic phase. In addition, through our score models, we can identify potential students that are more likely to enroll with us.
- **Conversion:** From that point on, we contact our sales department (online and inside sales) to convert potential students into enrolled students through structured sales campaigns and continuous monitoring of conversion indices.

As our business model is end-to-end and physician-centric, we aim to accompany our lifelong learners at each stage of their careers. Therefore our sales funnels are calibrated according to the segment's supply-demand curve (graduation, preparatory, etc.), level of competition and other strategic variables.

For example, in medical schools, the most challenging task is to identify potential students interested in attending medical school in a given cycle, since conversion typically occurs organically due to the high demand for these courses. Our challenge is to attract and enroll the best ENEM students in our medical schools. With respect to the medical residency preparatory phase and graduate programs, our main focus is to show potential students the benefits of our methodology in terms of results and cost-benefit in order to guide them towards adopting our solutions.

Our marketing and sales efforts are supported by Salesforce products (Sales Cloud, Marketing Cloud and Einstein), as well as other online analytical tools such as Google Analytics.

Our business model, combined with the use of CRM tools gives us a unique competitive advantage: The ability to identify, market and offer products to virtually all medical students and physicians in Brazil.

Technology and Intellectual Property

Technology

In recent years, we have implemented several initiatives to improve operational efficiency and to integrate processes across several campuses and operations. We plan to continue this process in the future to fully consolidate Afya Brazil's integrated systems with those of our recent acquisitions.

Shared Services Center

We have invested in a modern Shared Services Center, or SSC, to process back-office and non-student facing transactions that has idle capacity and is expected to enable student base growth with low marginal costs.

Integrated Systems

We have adopted third-party systems to handle our internal systems in a fully integrated manner:

- **Enterprise Resource Planning, or ERP:** TOTVS ERP RM is the leading solution in the Education Industry in Brazil and delivers a flexible systemic solution that fits our companies' processes to improve management and organization. At the same time, it allows high governance of the processes, with complete control of all back-office activities, preventing operational errors and allowing efficient tax-related calculations and control of government obligations.

89

[Table of Contents](#)

- **Academic System:** TOTVS RM Educacional is a mature platform that allows the configuration of the student payment plan attached to the disciplines enrolled and processes preventing manual financial transactions and making the process more flexible and efficient. This system includes both Student and Faculty Portals, with features that allow mobile frequency monitoring and provide payment solutions to students and also manages the faculties' timesheet and payroll.
- **Learning Management System, or LMS:** Canvas LMS is a cloud-native, highly scalable system that connects all digital learning tools and evaluation resources accessed nationally by our faculties and students.

As of the date of this annual report, ESMC, iClinic, Medicinae, Medical Harbour, Cliquesfama, Shosp, UnifipMoc, UningranRio, RX Pro, Além da Medicina and Cardiopapers independently operate their own ERP systems. We are working to migrate the systems from the companies described above in order to fully incorporate them into our integrated systems.

Intellectual Property

We rely on a combination of copyright, trademark and trade secret laws, as well as employee and third-party non-disclosure, confidentiality and other types of contractual arrangements to establish, maintain and enforce our intellectual property rights, including with respect to our proprietary rights related to our products and services. In addition, we license technology from third parties.

As of December 31, 2021, we owned more than 30,000 learning materials (e.g., classes, materials and videos) that comply with the national curriculum and that are developed by our teachers.

Insurance

We have insurance policies with reputable insurers in amounts considered sufficient by our management to cover potential losses arising from indemnities that we may have to pay to third parties as a result of our operations. The policies for our operating units have an aggregate coverage limit of up to approximately R\$390.9 million. The Company and its subsidiaries have a risk management program with the purpose of delimiting the risks, seeking in the market coverage compatible with its size and operations. We seek coverage against risks that are compatible with our scale and type of operations, considering the nature of our activities, the risks we are exposed to, market practices in our industry, and the advice of our insurance consultants.

While we believe our insurance contracts reflect standard market practices, there are certain types of risks that may not be covered by the policies (such as war, terrorism acts of God and force majeure, liability for certain harm or interruption of certain activities). Therefore, if any of these uncovered events occur, we may be obliged to incur additional costs to remedy the situation, reconstitute our assets and/or indemnify our customers, which may adversely affect us. Furthermore, even in the event that we incur a loss that is covered by our policies, we cannot assure that damages awarded by our insurers will be sufficient to cover the losses arising from the insured event. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—We may be held liable for extraordinary events that may occur at our campuses, which may have an adverse effect on our image and, consequently, our results of operations."

Regulatory Overview

The Brazilian Constitution establishes education as a right for all citizens and a duty of the State and the family. Accordingly, the government is required to provide all Brazilian citizens with access to free primary education with compulsory attendance. Private investment in education is permitted as long as entities providing education services comply with the applicable rules and regulations.

The Brazilian education system is organized under a cooperative management among federal, state and municipal governments. The federal branch is required to organize and coordinate the federal educational system in order to guarantee equal opportunity and quality of education throughout Brazil. The states and the Federal District are required to focus on secondary education, while municipalities are responsible for providing pre-primary school and primary education.

90

[Table of Contents](#)

Private Higher Education Institutions are part of the federal educational system and their activities are regulated by the federal government, and universities have didactic, scientific and administrative autonomy as provided by the Brazilian Constitution.

Additionally, Law No. 9,394 of December 20, 1996, named by National Education Guidelines Law (*Lei de Diretrizes e Bases da Educação*, or LDB) provides the guidelines for the provision of educational services in Brazil and sets forth the federal government's duty to, among others: (i) coordinate the national education system; (ii) prepare the National Education Plan; (iii) provide technical and financial assistance to the states, the Federal District and municipalities; and (iv) define, in cooperation with other federal entities, the responsibilities and guidelines for primary and secondary education, with the federal government's priority in post-secondary education, issuing rules and regulations regarding undergraduate and graduate programs, and carrying out the activities relating to the accreditation of institutions, authorization and recognition of courses and monitoring and evaluation of the educational system as a whole.

In addition, the federal government, through Law No. 10,172 of January 9, 2001, implemented the first National Education Plan (*Plano Nacional de Educação*, or PNE), with a duration of 10 years from the date of its publication. The PNE established objectives for post-secondary education to be met by all branches of government. The primary goal was to offer post-secondary education to at least 30% of the population aged 18 to 24 by 2010. After the expiration of the first PNE, a new plan was enacted and the objectives were revised for the period of 2014 to 2024, consolidated by Law No. 13,005 of June 25, 2014.

The new goals consist of: (1) increasing post-secondary education enrollment rates to 50% of the population aged 18 to 24; (2) increasing the quality of post-secondary education by raising the proportion of academic staff with master's degrees and doctorate degrees to 75%, of which at least 35% shall be doctorates; and (3) increasing progressively *stricto sensu* postgraduate programs. Such goals apply to each federation territory, and provide orientation for the private education sector.

Finally, each of the federal, state and municipal governments are required to prepare a 10-year education plan and to establish policies, guidelines and objectives applicable to the segment of the Brazilian education system over which it has responsibility.

Post-secondary Education

The post-secondary education sector is subject to comprehensive government regulation. Its purpose is to ensure the quality of educational services, through evaluations of the ability of educational institutions to meet minimum standards established by CNE and approved by MEC. This evaluation includes the analysis of pedagogical projects, the infrastructure of Higher Educational Institutions, or HEIs, and their academic staff, and the results of such evaluations are considered in the proceedings for opening new units and new courses.

Therefore, activities and courses offered by HEIs in Brazil depend on authorizations and are subject to ongoing regulation, guided by the results of quality assessments. The federal responsibility to regulate, monitor and evaluate post-secondary education institutions and programs is exercised by the MEC, the CNE, the INEP and the CONAES.

Ministry of Education

The Ministry of Education, or MEC, is the highest authority for post-secondary education within the Brazilian national education system, whose competence consists, among other prerogatives, of the following: (1) confirming CNE's accreditation decisions for post-secondary education institutions; (2) confirming evaluation systems and criteria adopted by the INEP; (3) confirming opinions and regulation proposals from the CNE; (4) issuing rules and instructions for compliance with laws, decrees and regulations pertaining to education issues; and (5) regulating and monitoring the post-secondary education system through its secretariats.

National Education Council

The National Education Council, or CNE, is a consulting and decision-making body monitored by the MEC, collectively comprised of the Chamber of Primary and Secondary Education, or CEB, and the Chamber of Post-secondary Education, or CES, each composed of 12 members appointed by the President of Brazil.

91

[Table of Contents](#)

CNE is required, among other responsibilities, to: (i) issue regulations to implement MEC's guidelines, as well as advise and support MEC in its activities and decisions; (ii) decide on accreditation applications and renewals from post-secondary education institutions engaged in distance learning, based on the opinion of the relevant secretariats; (iii) propose guidelines and deliberate on the preparation of

the evaluation instruments for accreditation and re-accreditation of institutions to be elaborated by INEP; (iv) issue guidelines to be observed by SERES for accreditation and re-accreditation of universities, university centers and colleges; (v) determine, through the CES, the inclusion and exclusion of course designation from the catalog of advanced technology courses; (vi) rule on appeals of decisions issued by SERES, CEB or CES; and (vii) analyze and propose questions regarding the application of post-secondary education legislation to the MEC.

Anísio Teixeira National Institute for Educational Research

The Anísio Teixeira National Institute for Educational Research, or INEP, is a federal body linked to the MEC whose main responsibilities are, among others, to: (i) design, plan, coordinate and operationalize actions for the evaluation of HEIs, undergraduate courses and government schools, as well as the National Student Performance Examination, or ENADE, the examinations and assessments of undergraduate students; (ii) design, plan, coordinate, operationalize and evaluate indicators related to post-secondary education resulting from examinations and inputs from official databases, the establishment and maintenance of databases of specialized evaluators and collaborators, including the appointment of evaluation committees; (iii) prepare and submit to MEC the instruments for external evaluation (*in loco*), in accordance with the guidelines proposed by the SERES and by other competent bodies; (iv) design, plan, evaluate and update the indicators for the external evaluation instruments in place, in accordance with the guidelines proposed by CONAES; (v) chair the Technical Committee for Evaluation Monitoring; and (vi) plan, coordinate, operationalize and evaluate the actions necessary to achieve its objectives.

National Higher Education Evaluation Commission

The National Higher Education Evaluation Commission, or CONAES, is a coordination and monitoring body of the National Higher Education Evaluation System, or SINAES, monitored by MEC, composed of a President and 13 members, including one representative of the INEP, one representative of the *Fundação de Coordenação de Aperfeiçoamento de Pessoal de Nível Superior* (Foundation for the Coordination of Improvement of Post-secondary Education Personnel, or CAPES), three representatives of the MEC (one of which must come from the body responsible for the regulation and monitoring of post-secondary education), one representative of the student body of post-secondary education institutions, one representative of the academic staff of post-secondary education institutions, one representative of the administrative body of post-secondary education institutions, and five members appointed by the Minister of Education, with distinguished scientific, philosophic and artistic knowledge and proven expertise in post-secondary evaluation or management.

Among other activities CONAES is required to: (i) propose and evaluate the dynamics, procedures and mechanisms for institutional evaluation, courses and student performance; (ii) establish guidelines for the organization of evaluation committees, analyze reports, prepare opinions and submit recommendations to the competent bodies; (iii) formulate proposals for the development of HEIs, based on the analysis and recommendations produced in the evaluation processes; (iv) communicate with the state educational systems, with the aim to establish common actions and criteria for the evaluation and supervision of post-secondary education; and (v) annually submit for approval by the Minister of Education the list of courses for which students will apply for the ENADE.

Organization of Post-secondary Education Institutions

In order to allow post-secondary education institutions to fulfill their objectives, the LDB also provides that post-secondary education includes the following programs:

- *Undergraduate courses*, including traditional and technological undergraduate courses, offering specific training and diplomas to students, open to candidates who have completed high school or equivalent and who have been approved in the respective selection or entrance examinations;
- *Post-graduate courses*, including master's and doctoral degrees, specialization courses, further training courses and others, open to candidates who hold a diploma in an undergraduate course and who meet the requirements laid down by educational institutions; and

92

Table of Contents

- *Extension courses*, understood as any academic, technical or cultural activity that is not included as an integral and compulsory part of the undergraduate and postgraduate curriculum, in which the students receive certificates. Such courses are open to candidates who meet the requirements established in each case by educational institutions.

According to the LDB, post-secondary education can be provided by public or private institutions. A private post-secondary education institution must be controlled, managed and supported by an individual or a legal entity with responsibility for financing its supported entities. Post-secondary education institutions may be supported by for-profit or not-for-profit private institutions, or supporting entities, as follows:

- *Private in the strict sense*: private for-profit institutions created and maintained by one or more private individuals or legal entities;
- *Community*: incorporated by groups of individuals or by one or more legal entities and that include representatives of the community in their organizational structure;
- *Confessional*: incorporated by groups of individuals or by one or more legal entities that meet the specific confessional and ideological orientation and that include representatives of the community in their organizational structure; or
- *Philanthropic*, in the form of the applicable regulations.

According to their organization and academic prerogatives, post-secondary education institutions can be:

- *Colleges*: colleges are public or private HEIs offering post-secondary programs in one or more areas, maintained by a single supporting entity and with isolated management and direction. Colleges are allowed to offer programs along several levels, namely bachelor's, associate's, specialization and graduate programs (master's and doctorate degrees). Colleges have minimum requirements with regard to the qualification of faculty members and their labor practices, and cannot establish new campuses, courses, or spots without prior authorization from MEC;
- *University Centers*: university centers are public or private education institutions offering several bachelor's, associate's and graduate programs, and are expected to provide appropriate work conditions, education and qualification opportunities for their professors. To be considered a university center, the institution shall comply with such requirements: (i) at least one-fifth of the faculty members of a university center must hold a master's or doctorate degree; (ii) at least 20% of the faculty members must work on a full-time basis; (iii) at least eight undergraduate courses shall be recognized and have obtained a satisfactory concept in the on-site external evaluation carried out by INEP; (iv) have an institutionalized extension program in the areas of knowledge covered by their undergraduate courses; (v) have a scientific initiation program with a project supervised by doctoral or masters professors, which may include programs of professional or technological initiation and initiation to teaching; (vi) have obtained an Institutional Concept, or CI, greater than or equal to four in the on-site external evaluation performed by INEP; and (vii) have not been penalized as a result of an administrative supervision process in the last two years; or
- *Universities*: universities are public or private education institutions offering several post-secondary programs, continuing education and research development. Like University Centers, certain requirements for university re-accreditation must be observed, namely: (i) one-third of the academic staff is hired on a full-time basis; (ii) one-third of the faculty members must have a master's or doctorate degree; (iii) at least 60.0% of the undergraduate courses shall be recognized and have a satisfactory concept obtained in the evaluation proceedings carried out by INEP; (iv) have an institutionalized extension program in the areas of knowledge covered by their undergraduate courses; (v) have a scientific initiation program with a project supervised by master's or doctoral professors, which may include programs of professional or technological initiation and initiation to teaching; (vi) have obtained CI greater than or equal to four in the external evaluation carried out by INEP; (vii) regularly offer four master's degree courses and two PhD courses recognized by MEC; and (viii) have not been penalized as a result of an administrative supervision process in the last two years.

93

Table of Contents

The LDB provides that the following powers are granted to universities and university centers in the exercise of their autonomy, amongst others: (i) to create, organize and discontinue post-secondary education programs on their premises, subject to the applicable regulation; (ii) to establish the curricula for programs, subject to the applicable general guidelines; (iii) to establish plans, programs and projects in connection with scientific research, artistic production and extra-curricular activities; (iv) to establish the number of student offerings available; and (v) to create and change their bylaws in accordance with the applicable general rules, as well as to award degrees, diplomas and other certificates.

Distance Learning

Distance learning in Brazil is regulated by article 80 of the LDB, by Decrees 9,057 and 9,235, both of 2017, by Ordinances No. 11 and 23, both of 2017, and CNE's Resolution No. 1, of 2016.

Distance learning is defined as the educational method in which didactic and pedagogic processes are conducted through information and communication media and technologies, with students and teachers interacting in educational activities while located in different locations or at different times.

Pursuant to the applicable regulations, distance learning is subject to different factors compared to traditional methods, including: (i) reduced transmission costs in commercial channels of sound and audiovisual broadcasting; (ii) concession of channels with exclusive educational purposes; and (iii) minimal time reservation, with no onus on the public authorities, by the concessionaries of commercial channels.

Distance learning can be offered at the following levels and as part of the following educational methods: (i) primary and secondary education, as long as it is used only to supplement learning processes or in emergency situations; (ii) education for young people and adults, according to specific legal criteria; (iii) special education, according to specific legal criteria; (iv) professional education, covering technical programs at the secondary level and technological programs at the post-secondary level; and (v) post-secondary education, covering graduate, master's programs, specializations, and doctorate studies.

Graduate courses (bachelor's, licentiate and technological) may be offered using distance learning methods whenever a post-secondary institution is regularly accredited by the MEC for this purpose.

Pursuant to Decree No. 9,057/2017, institutional accreditation and reaccreditation, as well as the authorization and recognition of courses and their renewal will be subject to on-site evaluation, with the aim to verify the existence and suitability of the method, infrastructure, technology and personnel that may enable the execution of the activities provided in the Institutional Development Plan or PDI and the Pedagogical Project of the Course, or PPC.

HEIs accredited for the offering of post-secondary education in the distance modality that hold autonomy prerogatives (universities and university centers) do not require authorization for operation of the post-secondary course in the distance modality, but shall inform the MEC about the offering of the course within 60 days of the date of creation of such course, for the purposes of supervision, evaluation and recognition. Also, accredited HEIs must inform the MEC about the creation of distance learning supporting units and the alteration of their addresses.

Although distance learning is defined by the absence of direct contact between students and teachers, there are activities that must be conducted on-site, such as tutorials, evaluations, internships, professional practice, laboratory and dissertation defense, which are to be provided in the educational and development projects of the institution and the course. Accordingly, the distance learning institutions must provide the necessary infrastructure for the students to conduct those activities, using the headquarters of the education institution or smaller supporting units throughout the country. Distance learning supporting units are no longer subject to on-site evaluation or required to obtain prior authorization of MEC in order to be set up or operated. Pursuant to Ordinance No. 11/2017, such units can be created by a unilateral decision of the institution itself.

Distance courses and programs must be projected with the same defined duration for the respective on-site courses. The evaluation of the performance of students for the purposes of promotion, conclusion of the course and attainment of diplomas and certificates must be conducted through the conclusion of the programmed activities and on-site exams by the accredited HEIs, following procedures and criteria defined in respective PPC.

[Table of Contents](#)

The evaluation of the distance learning courses is performed in a very similar manner as the evaluation of on-site courses. In the event of any irregularity or non-compliance to any of the previously established conditions set by the MEC, the competent body may initiate an administrative proceeding that may result in one or more penalties, such as: (i) forfeiture of accreditation or reaccreditation to operate as a distance learning institution; (ii) intervention; (iii) temporary suspension of autonomy prerogatives; (iv) initiate reaccreditation proceedings; (v) reduction of available vacancies within courses; (vi) temporary suspension of new students admissions; and (vii) temporary suspension of courses offered.

Diplomas and certificates for distance learning courses and programs from accredited institutions are valid throughout the national territory and institutions are not entitled to set different criteria for diplomas issued for distance learning courses and those issued for on-site courses.

Distance learning courses may be offered only by HEIs that hold specific accreditations for this purpose. It is MEC's responsibility to promote the accreditation acts of post-secondary institutions. To act outside the institution's local geographic reach, the institution shall require an extraterritorial accreditation to the MEC.

Distance learning courses or programs require periodic renewal. Also, the accredited institution must initiate the authorized coursework within 24 months from the accreditation, and if the institution does not implement the authorized activities in such time frame, it will be subject to an administrative proceeding that may result in the canceling of the given authorization.

Pursuant to Decree No. 9,057/2017, post-secondary courses may be offered in the distance learning modality through a partnership between an accredited distance HEI and another company. In this case, applicable regulations establish that educational activities must be conducted in the facilities of the accredited HEI, which will be responsible before MEC for the regularity of the teaching and learning processes. Accordingly, the HEI must inform MEC of its partnerships, describing their purpose and most relevant aspects, in order for MEC to be able to assess eventual irregularities.

In any case, distance learning courses and programs are subject to the evaluation rules of the SINAES in the same manner that on-site courses are.

Regulatory Processes of Post-secondary Education Institutions

Accreditation of Post-secondary Education Institutions and Authorization and Recognition of Courses

A post-secondary education institution is initially accredited as a college. The accreditation as a university or university center is only granted after the institution has operated as a college and met satisfactory quality standards, including positive assessments in the SINAES. In addition, the HEI must fulfill other legal requirements that could vary according to the respective category, such as the requirement that a certain percentage of faculty members meet minimum graduation standards (i.e., a doctorate or master's degree), and specific types of labor regimes.

The application for qualification of a post-secondary education institution must be supported by various documents, including:

- *Supporting entity:* (i) incorporation documents, duly registered with the competent body, evidencing its existence and legal capacity, in accordance with civil legislation; (ii) proof of registration in the National Taxpayer's Registry or, CNPJ; (iii) certificates of tax and social security compliance; (iv) proof of ownership of assets capable of supporting the education institution; (v) financial statements; and (vi) consent form executed by the supporting entity's legal representative, vouching for the veracity and regularity of the provided information and the financial capability of the supporting entity; and
- *Post-secondary education institution:* (i) proof of payment of the on-site evaluation fee related to the external evaluation to be performed by INEP; (ii) PDI; (iii) bylaws and internal regulations; (iv) identification and qualification of managers, with a description of their academic and administrative experience; (v) receipt of regularity and availability of the teaching facilities; (vi) plan of accessibility assurance, pursuant to the regulation and followed by a technical report by a competent professional or public body; and (vii) compliance with the legal requirements related to the safety of the building, including having an escape route in case of fire, proved by a specific report issued by the competent public body.

[Table of Contents](#)

In relation to the accreditation process of a new post-secondary educational institution and linked course authorizations, MEC may issue a temporary accreditation act to expedite the operation, pursuant to article 24 of Decree No. 9,235/2017, as long as the supporting entity complies with all the following requirements:

- all self-supporting post-secondary education institutions have been reaccredited in the last five years obtaining an average Institutional Score (*Conceito Institucional*) greater or equal to "4";
- none of its post-secondary education institutions have been subject to administrative penalties by MEC in the last two years; and
- the courses to be offered by the new post-secondary institution, which are limited to a maximum of five courses, must already be offered by other institutions supported by the same supporting entity and duly recognized by MEC in the last five years with a Program Score (*Conceito de Curso*) greater or equal to "4".

Following the initial accreditation as a post-secondary education institution, colleges depend on an authorization issued by the MEC to offer post-secondary education courses. Within their autonomy, universities and university centers do not depend on authorization by the MEC to create the majority of post-secondary education courses and campuses in the same city as its headquarters, except for medicine, dentistry, psychology, nursery and law courses, which necessarily must be previously authorized by the MEC. In any other cases, institutions are required to inform the MEC about the programs they offer for purposes of monitoring, evaluation and further recognition.

In addition, Ordinance No. 328/2018 enacted by MEC suspended the opening new undergraduate courses in medicine until 2023.

In the authorization for post-secondary on-site courses of the federal education system the external in loco evaluation can be waived after documentary analysis if the following requirements are met: (i) having an Institutional Score (*Conceito Institucional*) greater than or equal to "3"; (ii) absence of a supervision process; and (iii) the institution offers other courses in the same area of knowledge which meet the minimum evaluation standards.

Requesting authorization for a course must be supported by the following documents, among others: (i) proof of payment of the on-site evaluation fee; (ii) the PPC, outlining the number of students, classes, description of the program and other relevant academic elements, and describing the facilities, technology and staff for the distance learning support units, if applicable; (iii) list of faculty members, together with the relevant agreements entered into with the education institution, together with their respective titles, working hours and work regime; and (iv) proof of availability of the teaching facilities.

Universities and university centers may also apply for the accreditation of a campus not located in the same city as its headquarters, provided that it is located in the same state. Such campuses and programs must integrate the same set of universities or university centers and will only enjoy autonomous prerogatives if there is compliance with the same headquarters requirements and if a high quality degree is shown, through an average Institutional Score (*Conceito Institucional*) greater or equal to "4". Therefore, even in the case of universities or university centers, prior authorization from the MEC is necessary to create any courses on campuses not located in the same city as the university's headquarters.

Once authorization for a given program has been issued, post-secondary education institutions, including university centers and universities, must also file a request for the recognition of the program as a condition for the national validation of the respective diploma. The requirement must be filed with MEC after the midway point of the term established for the completion of the corresponding program and three-quarters completion of such term, and must include the following documents, among others: (i) PPC, including the number of students, schedules and other pertinent academic information, (ii) list of faculty members, listed in the national registry of instructors, and (iii) proof of availability of the teaching facilities.

Authorization and recognition of courses, as well as accreditation of post-secondary education institutions must have a limited term and be renewed periodically following the regular evaluation process, currently established according to the evaluation cycles of the SINAES.

[Table of Contents](#)

Our post-secondary education institutions are accredited by the MEC and their courses are duly authorized. We also make every effort to comply with all applicable regulations to maintain our institutions and courses compliant with MEC regulations.

Modification of Supporting Entity

Pursuant to Decree No. 9,235/2017 and Ordinance No. 23/2017, modification of a supporting entity occurs whenever there is a change in the supporting entity or its controlling shareholder, affecting the decision-making process. Although it no longer depends on the approval of MEC, MEC must be informed within 60 days of the consummation of the event for the purposes of updating the registration with MEC. Such notice must be followed by all the legal documents related to the alteration, duly registered and the term of commitment executed by the legal representatives of both the current and new supporting entities.

The new supporting entity or controlling shareholder must meet the requirements necessary for the accreditation of a post-secondary education institution, which will be assessed by MEC in the context of the institution's reaccreditation proceedings. Additionally, the LDB also provides that educational institutions must inform the MEC of any change in their bylaws, which must be registered with the competent bodies.

The transfer of programs or courses between HEIs is strictly prohibited and may subject the involved entities to penalties such as: (i) suspension of new students' admission; (ii) suspension of the offering of undergraduate or postgraduate *lato sensu* courses; (iii) suspension of the institution's autonomy to, among others, create new post-secondary courses and establish course curricula, if applicable; (iv) suspension of the license to establish new distance-learning programs; (v) override any ongoing regulatory requests filed by the institution and prohibit the filing of any new regulatory requests; (vi) suspension of the participation in the New FIES; (vii) suspension of the participation in PROUNI; and (viii) suspension or restriction to participate in other federal educational programs.

Financing Alternatives for Students: Incentive Programs

Programs providing public funding to students enrolled with private higher education institutions have been a major public policy to expand access to post-secondary education in Brazil, especially for the low-income segment of the population. The most important programs are the following.

University for All Program

The University for All Program, or PROUNI is a tax incentive program created through the Provisional Measure No. 213, of September 10, 2004, later converted into Law No. 11,096, of January 13, 2005, that addresses the exemption of certain federal taxes imposed to post-secondary institutions that grant scholarships to low-income students enrolled in undergraduate courses and technology graduate courses. By granting tax incentives to IES, PROUNI has played an important role in inciting the growth and private investment in the post-secondary education sector.

Private post-secondary institutions may adhere to PROUNI by the execution of a specific agreement with MEC, valid for 10 years and renewable for the same period. Such agreement must be emended every semester with an additional term establishing the number of scholarships to be offered in each course, unit and class, and what percentage of scholarships shall be granted to indigenous and afro-Brazilians. In order to participate in PROUNI, an educational institution must:

- be up to date with its tax obligations; and
- comply with the following requirements: (1) offer at least one full-time scholarship to every 10.7 regularly paying students enrolled at the end of the past school year, excluding the full-time scholarships granted through PROUNI or by the institution; or (2) offer one full-time scholarship to every 22 regularly paying students enrolled in traditional and technological graduation courses, provided that it also offers scholarships (25% or 50% of the tuition) with a value equal to 8.5% of the paying students' annual revenue, available to students enrolled in traditional and technological graduation courses at the school year.

The ratio between the number of scholarships and the number of regularly paying students must be complied with annually. If the entity does not comply with the ratio during a school year because of the withdrawal of

[Table of Contents](#)

students, the institution must adjust the number of scholarships in a proportionate matter for the subsequent school year.

Pursuant to Normative Ruling No. 1,394, of September 12, 2013, issued by the Brazilian Federal Revenue Office, a post-secondary education institution that has adhered to the PROUNI is exempt, totally or partly, from the following taxes for the duration of the adherence period:

- Income Tax ("IRPJ") and Social Contribution on Net Income ("CSLL"), with respect to the net income proportionate to the revenue derived from the Undergraduate Degree Programs and Extension courses; and
- Contribution for Social Security Financing ("Cofins") and Contribution to the Social Integration Plan ("PIS"), with respect to the revenue derived from the traditional and technological graduation courses.

In case a post-secondary education institution requires its exclusion from the PROUNI, its tax incentives will be suspended from the date of the solicitation and will not be applicable for the entire period of the basis of calculation.

Normative Ruling No. 1,394, of September 12, 2013, introduced new provisions regarding the tax exemptions granted by PROUNI, in particular the form to calculate the extension of the benefits. According to this Normative Ruling, in addition to the tax exemptions obtained by HEI signatories to PROUNI, tax exemptions are calculated based on the Proportion of Effective Occupation of the Scholarships, or POEB, and the exemption related to IRPJ would be calculated without taking into account the additional 10%.

According to Article 7, II, amended by Normative Ruling No. 1,417, dated September 6, 2013, the calculation of the exemption also includes the additional 10% of IRPJ, in addition to the CSLL rate. The amount calculated is the amount of the IRPJ and CSLL exemption, respectively, which may be deducted from the IRPJ and CSLL in relation to the totality of our activities. Accordingly, with the issuance of Normative Ruling No. 1,417, of September 6, 2013, the IRPJ / CSLL exemption on our operating income proportionate to the POEB will also include the additional 10% of IRPJ.

Moreover, considering that Normative Ruling No. 1,417, dated September 6, 2013, creates a potential limit to the amount of the tax exemption, the application of these new provisions will result in a reduction in value of the tax exemption obtained. Nevertheless, the legality of the provisions introduced by Normative Ruling No. 1,417, of September 6, 2013, is being discussed before the judiciary, with several motions still pending.

Other modifications of the fiscal incentive granted by PROUNI were established by Normative Ruling No. 1,476, of July 1, 2014, which also amends the aforementioned Normative Ruling No. 1,417, of September 6, 2013, in order to (i) exclude several amounts from the concept of profit of the holding, which impacts the enjoyment of the exemption related to CSLL and IRPJ; and (ii) exclude the POEB from the applicable calculation, specifically for HEI with terms of adherence to PROUNI signed up to June 26, 2011, which also affects the calculation of the exemption specifically enjoyed for the terms of adhesion celebrated in the period prior to that date.

Student Financing Program

The *Programa de Financiamento Estudantil* (Student Financing Program, or FIES), created by Law No. 10,260, of July 12, 2001, is a MEC program to finance students that cannot bear the total costs of their education. FIES has been the most important program for the expansion of access to higher education in Brazil during the last decade, and it is currently responsible for a significant part of the revenues of the majority of private higher education institutions.

FIES consists of funding granted by the National Fund for Educational Development, or FNDE to students regularly enrolled in an on-site course of a post-secondary private HEI registered in the FIES that has been positively evaluated by the MEC. After a specific selection proceeding, students may be partially or wholly funded by FIES and, in that case, FNDE will be responsible for crediting the correspondent amount due by the student to the private higher education institution.

Payments are made with government bonds whose primary purpose is to compensate tax debts from the private higher education institution. In case there are no debts to be compensated, the institution can resell the bonds to the government by means of a specific proceeding that currently occurs on monthly basis. The frequency of these proceedings could vary according to public financial constraints and the discretion of FNDE.

[Table of Contents](#)

FIES has been substantially reshaped by Law No 13,530, dated December 7, 2017, and currently the program is not as broad as it used to be. According to applicable regulations, in order to enroll students that have been selected by FIES, private higher education institutions are required to contribute to the fund 13% of the amount due by the student to the institution as consideration for the educational services rendered in the first year of studies. This amount is subject to change in the following years and could vary between 10% and 25% of the consideration due, depending on specific circumstances.

National Higher Education Evaluation System

The National Higher Education Evaluation System, or SINAES was created by Law No. 10,861 of April 14, 2004, with the purpose of evaluating post-secondary education institutions, undergraduate courses and measuring student academic performance. The main objective of this evaluation system is to assess the quality of education in the country, providing guidelines for MEC to decide upon institutional reaccreditation, recognition and renewal of recognition of courses. Additionally, SINAES is responsible for improving the quality of post-secondary education in Brazil given that MEC can identify deficiencies and establish specific conditions for institutions to remedy their issues and resume their operations.

The SINAES is monitored and coordinated by the CONAES and INEP has a very important role in all processes. The results of the evaluation of post-secondary education institutions and their programs are public and represented on a five level scale as follows:

- Level 5 indicates excellent conditions;
- Level 4 indicates more than satisfactory conditions;
- Levels 3 indicates satisfactory conditions; and
- Levels 1 and 2 indicate unsatisfactory conditions.

Pursuant to applicable regulations, evaluation processes consist of a preliminary assessment of several conditions relating to the institution and its courses, such as infrastructure, titles of faculty members, work schedule of faculty members and student performance. Every year INEP establishes a method to evaluate those elements and for them to correspond to a number in the five level scale.

The preliminary assessment is a complex process based on quality indicators as follows:

- (a) National Student Performance Examination

The National Student Performance Examination, or ENADE, is a test applied to a number of students that are completing courses. It evaluates students' knowledge regarding the content provided in the curricular guidelines of the respective undergraduate course, their skills and competencies. ENADE's results are considered in the composition of quality indexes for courses and institutions.

- (b) Preliminary Course Concept

The Preliminary Course Concept, or CPC, is compound of the ENADE score, the Difference Indicator between Observed and Expected Performance, or IDD, and factors that include teacher titles, the work schedule of faculty staff and infrastructure of the institution. It is an indicator of the state of undergraduate courses in the country. CPC 1 and 2 courses are automatically included in the INEP examiner's visit schedule for on-site verification of teaching conditions. Courses with a concept equal to or greater than 3 can choose not to receive the visit of the evaluators and, thus, transform the CPC into a permanent concept (the Course Concept). The CPC is released every year for a specific group of courses along with the results of ENADE.

- (c) General Course Index

The General Course Index, or IGC, of the institution summarizes in a single indicator the results of CPC and the evaluation of master's and doctorate courses of each educational institution. With regard to graduate courses, CAPES indexes are used and adapted to the scale according to a methodology provided by INEP, given that they are organized in a different manner. IGC also goes from 1 to 5 and is published by INEP/MEC, after the release of the

[Table of Contents](#)

results of ENADE and CPC. The IGC is a criterion in the accreditation and re-accreditation processes of institutions and also in the authorization process for new courses: institutions with IGCs less than 3, for example, may have their applications for new courses rejected by the MEC. Similarly, the indicator is used to guide the expansion of quality education: institutions with good performance are exempted from the authorization of the MEC to open courses.

- (d) Indicator of Difference Between Observed and Expected Performance

The Indicator of Difference Between Observed and Expected Performance, or IDD, is aimed at providing a reference of the contribution of the course to the learning of each student. For that purpose, it compares the results of the ENADE with the performance of the same student in the ENEM. The indicator has a scale of 1 to 5.

Following preliminary assessments, all institutions are typically subject to an on-site evaluation to confirm the results. However, given the size of the system, MEC gives institutions the option to convert the results of the preliminary assessments into final results and, therefore, forgo on-site evaluations. For institutions that obtain unsatisfactory levels, MEC on-site evaluations are mandatory.

Even before the on-site evaluation, MEC is entitled to apply precautionary measures when preliminary assessments of the institution or course are not considered satisfactory, such as: (i) suspension of new enrollments within the respective course or the entire institution; (ii) reduction of vacancies; and (iii) suspension of all regulatory proceedings for institutional reaccreditation, new authorizations, recognitions or renewals of recognitions.

Should the level be confirmed as less than three by the on-site evaluation, MEC may propose a term of commitment to the institution, in order for it to correct the unsatisfactory conditions within a specific deadline. Failure to uphold, in full or in part, the conditions established in the term of commitment may result in one or more penalties to be applied by the MEC, such as: (i) temporary suspension of the opening of a selection process of graduation courses; (ii) disqualification from the operating authorization of the higher education institution or recognition of courses offered; and (iii) warning, suspension or cancellation of the mandate of the officer responsible for the action not executed, in the case of public HEI.

After the on-site evaluations, institutions and courses obtain definitive quality concepts, as follows:

- (a) Institutional Concept, which is the result of the on-site evaluation of the institution performed by INEP; and
- (b) Course Concept, which is the result of the on-site evaluation of the course performed by INEP.

Accreditation for Postgraduate programs

Lato sensu

Post-secondary HEIs accredited for offering undergraduate courses and that have at least one regular undergraduate course or a *stricto sensu* postgraduate course can offer *lato sensu* postgraduate in the subjects in which they are accredited, either on-site or through distance learning.

The offering of postgraduate programs does not require an authorization to operate, even if it is offered by a college. However, it must be notified to MEC, through MEC's system (e-MEC), within 60 days of the date of creation of such course.

The *lato sensu* postgraduate courses are aimed at students who hold a diploma in an undergraduate course and satisfy the criteria of the institution that is offering the postgraduate course. The postgraduate courses must meet the following requirements: (i) curriculum with a minimum study load of 360 hours; and (ii) a teaching staff composed of at least 30% graduates of *stricto sensu* postgraduate courses.

Stricto sensu

The authorization and recognition of *stricto sensu* postgraduate courses (masters and doctorates) must be evaluated by CAPES, submitted to CNE's deliberation and approved by MEC.

The HEIs can only initiate master's and doctorate courses activities following publication of the homologation of CNE's favorable opinion by MEC in the Official Gazette.

[Table of Contents](#)

As part of its analysis, CAPES must consider the general requirements and the specific parameters of the subject area to which each course is linked. The general requirements are: (i) alignment of the proposal with the postgraduate planning of the institution; (ii) suitability and justification of the proposal for the regional or national development and its economic and social importance; (iii) clarity and consistency of the proposal with detailed information on its objectives, area of concentration, lines of research, curricular structure, discipline and bibliographic references; (iv) clarity of the criteria adopted to select the students, justifications for the profile of the aimed formation and profile of the egress; (v) proof that the teaching staff has academic, didactic, technical and scientific competence and qualifications related to the purpose of the course; (vi) a permanent teaching staff to ensure the regularity and quality of teaching, research and orientation activities; (vii) indication of up to five intellectual productions of each permanent teacher; and (viii) physical and technological infrastructure of teaching and research adequate for the development of the proposed activities.

Authorizations of new *stricto sensu* postgraduate courses must be requested at specific dates, as defined by CAPES and published in the Official Gazette.

students as of December 31, 2019, representing a growth of 47.1% for the period.

Our ability to execute our business model and strategy, primarily through our (i) acquisitions (which represented approximately 85.2% of our total growth in terms of net revenue in 2021, 54.0% of our total growth in terms of net revenue in 2020 and 62.0% of our total growth in terms of net revenue in 2019) and (ii) organic growth (which represented approximately 14.8% of our total growth in terms of net revenue in 2021, 46.0% of our total growth in terms of net revenue in 2020 and 39.0% of our total growth in terms of net revenue in 2019), has led to growth, profitability and cash generation.

In 2018, we were also awarded seven new undergraduate campuses in connection with the "Mais Médicos" program, the largest number awarded to any education group, with a total of 350 new medical school seats. The operation of such campuses is subject to the verification by MEC of the satisfactory implementation by Afya Brazil of all regulatory requirements. As of the date of this annual report, MEC already inspected six of these campuses and already issued the authorization to operate. Accordingly, we plan to expand our network, and expect to open an additional campus starting in 2022/2023, taking our total to 35 campuses in 13 Brazilian states and approximately 2,759 available medical school seats per year.

Our Growth

Our revenue growth and increased profitability have been driven by:

- **Maturation of current number of authorized medical school seats** – Anticipated and contracted growth visibility until 2027 from new medical seats awarded to our schools, that are in the process of maturing, and new seats from our awarded campuses in connection with the "Mais Médicos" program and which are expected to become operational by 2022;
- **Ability to set price** – readjustment of tuition fees paid by students enrolled in our medical schools above published inflation indexes. In 2018, we increased the tuition fees for our first-year incoming medical students, on average, by 13.0% (an increase considerably above the 3.7% IPCA inflation rate for this same period) Since 2018, this tuition fees readjustment has applied to all new first-year incoming students. Given that the average length of our medical courses is six years, this tuition fee readjustment will guarantee revenue growth until 2024;
- **Expansion of medical residency preparation and graduate programs enrollments** – Increase in number of students adopting our digital platform, as well as partners and students enrolling in our medical graduate courses;
- **Deepening of relationships across lifelong medical learners base** – Cross-selling opportunities such as increasing the number of former undergraduate students subscribing to our medical residency prep solutions and the number of former undergraduate and/or medical residency prep students applying to our graduate and CME courses;
- **M&A** – Acquisition or investment in businesses that complement our medical education services offering. In 2021, we acquired or invested in nine companies, UNIFIPMoc and Garanhuns, medical schools which increased our medical school seats by more than 37% when compared to December 31, 2020, and iClinic, Medicinae, Medical Harbour, Cliqefarma, Shosp and RX PRO, digital health services companies that strengthened our digital business strategy. In 2020, we acquired or invested in six companies, UniRedentor, UniSL, FESAR and FCMPB, medical schools which increased our medical school seats by more than 36% when compared to December 31, 2019, and PEBMED and MedPhone, digital health services companies that strengthened our digital business strategy; and

103

Table of Contents

- **Synergies extraction** – Successful implementation of several measures to improve the profitability of recent acquisitions, such as streamlining fee discounts and scholarship policies, integrating operations with our shared-services center; and aligning newly acquired faculty teams with our career plan.

Key Business Metrics

We review the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions:

Contribution of Medicine to Total historical undergraduate programs combined tuition fees

We believe the metric that best demonstrates our focus on medical education and its relevance to our products and services offering is historical undergraduate programs combined tuition fees from medicine as a percentage of our total undergraduate programs combined tuition fees.

For the years ended December 31, 2021, 2020 and 2019, historical undergraduate programs combined tuition fees from medicine were 75.9%, 73.7% and 69.3%, respectively, of total undergraduate programs combined tuition fees.

Historical undergraduate programs combined tuition fees*

The following table sets forth information that was derived from the historical operating information, for the year ended December 31, 2020, for Afya Brazil, for each of the Acquired Companies since the date of acquisition. It does not represent net revenue as disclosed in our financial statements included elsewhere in this annual report, which are presented as the sum of (a) gross tuition fees charged to undergraduate students, (b) gross tuition fees charged to graduate students and (c) scholarships.

	For the Year Ended December 31,				
	2021 (in US\$ millions(1))	2021	2020 (in R\$ millions) (except percentages)	2019	2018
Medical school programs	270.8	1,511.4	911.0	550.2	253.4
Other undergraduate health sciences programs	42.9	239.5	152.5	98.5	44.9
Other undergraduate programs(2)	42.9	239.2	173.0	145.6	47.4
Undergraduate programs combined tuition fees	356.6	1,990.1	1,236.5	794.3	345.8
% Medicine(3)	75.9%	75.9%	73.7%	69.3%	73.3%
% Health sciences programs(4)	88.0%	88.0%	86.0%	81.7%	86.3%

* Historical undergraduate programs combined tuition fees is the sum equal to the total tuition fees charged to undergraduate students, as derived from historical operating information of Afya Brazil and the Acquired Companies for the years ended December 31, 2021, 2020, 2019 and 2018. For the years ended December 31, 2021, 2020, 2019 and 2018, the historical undergraduate programs combined tuition fees charged to undergraduate students by us were R\$1,990.1 million, R\$1,236.5 million, R\$794.3 million, and R\$345.8 million, respectively. Historical undergraduate programs combined tuition fees does not include tuition fees we charge graduate students. We present historical undergraduate programs combined tuition fees because, given our limited operating history and that our historical financial information and operational information included elsewhere in this annual report may not be representative of our results and operations as a consolidated company, we believe that it may help investors assess the past operating results of the Acquired Companies as combined with Afya Brazil. This metric also shows the percentage of revenues we derive from our medicine and health sciences programs, which are our core business. We present historical undergraduate programs combined tuition fees as the sum of gross tuition fees charged to undergraduate students, which differs from the tuition fees set forth in our financial statements, which are presented as the sum of (a) gross tuition fees charged to undergraduate students, (b) gross tuition fees charged to graduate students and (c) scholarships which are presented as the sum of gross tuition fees charged to students net of cancellations, discounts and taxes, and which also include revenue from admission fees and income from leases, among others. The past performance of Afya Brazil and the Acquired Companies, as reflected in the historical undergraduate programs combined tuition fees information, may not be indicative of our future performance or any future anticipated synergies, future operating efficiencies or cost savings that may result from these acquisitions. For further information, see "Part I—Introduction—Financial Information—Historical Undergraduate Programs Combined Tuition Fees."

104

Table of Contents

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2021 have been translated to U.S. dollars using an exchange rate of R\$5.580 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2021, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Item 3. Key Information—Selected Financial Data—Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Represents all non-health sciences undergraduate programs.

(3) Calculated as medical school programs divided by the historical undergraduate programs combined tuition fees.

(4) Calculated as the sum of medical school programs and other undergraduate health sciences programs, divided by the historical undergraduate programs combined tuition fees.

Medical School Regulatory Capacity and Capacity at Maturation

Medical school regulatory capacity and capacity at maturation are operating metrics that provide visibility into our medical school enrollments contracted growth given the supply and demand imbalance in the medical school market and the fact that our medical schools have historically operated very close to their regulatory capacity. Accordingly, the gradual increase in our capacity helps explain the increase in our medical school enrollments, which in turn helps explain our medical school enrollments contracted growth. Contracted growth refers only to schools that are in the initial six years of operation. In addition, since the maximum number of medical seats per medical school is set by applicable regulations, the only way to grow our medical school seats, and therefore our number of enrollments, is through acquisitions or starting new medical schools.

Medical school regulatory capacity is defined by the number of medical schools seats available per year awarded by the MEC plus the additional seats associated with PROUNI and FIES, multiplied by the number of years of operations since the seats were awarded, up to the sixth year of operations (maturation). Capacity at maturation represents the maximum number of approved seats at a medical school six

years after becoming operational. Our medical schools have a six-year maturation cycle because medical school programs in Brazil are for a duration of six years. A maturation cycle represents the period starting when a medical school commences its operations with a first year medical school class of students which progresses through the required six years as the next classes begin behind it, and ends when the medical school has six school years of medical students and has therefore reached capacity at maturation (i.e., the maximum number of approved seats).

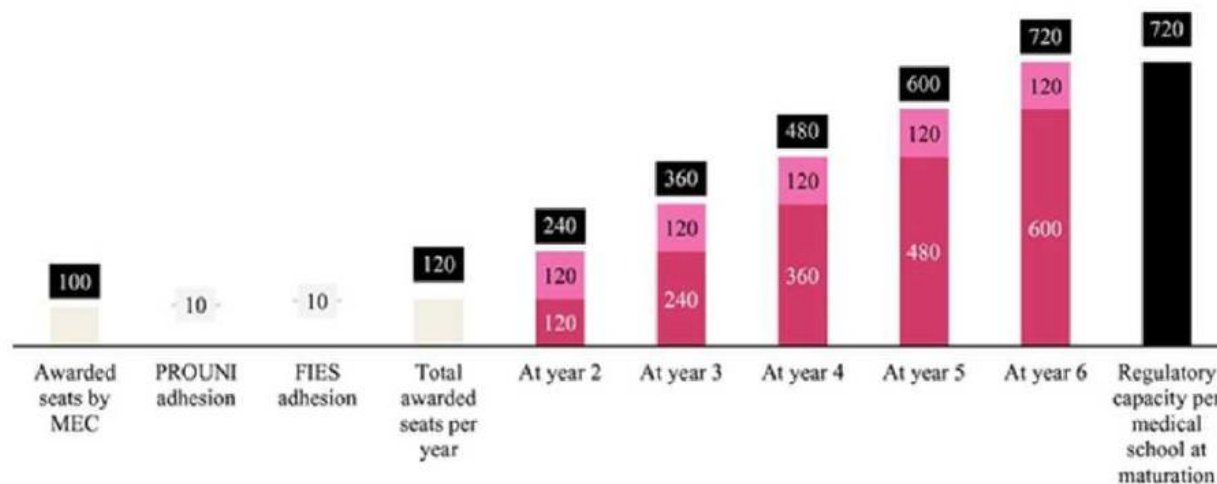
For illustration, a medical school that is awarded 100 seats from the MEC has the opportunity to add up to 20 additional seats:

- 10 more seats by adhering to PROUNI (one seat for every 10.7 seats awarded by MEC); and
- 10 more seats by adhering to FIES (10% of the seats awarded by MEC).

105

[Table of Contents](#)

Illustrative evolution of regulatory capacity per medical school



Our medical school regulatory capacity was 2,731 and 2,481 seats and our capacity at maturation was 17,863 and 15,430 as of December 31, 2021 and December 31, 2020. Assuming our medical schools continue to operate at full capacity, we estimate reaching a total medical student base of 19,865 students by 2028. Assuming we are able to consummate our projected acquisitions, we expect our future medical student base to reach approximately 19,865 students at maturity.

Medical School Occupancy Rate

The occupancy rate of our medical schools is the ratio of the number of students effectively enrolled divided by the regulatory capacity in a given period. While we believe retention rates are an important measure of quality and customer satisfaction, we believe that occupancy rate is a more meaningful metric as it captures not only our ability to retain students but also to find new students to compensate for eventual dropouts. Our management does not separately measure retention rates to make decisions about our business.

The following table sets forth our medical seats occupancy rate as of the dates indicated.

	As of December 31,		
	2021	2020	2019
Occupancy rate	~100.0%	~100.0%	~100.0%

Significant Factors Affecting Our Results of Operations

We believe that our results of operations and financial performance will be driven by the following trends and factors:

Regulatory Environment and Mais Médicos Program

Our business is significantly influenced by the regulatory environment of the educational industry in Brazil. We are subject to various federal laws and extensive government regulations by MEC, CNE, INEP, FIES and CONAES, among others. In particular, medical education in Brazil is subject to regulations that aim to control the supply of medical seats across Brazil and their geographic allocation including, but not limited to Law No. 12,871/2013, which created the "Mais Médicos" program, whose main objectives include addressing the provision of doctors for primary care in municipalities, strengthen health care infrastructure and allocate medical workforce to vulnerable areas. With the increase in annual offerings through "Mais Médicos," the Education Ministry announced on April 5, 2018 that the Brazilian federal government had decided to freeze the new offering of medical seats for a period of five years.

The decision was based on the previously defined target of at least 11,000 annual medical seats, which according to the World Health Organization, or WHO, was achieved in 2018. For further information, see "Item 4.

106

[Table of Contents](#)

Information on the Company—Business Overview—Regulatory Overview," "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—The post-secondary education sector is highly regulated, and our failure to comply with existing or future laws and regulations could significantly impact our business," and Risk Factors—Certain Risks Relating to Our Business and Industry—We are subject to supervision by MEC and, consequently, may suffer sanctions as a result of non-compliance with any regulatory requirements."

Scholarships, Student Financing and Tax Benefits

A large number of our students fund their tuition fees through financing from FIES. In addition, we participate in the PROUNI scholarship program, and we benefit from tax benefits in return. For more information on our students enrolled in these programs, see "Item 4. Information on the Company—Business Overview—Regulatory Overview—Financing Alternatives for Students: Incentive Programs—University for All Program (PROUNI)," "Regulatory Overview—Financing Alternatives for Students: Incentive Programs—Student Financing Program (FIES)," "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Changes to the rules or delays or suspension of tuition payments made through FIES may adversely affect our cash flows and our business," and "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—If we lose the benefits of federal tax exemptions provided under the PROUNI program, our business, financial condition and results of operations may be materially adversely affected." In addition to PROUNI and FIES, Afya participates in private financing programs through external partners (Banco Santander and Raydan) for undergraduate students.

Brazilian Macroeconomic Environment

All of our operations are located in Brazil. As a result, our revenues and profitability are affected by political and economic developments in Brazil and the effect that these factors have on the availability of credit, disposable income, employment rates and average wages in Brazil. Our operations, and the industry in general, may be affected changes in economic conditions.

Brazil is the largest economy in Latin America, as measured by gross domestic product, or GDP. The following table shows data for real GDP, inflation and interest rates in Brazil and the U.S. dollar/real exchange rate at the dates and for the periods indicated.

	For the Year Ended December 31,		
	2021	2020	2019
Real growth (contraction) in gross domestic product	4.6%	(4.1)%	1.1%
Inflation (IGP-M)(1)	17.8%	23.1%	7.3%
Inflation (IPCA)(2)	10.1%	4.5%	4.3%

Long-term interest rates—TJLP (average)(3)	4.8%	4.9%	6.2%
CDI interest rate(4)	9.1%	1.9%	4.4%
Period-end exchange rate— <i>reais</i> per US\$1.00	5.581	5.196	4.030
Average exchange rate— <i>reais</i> per US\$1.00(5)	5.412	5.158	3.946
Appreciation (depreciation) of the <i>real</i> vs. US\$ in the period(6)	(7.3)%	(28.9)%	(4.0)%
Unemployment rate(7)	11.1%	13.5%	11.9%

Source: FGV, IBGE, Central Bank and Bloomberg.

- (1) Inflation (IGP-M) is the general market price index measured by the FGV.
- (2) Inflation (IPCA) is a broad consumer price index measured by the IBGE.
- (3) TJLP is the Brazilian long-term interest rate (average of monthly rates for the period).
- (4) The CDI (*certificado de depósito interbancário*) interest rate is an average of interbank overnight rates in Brazil.
- (5) Average of the exchange rate on each business day of the year.
- (6) Comparing the US\$ closing selling exchange rate as reported by the Central Bank at the end of the period's last day with the day immediately prior to the first day of the period discussed.
- (7) Average unemployment rate for the year as measured by the IBGE.

107

[Table of Contents](#)

Inflation directly affects our current operating costs and expenses, adjusted by reference to indexes that reflect the inflation rate such as the IGP-M or IPCA, primarily as a result of annual adjustments to faculty member and employee salaries. Historically, inflation has been more than offset by the tuition fees we charge our students.

Our financial performance is also marginally tied to fluctuations in interest rates, such as the CDI rate, because such fluctuations affect the value of our financial investments. We are also exposed to fluctuations in interest rates on our accounts payable to selling shareholders which are indexed to the CDI, IPCA and SELIC.

In addition, the COVID-19 pandemic and measures taken in response may continue adversely impacting the Brazilian macroeconomic environment and our business. The COVID-19 pandemic is still evolving in Brazil and pandemic may result in an adverse effect on the general economic, financial, political, demographic and business conditions in Brazil, which may adversely impact the ability of our students to pay our tuition fees and increase our attrition rates. As of the date of this annual report, all of the lockdown restrictions have been revoked by Brazilian authorities in our campus locations and the Company has also successfully resumed all of our practical classes in medicines courses and all of our in-classroom classes. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, have adversely affected and may continue to adversely affect our business."

Acquisitions

We may face significant challenges in the process of integrating the operations of our acquired companies. If we are not able to manage these integrations effectively, our results of operations may be affected. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—We may not be able to identify and acquire new medical higher education institutions or meet our strategic and financial goals in connection with any business acquisition we seek, and difficulties in effectively integrating and managing a growing number of acquisitions may adversely affect our strategic objectives" and Item 4. Information on the Company—B. Business Overview—Our Recent Acquisitions."

Business Segments

During 2021, in connection with the recent acquisitions of digital and technology companies, the Company revised its operating segments. As result, the Company has three operating segments as opposed to the previously reported Business Unit 1 (educational services through undergraduate and graduate courses related to medicine, other health sciences and other undergraduate programs) and Business Unit 2 (residency preparatory courses and medical post-graduate specialization programs, delivering printed and digital content, an online medical education platform). The three reportable segments are as follows:

- Undergrad, which provides educational services through undergraduate courses related to medicine, other health sciences and other undergraduate programs;
- Continuing Education, which provides specialization programs and graduate courses; and
- Digital Services, which provides content and technology for medical education, clinical decisions software, practice management tools and electronic medical records, doctor-patient relationship, telemedicine and digital prescription.

Due to changes in operating segments, segment information for the years ended December 31, 2020 and 2019 has been restated. Segment information is presented consistently with the internal reports provided to the our chief executive officer, who is our chief operating decision maker (CODM) and is responsible for allocating resources, assessing the performance of our operating segments, and making our strategic decisions.

No operating segments have been aggregated to form the above reportable operating segments. There is only one geographic region and the results are monitored and evaluated as a single business.

There were no revenues derived from the Digital Services segment prior to the consolidation of Medcel and IPEMED in our financial statements starting on March 29, 2019 and May 9, 2019, respectively. For further information, see note 4 to our audited consolidated financial statements included elsewhere in this annual report.

108

[Table of Contents](#)

Description of Principal Line Items

Net revenue

Our revenue consists primarily of tuition fees we charge for medical schools and other undergraduate and graduate programs, as well as from fees we charge for our medical residency preparatory courses and mobile app subscription for digital medical content. We also generate revenue from other student fees and certain education-related activities that typically trend with tuition revenues.

Cost of services

Cost of services includes expenses related to payroll, rent, hospital agreements, utilities and depreciation and amortization. Cost of services amounted to 37.9%, 36.2% and 41.1% of our net revenue in the years ended December 31, 2021, 2020 and 2019, respectively.

Operating expenses

Our operating expenses includes expenses for personnel, general and administrative, management and officer compensation, marketing and other income (expenses), net.

Personnel. Personnel expenses consist of wages, overtime, benefits (meal vouchers, transportation vouchers and medical and dental insurance, among others), profit sharing, social contribution and payroll taxes. In Brazil, social contribution and payroll taxes consist of the Brazilian Social Security Institute (*Instituto Nacional do Seguro Social*) contribution, or INSS, and the Brazilian Unemployment Severance Fund (*Fundo de Garantia do Tempo de Serviço*) contribution, or FGTS.

General and administrative. General and administrative expenses mainly consist of: (i) building infrastructure expenses, such as rent and property maintenance; (ii) utilities expenses; (iii) expenses for computer system maintenance and office automation, such as software licenses, as well as for integrated accounting, treasury, financial planning and cost management systems; (iv) sales and marketing expenses; (v) allowance for doubtful accounts; and (vi) amounts paid for professional services, such as consultants, auditors and outside counsel.

Other income (expenses), net. Other income (expenses), net, consists mainly of miscellaneous income and/or expense items.

Finance result

Our finance result includes finance income and finance expenses.

Our finance income consists mainly of income from interest earned on financial investments and interest received on late payments from students. Our finance expenses consist mainly of interest expenses from accounts payable to selling shareholders, loans and lease liabilities, foreign exchange associated with our cash in US Dollars and banking fees.

We also have cash and cash equivalents denominated in U.S. dollars, and accordingly, we have foreign exchange gain or losses from the changes in U.S. dollars against the Brazilian *real*.

Income taxes expense

Income taxes expense includes current income taxes and social contribution.

Historical Consolidated Results of Operations

Year Ended December 31, 2021 Compared to the year ended December 31, 2020

The following table sets forth our historical consolidated income statement data for the years ended December 31, 2021 and 2020:

109

Table of Contents

	For the Year Ended December 31,		
	2021	2020	Variation (%)
	(in R\$ millions, except for percentages)		
Net revenue	1,719.4	1,201.2	43.1%
Cost of services	(652.3)	(434.7)	50.1%
Gross profit	1,067.1	766.5	39.2%
General and administrative expenses	(622.6)	(402.9)	54.6%
Other income (expenses), net	(3.6)	(0.3)	926.2%
Operating income	440.9	363.3	21.3%
Finance income	64.6	62.3	3.7%
Finance expenses	(243.8)	(98.3)	148.1%
Finance result	(179.2)	(36.0)	398.2%
Share of income of associate	11.8	7.7	53.2%
Income before income taxes	273.5	335.1	(18.4%)
Income taxes expense	(31.2)	(27.1)	15.2%
Net income	242.3	308.0	(21.3%)

Net revenue

Net revenue for the year ended December 31, 2021 was R\$1,719.4 million, an increase of R\$518.2 million, or 43.1%, from R\$1,201.2 million for the year ended December 31, 2020. This increase was primarily driven by: (i) organic revenue growth, mainly due to the maturation of medical school seats; (ii) consolidation of the results of operations of acquired companies in 2021 (iClinic, Medicinae, Medical Harbour, Cliquefarma, Shosp, Unifipmoc, Unigranrio and RX Pro) including two Mais Medicos campuses opened at the end of 2020 (Santa Ines and Cruzeiro do Sul), (iii) increase in the average ticket of Medical programs and, (iv) the fact that PEBMED has 12 months of net revenue in 2021, against approximately five months in 2020.

In our Undergrad segment, net revenue for the year ended December 31, 2021 was R\$1,498.4 million, an increase of 49.5%, or R\$495.9 million, from R\$1,002.5 million for the year ended December 31, 2020. This increase was primarily attributable to the factors discussed above.

In our Continuing Education segment, net revenue for the year ended December 31, 2021 was R\$73.0 million, a decrease of 31.9%, or R\$34.2 million, from R\$107.2 million for the year ended December 31, 2020. This decrease was primarily attributable to a reduction in active paying students because of: (a) in-person practical programs that have not been offered since the first half of 2020 and, (b) physicians' decision to postpone admission to specialization courses due to the COVID-19 pandemic.

In our Digital Services segment, net revenue for the year ended December 31, 2021 was R\$147.9 million, an increase of 61.6%, from R\$91.5 million for the year ended December 31, 2020 considering intercompany transactions. This increase was primarily attributable to: (i) the consolidation of the results of operations of acquired companies in 2021 (iClinic, Medicinae, Medical Harbour, Cliquefarma, Shosp and RX Pro); and (ii) the fact that PEBMED has 12 months of net revenue in 2021, against approximately five months in 2020.

Cost of services

Cost of services for the year ended December 31, 2021 was R\$652.3 million, an increase of R\$217.6 million, or 50.0%, from R\$434.7 million for the year ended December 31, 2020. This increase was primarily attributable to (i) the consolidation of the results of operations of acquired companies in 2021 (iClinic, Medicinae, Medical Harbour, Cliquefarma, Shosp, Unifipmoc, Unigranrio and RX Pro), and a corresponding increase in payroll expenses, and (ii) an increase in severance related costs and other costs associated with the downsizing of teaching staff rosters at some of our recently acquired units to take advantage of synergies and increase in salaries due to inflation.

As a percentage of net revenue, our cost of services increased to 37.9% for the year ended December 31, 2021, compared to 36.2% for the year ended December 31, 2020.

110

Table of Contents

In our Undergrad segment, cost of services for the year ended December 31, 2021 was R\$555.0 million, an increase of R\$173.0 million, or 45.3%, from R\$382.0 million for the year ended December 31, 2020, considering intercompany transactions. This increase was primarily attributable to the factors discussed above.

In our Continuing Education segment, cost of services for the year ended December 31, 2021 was R\$50.8 million, an increase of R\$10.8 million, or 27%, from R\$40.0 million for the year ended December 31, 2020. This increase was primarily attributable to (i) new units (6 branches) of IPEMED and (ii) increase in salaries due to inflation.

In our Digital Services segment, cost of services for the year ended December 31, 2021 was R\$50.5 million, an increase of R\$36.2 million, or 253.1%, from R\$14.3 million for the year ended December 31, 2020. This increase was primarily attributable to (i) the fact that PEBMED has 12 months of net revenue in 2021, against approximately five months in 2020; and (ii) an increase in salaries due to inflation.

Gross profit

As a result of the foregoing, gross profit for the year ended December 31, 2021 was R\$1,067.1 million, an increase of R\$300.5 million, or 39.2%, from R\$766.5 million for the year ended December 31, 2020.

In our Undergrad segment, gross profit for the year ended December 31, 2021 was R\$943.4 million, an increase of R\$322.9 million, or 52.0%, from R\$620.5 million for the year ended December 31, 2020.

In our Continuing Education segment, gross profit for the year ended December 31, 2021 was R\$22.2 million, a decrease of R\$45.0 million, or 67%, from R\$67.2 million for the year ended December 31, 2020.

In our Digital Services segment, gross profit for the year ended December 31, 2021 was R\$101.5 million, an increase of R\$22.6 million, or 28.7%, from R\$78.8 million for the year ended December 31, 2020.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2021 was R\$622.6 million, an increase of R\$219.7 million, or 54.6%, from R\$402.9 million for the year ended December 31, 2020. This increase was primarily attributable to (i) the consolidation of the results of operations of acquired companies in 2021 (iClinic, Medicinae, Medical Harbour, Cliquefarma, Shosp, Unifipmoc, Unigranrio and RX Pro), (ii) an increase in maintenance expenses, to R\$47.1 million for the year ended December 31, 2021, from R\$20.7 million for the year ended December 31, 2020, as a result of improvements in acquired acquisitions; and (iii) an increase in sales and marketing, to R\$39.5 million ended December 31, 2021, from 18.3 million for the year ended December 31, 2020, also related mostly to acquisitions advertising.

Operating income

For the reasons discussed above, operating income for the year ended December 31, 2021 was R\$440.9 million, an increase of R\$77.6 million, or 21.3%, from R\$363.3 million for the year ended December 31, 2020.

Finance result

Finance result for the year ended December 31, 2021 was a net finance expense of R\$179.2 million, compared to a net finance expense of R\$36.0 million for the year ended December 31, 2020, for the reasons described below.

Finance income. Finance income for the year ended December 31, 2021 was R\$64.6 million, an increase of R\$2.3 million, from R\$62.3 million for the year ended December 31, 2020. This increase was primarily attributable to (i) an increase in interest received of R\$11.2 million (ii) an increase in income from financial investments of R\$11.3 million, and (iii) no amount in 2021 related to changes in fair value of derivative instruments that corresponded to R\$20.7 million in 2020 since the Company did not have any derivative instruments in 2021.

Finance expenses. Finance expenses for the year ended December 31, 2021 was R\$243.8 million, an increase of R\$145.5 million, from R\$98.3 million for the year ended December 31, 2020. This increase was primarily attributable to (i) an increase in interest expenses on lease liabilities of R\$22.8 million, as a result of the companies acquired and new lease agreements in the period (ii) an increase in interest expense of R\$82.9 million mainly by net

[Table of Contents](#)

debt resulting from the acquisitions in 2021 (accounts payable to selling shareholders, loans and financing, including perpetual convertible preferred shares); and (iii) an increase in foreign exchange loss of RS13.3 million in 2021, as a result of adverse foreign exchange impacts on our cash and banks in the period.

Income before income taxes

As a result of the foregoing, income before income taxes for the year ended December 31, 2021 was RS273.5 million, a decrease of RS61.6 million, or 18.4%, from RS335.1 million for the year ended December 31, 2020.

Income taxes expense

Income taxes expense for the year ended December 31, 2021 was RS31.2 million, an increase of RS4.1 million, from RS27.1 million for the year ended December 31, 2020. Despite our Prouni incentives, this increase was primarily attributable to: (i) the increase in our taxable profit as a result of the positive impact of our organic growth; (ii) the consolidation of the results of operations of acquired companies in 2021 (IClinic, Medicinae, Medical Harbour, Clieqefarma, Shosp, Unifipmoc, Unigranrio and RX Pro) during the course of 2021; and (iii) presumed profit (*lucro presumido*) taxation regime applicable to Medcel and PEBMED.

Net income

As a result of the foregoing, our net income for the year ended December 31, 2021 was RS242.3 million, a decrease of RS65.7 million, or 21.3%, from RS308.0 million for the year ended December 31, 2020.

Year Ended December 31, 2020 Compared to the year ended December 31, 2019

Due to changes in operating segments, segment information for the years ended December 31, 2020 and December 31, 2019 has been restated. Accordingly, set forth below is a discussion of certain items reflecting the change in operating segments.

Net revenue

Net revenue for the year ended December 31, 2020 was RS1,201.2 million, an increase of RS450.6 million, or 60.0%, from RS750.6 million for the year ended December 31, 2019. This increase was primarily driven by: (i) organic revenue growth, mainly due to the maturation of medical school seats; and (ii) consolidation of the results of operations of acquired companies in 2020 (Uniredentor, UniSL, PEBMED, FESAR, Medphone and FCMPB).

In our Undergrad segment, net revenue for the year ended December 31, 2020 was RS1,002.5 million, an increase of 53.3%, or RS348.7 million, from RS653.8 million for the year ended December 31, 2019. This increase was primarily attributable to the factors discussed above.

In our Continuing Education segment, net revenue for the year ended December 31, 2020 was RS107.2 million, an increase of 65.2%, or RS42.3 million, from RS64.9 million for the year ended December 31, 2019. This increase was primarily attributable to IPEMED, that had 12 months of net revenue in 2020, against approximately seven months in 2019.

In our Digital Services segment, net revenue for the year ended December 31, 2020 was RS91.5 million, an increase of 186.0%, or RS32.0 million, from RS59.5 million for the year ended December 31, 2019. This increase was primarily attributable to the acquisition of PEBMED in 2020 and the fact that in 2020 Medcel had 12 months of net revenue against approximately nine months in 2019.

Cost of services

Cost of services for the year ended December 31, 2020 was RS434.7 million, an increase of RS125.8 million, or 40.7%, from RS308.9 million for the year ended December 31, 2019. This increase was primarily attributable to the consolidation of the results of operations of acquired companies in 2020 (Uniredentor, UniSL, PEBMED, FESAR, Medphone and FCMPB), and (i) a corresponding increase in payroll expenses, and (ii) an increase in severance related costs and other costs associated with the downsizing of teaching staff rosters at some of our recently acquired units to take advantage of synergies.

[Table of Contents](#)

As a percentage of net revenue, our cost of services decreased to 36.1% for the year ended December 31, 2020, compared to 41.1% for the year ended December 31, 2019.

In our Undergrad segment, cost of services for the year ended December 31, 2020 was RS382.0 million, an increase of RS103.0 million, or 36.9%, from RS279.0 million for the year ended December 31, 2019. This increase was primarily attributable to the factors discussed above.

In our Continuing Education segment, cost of services for the year ended December 31, 2020 was RS40.0 million, an increase of RS10.7 million, or 36.7%, from RS29.3 million for the year ended December 31, 2019. This increase was primarily attributable to the factors discussed above.

In our Digital Services segment, cost of services for the year ended December 31, 2020 was RS14.3 million, an increase of RS9.9 million, or 224.8%, from RS4.4 million for the year ended December 31, 2019. This increase was primarily attributable to the factors discussed above.

Gross profit

As a result of the foregoing, gross profit for the year ended December 31, 2020 was RS766.5 million, an increase of RS324.7 million, or 73.5%, from RS441.8 million for the year ended December 31, 2019.

In our Undergrad segment, gross profit for the year ended December 31, 2020 was RS620.5 million, an increase of RS245.8 million, or 65.6%, from RS374.7 million for the year ended December 31, 2019.

In our Continuing Education segment, gross profit for the year ended December 31, 2020 was RS67.2 million, an increase of RS31.6 million, or 88.7%, from RS35.6 million for the year ended December 31, 2019.

In our Digital Services segment, gross profit for the year ended December 31, 2020 was RS78.8 million, an increase of RS47.3 million, or 150.5%, from RS31.5 million for the year ended December 31, 2019.

For comparative discussions regarding General and administrative expenses, Operating income, Finance result, Finance income, Finance expenses, Income before income taxes, Income taxes expense and Net income, see our annual report on Form 20-F for the fiscal year ended December 31, 2020, filed with the SEC on April 30, 2021.

Critical Accounting Estimates and Assumptions

Our consolidated financial statements are prepared in conformity with IFRS. In preparing our audited consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our consolidated financial statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments and estimates. Our significant accounting policies are described in note 2 and our critical accounting estimates and assumptions are described in note 3 to our audited consolidated financial statements included elsewhere in this annual report. We believe that the following critical accounting policies are more affected by the significant judgments and estimates used in the preparation of our consolidated financial statements.

Identification and fair-value measurement of assets and liabilities acquired in a business combination

We account for business combinations using the acquisition method. Such method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Identifiable assets and liabilities assumed must be classified or designated on the basis of our own contractual terms, economic conditions, operating and accounting policies and other relevant conditions as at the acquisition date. Such assessment requires judgments on the methods used to determine the fair value of the assets acquired and liabilities assumed, including valuation techniques that may require prospective financial information inputs.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") or group of CGUs exceeds its recoverable amount, defined as the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on data available from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model, or DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities to which we have not yet committed or

[Table of Contents](#)

significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as to expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and indefinite lived intangible assets recognized by us. The key assumptions used to

determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 12 to our audited consolidated financial statements included elsewhere in this annual report.

Share-based compensation

Estimating fair value for share-based compensation transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions we use the Binomial model. We had stock plans that were fully exercised on July 31, 2019, for which the Monte Carlo and Black & Scholes pricing model were used for the Afya Brazil Long-Term Incentive Plan and Guardaya's stock option plan (which was transferred to the Afya Brazil Long-Term Incentive Plan), respectively. For further information on the assumptions and models used for estimating the fair value for share-based compensation transactions, see note 16 to our audited consolidated financial statements included elsewhere in this annual report.

Leases – Estimating the incremental borrowing rate

We are unable to readily determine the implicit interest rate in lease arrangements, therefore, we use incremental borrowing rate, or IBR, to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The IBR is estimated using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Recent Accounting Pronouncements

The new amendments and interpretations that were applied for the first time in 2021 did not have a significant impact on our consolidated financial statements.

B. Liquidity and Capital Resources

As of December 31, 2021, we had R\$748.6 million in cash and cash equivalents. We believe that our current available cash and cash equivalents and the cash flows from our operating activities will be sufficient to meet our working capital requirements and capital expenditures in the ordinary course of business for the next 12 months. Future cash needs in the short and long term will be funded by our operating cash flow and from funds raised in the debt or equity capital markets.

The following table shows the historical cash flows for the years ended December 31, 2021, 2020 and 2019:

	2021	For the Year Ended December 31, 2020 (in R\$ millions)	2019
Cash Flow Data			
Net cash flows from operating activities	630.9	371.5	299.2
Net cash flows used in investing activities	(1,274.1)	(1,042.8)	(354.1)
Net cash flows from financing activities	364.7	756.4	921.4

114

[Table of Contents](#)

Operating Activities

We had net cash flows from operating activities of R\$630.9 million in 2021, as compared to R\$371.5 million in 2020, mainly due to the maturation of medical seats, an increase in the average ticket of medical programs and consolidation of acquisitions of medical schools and digital services. The main variations in our operating assets and liabilities were: (i) a decrease in the growth of the trade receivables from R\$164.3 million as of December 31, 2020 to R\$79.7 million as of December 31, 2021, affected by the end of the grace period of tuition renegotiation that occurred in 2020 and (ii) a change in advances from customers from R\$(1.9) million as of December 31, 2020 to R\$36.0 million as of December 31, 2021, mainly due to the better economic environment in our locations and acquisitions.

Investing Activities

We had net cashflows used in investing activities of R\$1,274.0 million in 2021, as compared to net cash flows from investing activities of R\$1,042.8 million in 2020. The main variations in our investing activities were: (i) an increase of Intangibles assets from R\$47.7 million as of December 31, 2020 to R\$150.9 million as of December 31, 2021 related to Garanhuns acquisition, Educational Platform/ Software development and (ii) acquisition of subsidiaries, net of cash acquired of R\$92.1 million.

Financing Activities

We had net cash flows from financing activities of R\$364.7 million in 2021, as compared to R\$756.4 million in 2020, mainly due to the outflow of R\$213.7 for our Repurchase programs in addition to an inflow reduction of R\$184.7 from issuance of loans combined with equity capital markets (ECM) transactions when compared to 2020.

For a discussion of changes in our consolidated cash flows in the year ended December 31, 2020 compared to the year ended December 31, 2019, see our annual report on Form 20-F for the fiscal year ended December 31, 2020, filed with the SEC on April 30, 2021.

Liquidity

Our management has responsibility for monitoring liquidity risk. In order to achieve the Company's objective, our management regularly reviews the risk and maintains appropriate reserves, including bank credit facilities with first tier financial institutions. Our management also continuously monitors projected and actual cash flows and the combination of the maturity profiles of the financial assets and liabilities.

The main requirements for financial resources used by the Company arise from the need to make payments for suppliers, operating expenses, labor and social obligations, loans and financing and accounts payable to selling shareholders.

Our total liquidity, which we calculate as the sum of cash and cash equivalents, decreased 28.4%, from R\$1,045.0 as of December 31, 2020 to R\$748.6 million as of December 31, 2021. In addition to that, we had a positive working capital of R\$440.4 million in 2021 from R\$816.1 million in 2020. The main reasons for these changes are disclosed above, on topics "Investing Activities" and "Financing Activities".

Indebtedness

Loans

As of December 31, 2021, we had outstanding debt, comprised of our loans and financings, in the aggregate amount of R\$1,374.8 million, and lease liabilities of R\$714.1 million.

On October 1, 2020, Afya Brazil entered into a loan with Banco Itaú Unibanco S.A. in the amount of R\$ 500,000 adjusted by the CDI rate plus an interest rate of 1.62% per year and is repayable in three installments in October 2022, April 2023 and October 2023.

On July 3, 2020, Afya Brazil entered into a loan agreement with Banco Votorantim S.A. in the amount of R\$ 100,000 adjusted by the CDI rate plus an interest rate of 1.65% per year and was repaid at maturity on July 5, 2021.

On May 5, 2020, as a result of the acquisition of UniSL, the Company assumed loans agreements with BNDES which has an interest rate of 10.03% per year and maturity in 2024. This amount was prepaid in September 2021.

On July 23, 2019, Medcel entered into a loan of R\$16.2 million with Financiadora de Estudos e Projetos ("FINEP"), a governmental agency focused on financing investments on R&D, which has an interest rate based on TJLP (Long term interest rate), and maturity in 2027. The first and second tranches of R\$6.7 million and R\$4.1 million, respectively, were drawn down in October 2019 and December 2020, respectively, in order to develop the Medical web series and other digital content. There are no financial covenants under this agreement. The total loan balance is guaranteed by a bank warranty.

115

[Table of Contents](#)

On October 28, 2020, UNIFIPmc entered into a loan with Banco Itaú Unibanco S.A. in the amount of R\$30.0 million. On June 30, 2021 this agreement was amended and is now adjusted by the CDI rate plus an interest rate of 1.75% per year and is repayable in three installments in July 2023, January 2024 and July 2024.

Financial institution	Currency	Interest rate	Maturity	2021	2020
Banco Itaú Unibanco S.A. (a)	Brazilian real	CDI + 1.62% p.y.	2023	510,972	504,365
Banco Votorantim (b)	Brazilian real	CDI + 1.65% p.y.	2021	-	101,785

BNDES (c)	Brazilian real	10.03% p.y.	2024	-	471
FINEP (d)	Brazilian real	TJLP p.y.	2027	10,145	10,864
Softbank (f)	Brazilian real	6.5% p.y.	2026	822,560	-
Banco Itaú Unibanco S.A. (e)	Brazilian real	CDI + 1.75% p.y.	2024	31,199	-
				1,374,876	617,485
Current				128,720	107,162
Non-current				1,246,156	510,323

Financing – Series A Perpetual Convertible Shares

On April 26, 2021, the Company issued and sold 150,000 shares of perpetual convertible preferred shares designated as Series A perpetual convertible preferred shares, with a par value of U.S.\$0.00005 per share of the Company for US\$150.0 million, equivalent to R\$821.8 million, on the issuance date. The Series A perpetual convertible preferred shares is a class of equity security that ranks senior to the common shares with respect to dividend rights or rights upon liquidation.

Each Series A perpetual convertible preferred share is entitled to a cash dividend of 6.5% per annum and is convertible, at the holder's discretion, into the Company's Class A common shares at an initial conversion price of US\$25.35. The Company may require the conversion of any or all of the Series A perpetual convertible preferred shares at any time on or after the three-year anniversary of the original issuance date if certain conditions set forth in the certificate of designation are met (if for 20 out of 30 consecutive trading days prior, Afiya's stock price is equal or above 150% of the conversion rate). The Company may also redeem any or all of the Series A perpetual convertible preferred shares for cash, shares of its common shares or a combination thereof at its election, at any time on or after the seven-year anniversary of the original issuance date as determined in the certificate of designation. On or after the five-year anniversary of the original issuance date, the holders of the Series A perpetual convertible preferred shares shall have the right to redeem all of the outstanding Series A perpetual convertible preferred shares for cash, the Company's common shares or a combination thereof (at the Company's election, subject to certain conditions) to be determined in the certificate of designation. Upon the occurrence of a change of control, the holders will have the right to redeem their Series A perpetual convertible preferred shares for cash at a price set forth in the certificate of designation. The Series A perpetual convertible preferred shares will be entitled to the same voting rights as the common shares only when converted into common shares.

The Company determined that the Series A perpetual convertible preferred shares should be classified as a financial liability at amortized cost upon their issuance since they are redeemable primarily according to the decision of the holder and there is a contractual obligation to deliver assets (cash, common shares or a combination thereof) that could not be avoided by the Company in an event of redemption. The financial liability is denominated in Brazilian Reals and thus not subject to foreign exchange changes. The initial transaction costs that are directly attributable to the issuance of Series A perpetual convertible preferred shares were measured at fair value together with the financial liability on initial measurement. The transaction costs totaled R\$13.0 million, including legal counsels and advisors.

For further information on our loans and financing, see note 13.2.1 to the audited consolidated financial statements, included elsewhere in this annual report.

Share Buyback Program

For further information on our share buyback program, see note 17 (e) to the audited consolidated financial statements, included elsewhere in this annual report, Exhibit 2.1, "Description of Securities Registered Under

116

[Table of Contents](#)

Section 12 of the Exchange Act – Share Repurchases” and “Item 16E. Purchases Of Equity Securities By The Issuer And Affiliated Purchasers”.

Tabular Disclosure of Contractual Obligations

The following is a summary of our contractual obligations, based on contractual undiscounted amounts, as of December 31, 2021:

	Total	Payments Due by Period as of December 31, 2021			
		Less than 1 year	1 – 3 years (in R\$ millions)	3 – 5 years	More than 5 years
Trade payables	59.1	59.1	—	—	—
Loans and financing (1)	1,753.3	217.9	585.7	948.5	1.2
Lease liabilities	1,628.2	103.0	211.9	204.7	1,108.6
Accounts payable to selling shareholders	780.1	246.1	445.1	89.0	—
Notes payable	89.9	15.6	74.3	—	—
Advances from customers	114.6	114.6	—	—	—
Total	4,425.2	756.3	1,317.0	1,242.2	1,109.8

(1) Loans and financing includes the obligations related to our Series A perpetual convertible preferred shares discussed in note 13.2.1(f) to our audited consolidated financial statements included elsewhere in this annual report.

Future cash needs in the short and long term will be funded by our operating cash flow and from proceeds raised in the debt or equal capital markets.

As of December 31, 2021 we did not have any off-balance sheet arrangements.

Principal Capital Expenditures

We made capital expenditures (consisting of purchase of property and equipment and intangible assets) of R\$276.8 million, R\$137.6 million and R\$121.7 million in 2021, 2020 and 2019, respectively. During these years, our capital expenditures mainly included expenditures related to the expansion and maintenance of our campuses and headquarters including leasehold improvements, the integration of our acquisitions, the implementation of our shared services center, and the development of the project that led to the certification of seven new greenfield medical schools as part of the “*Mais Médicos*” program.

For 2022, we have budgeted capital expenditures of R\$293.5 million, mostly to support the growth in our business and operations. We expect to meet our capital expenditure needs for the foreseeable future from our operating cash flow and our existing cash and cash equivalents. Our future capital requirements may be adjusted from time to time as they depend on several factors, including our growth rate, the expansion of our research and development efforts, employee headcount, marketing and sales activities, the introduction of new features to our existing products, the continued market acceptance of our products, and any impact on our business of the COVID-19 pandemic and measures taken in response. See “Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, have adversely affected and may continue to adversely affect our business.”

C. Research and Development, Patents and Licenses

As of the date of this annual report, we had no issued patents and one patent application pending in Brazil. We are party to 281 agreements, with third-party authors with respect to educational content. We own 157 trademark registrations. As of December 31, 2021, we owned 154 registered domain names in Brazil. We also have 31 pending trademark applications in Brazil as of the date of this annual report and unregistered trademarks that we use to promote our brand.

See “Item 4. Information on the Company—D. Property, plant and equipment—Technology and Intellectual Property.”

D. Trend Information

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 20, 2020 the Brazilian federal government declared a national emergency with respect to COVID-19. The impact on our operations still is highly uncertain and cannot be predicted with confidence. The spread of COVID-19, or actions taken to mitigate this spread, could have material and adverse effects on our ability to operate effectively, including as a result of the complete or partial closure of facilities or labor shortages. The extent of the adverse impact on our operations, including, among others, the regular functioning of our facilities, will depend on the extent and severity of the continued spread of the coronavirus in Brazil. Since March 17, 2020, there has been an interruption of our on-campus activities in light of authorities imposed lockdowns, with a significant portion of our non-practical educational activities being temporarily offered through our online platform (rather than on-site) and the calendar of our practical educational activities being rescheduled to when authorities allow on-campus activities to resume. By the date of issuance of this annual report, all of the lockdown restrictions have been revoked by Brazilian authorities in our campus locations and we have also successfully resumed all of our practical classes in medicines courses and all of our classroom classes.

For further information “Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, have adversely affected and may continue to adversely affect our business.”

117

[Table of Contents](#)

Other than as disclosed elsewhere in this annual report, we are not aware of any other trends, uncertainties, demands, commitments or events for the year ended December 31, 2021 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future

results of operations or financial conditions.

E Critical Accounting Estimates

Not applicable.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

We are managed by our board of directors and by our senior management, pursuant to our Memorandum and Articles of Association and the Cayman Islands Companies Act (as revised).

Board of Directors

Our board of directors is currently composed of 11 members. Each of our director shall hold office for a two (2) year term and are eligible for re-election. Under our Amended and Restated Memorandum and Articles of Association: (i) Bertelsmann, for so long as it holds a number of our Class B common shares in excess of 10% of the total number of outstanding Class B common shares (referred to herein as the "Ownership Threshold"), shall be entitled to appoint, at its sole discretion, up to three (3) of our directors, and shall be entitled at any time to remove, substitute or replace any of its appointed directors for any reason in its sole discretion; (ii) the Esteves Family, for so long as it holds our Class B common shares in excess of the Ownership Threshold, shall be entitled to appoint, at its sole discretion, up to three (3) of our directors, and shall be entitled at any time to remove, substitute or replace any of its appointed directors for any reason in its sole discretion; and (iii) Bertelsmann and the Esteves Family, for so long as they hold our Class B common shares in excess of the Ownership Threshold shall be entitled to jointly appoint, at their sole discretion, up to one (1) director and shall be entitled at any time to remove, substitute or replace their appointed director for any reason in their sole discretion. Directors appointed by the board of directors hold office until the next annual general meeting. Our directors do not have a retirement age requirement under our Articles of Association. Subject to the foregoing, the directors shall be elected by an ordinary resolution of our shareholders, which requires the affirmative vote of a simple majority of the votes cast on the resolution by the shareholders entitled to vote who are present, in person or by proxy, at the meeting.

The following table lists the current members of our board of directors:

Name	Age	Position
Nicolau Carvalho Esteves	69	Chairman
Renato Tavares Esteves	34	Director
Sérgio Mendes Botrel Coutinho	43	Director
Kay Krafft	51	Director
Shobhna Mohn	57	Director
Daulins Rêni Emílio	48	Director
Maria Tereza Azevedo	40	Director
Vanessa Claro Lopes	46	Independent Director*
Flávio Dias	45	Independent Director
João Paulo Seibel de Faria	46	Independent Director*
Miguel Filisbino Pereira de Paula	60	Independent Director*

* Member of our Audit Committee.

The following is a brief summary of the business experience of our directors. Unless otherwise indicated, the current business addresses for our directors is Alameda Oscar Niemeyer, No. 119, rooms 502, 504, 1,501 and 1,503, Vila da Serra, Nova Lima, Minas Gerais, Brazil.

Nicolau Carvalho Esteves. Nicolau Carvalho Esteves is the Chairman of our board of directors, a position he has held since July 2019. He is a qualified orthopedist and has over 25 years of experience in the education industry.

118

[Table of Contents](#)

He was the Chairman of the board of directors of Afya Brazil from August 2016 to December 2019, when the board of directors of Afya Brazil was extinguished. He is the founding shareholder of the following companies, for which he served as Chief Executive Officer for the periods indicated (i) *ITPAC—Instituto Tocantinense Presidente Antônio Carlos S.A.* (1999-2016); (ii) *ITPAC Porto Nacional—Instituto Tocantinense Presidente Antônio Carlos Porto S.A.* (2008-2016); (iii) *IPATAN—Instituto de Ensino Superior Presidente Tancredo de Almeida Neves S.A.* (2003-2016) and (iv) *Instituto de Educação Superior do Vale do Parnaíba S.A.* (2016-2018). He holds a Medicine degree from *Faculdade de Medicina de Barbacena*, a master's degree in Business Administration from FGV, a master's degree in Corporate Finance from *Fundação Dom Cabral*, a master's degree in Business Administration from FEAD and a Business Administration degree from AIEC.

Renato Tavares Esteves. Renato Tavares Esteves is a member of our board of directors, a position he has held since July 2019. He was a member of the board of directors of Afya Brazil from August 2016 to December 2019, when the board of directors of Afya Brazil was extinguished. He served as executive officer of the following companies: *Instituto de Educação Superior do Vale do Parnaíba S.A.*, *UNIVAÇO—União Educacional do Vale do Aço S.A.*, *IPATAN—Instituto de Ensino Superior Presidente Tancredo de Almeida Neves S.A.*, *ITPAC—Instituto Tocantinense Presidente Antônio Carlos S.A.*, and *Instituto de Ensino Superior do Piauí S.A.—IESP*. He holds a degree in medicine from *Faculdade de Medicina de Barbacena*, and a master's degree in Business Administration and Corporate Finance from FGV.

Sérgio Mendes Botrel Coutinho. Sérgio Mendes Botrel Coutinho is a member of our board of directors, a position he has held since July 2019. He is a managing partner at Arien Invest, a private equity firm. Before joining Arien Invest, he was a partner at Análise Estratégica, responsible for its M&A Advisory and Strategic Consultancy division, and was also a partner at Gabrich & Botrel Advogados, advising on corporate law, corporate governance and mergers and acquisitions. He holds a law degree from FUMEC, a master's degree in Corporate Law from *Faculdade de Direito Milton Campos* and a doctorate in Corporate Law from PUC/MG. He was an MBA Professor at IBMEC (2009-2017) and is an LLM Professor at IBMEC.

Kay Krafft. Kay Krafft is a member of our board of directors, a position he has held since August 2021. He is the founding CEO of Bertelsmann Education Group. Until 2014, he was Chief Investment Officer of music rights management company BMG, building up the company from a start-up to a major player in the music industry through acquisitions as well as the establishment of an international presence. Before joining BMG's Executive Board, he served as EVP and global head of M&A at Bertelsmann while implementing major portfolio adjustments during this time. Prior to joining Bertelsmann, Kay Krafft was a partner at professional services firm Deloitte.

Shobhna Mohn. Shobhna Mohn is a member of our board of directors, a position she has held since August 2021. She is Chief Strategy Officer at Bertelsmann Investments. Currently, Shobhna is responsible for the strategic design and execution of Bertelsmann's global VC investment funds in China, India, Brazil, US/Europe as well as investments in Africa and Southeast Asia. Her focus is on governance, insights, knowledge exchange, identification and steering of long-term strategic holdings. Main target areas of focus are on growth platforms such as e-commerce services, fintech, logistics, education and health. As a member of the Investment Committees that evaluate and approve Bertelsmann's VC investment targets, she has played a key role in the VC investments of over Euro 1.4 billion since 2006 in more than 380 investments with a current global portfolio of 270 investments. Shobhna is a member of the Bertelsmann Group Management Committee since 2019. She has been at Bertelsmann since 1996 in various roles including Growth Regions Strategy, Investor Relations, and Venture Capital. She holds Bachelor's (B.A.) and Master's degrees (both M.A. and M.Phil) in Mathematics from the Delhi University in India, and a M.Phil degree in Operations Research/Management Science from Columbia Business School in New York, USA.

Daulins Rêni Emílio. Daulins Rêni Emílio is a member of our board of directors, a position he has held since August 2019. Mr. Emílio is a Managing Director at Bertelsmann Brazil Investments (BBI) and Head of the Bertelsmann Corporate Center in Brazil, a subsidiary of Bertelsmann SE & Co. KGaA, a relevant investor in education in the world. Mr. Emílio joined Bertelsmann in 2012, where he has been responsible for Bertelsmann's strategy for new businesses in Brazil as well as for finding business opportunities in the Education sector. He is also the Chairman of the Board at Afferolab and a board member at Companhia das Letras and Intervalor. Before working at Bertelsmann, he was a consultant working across multiple industries during his tenures at Boston Consulting Group, McKinsey & Co. and Arthur Andersen. Mr. Emílio holds a bachelor's degree in Mechanical Engineering from Unicamp, a master's degree in Economics from USP, and a Ph.D. in Economics from Boston

119

[Table of Contents](#)

University. During his Ph.D. at Boston University, his research focused on Economics of Education and Economic Theory.

Maria Tereza Azevedo. Maria Tereza Azevedo is a member of our board of directors, a position she has held since April 2022. She joined Softbank LatAm fund in 2021 as Investment Director leading the Education industry. Prior to joining Softbank, she was an Executive Director at Santander and Director at UBS Investment Bank leading the TMT strategy and LatAm Education and the Technology, Media, and Telecommunications teams, respectively. She has extensive experience in helping LatAm companies access the equity capital markets and holds a master's degree in Corporate Finance and a bachelor's degree in Economics Science from IBMEC. Maria Tereza also serves as a board member of Descomplica and UOL EdTech.

Vanessa Claro Lopes. Vanessa Claro Lopes is a member of our board of directors and an independent member of our audit and ethics committee, positions she has held since July 2019. She is currently an independent member of the board of directors of Lojas Americanas S.A., member of the fiscal councils of Cosan S.A., Cosan Logística SA and Comgas S.A., the chairperson of the audit committee at Tegma Logística S.A., a member of the audit committee at Enbraer S.A. and Lojas Americanas S.A. She was formerly the chairperson of the fiscal council of Via Varejo S.A. from 2014 to 2018, a member of the fiscal council of Terra Santa Agro S.A. from 2016 to 2018, a member of the fiscal council of Gerdau S.A. from 2016 to 2017 and a member of the fiscal councils of Estácio Participações S.A. and Renova Energia S.A. from 2017 to 2019. With over 25 years' experience in corporate governance and internal and external audits of large private and listed companies, she started her career in 1995 at PricewaterhouseCoopers in advisory

services and was responsible for the creation of the revenue assurance specialists department in Brazil for the telecoms sector. She was an executive officer and the head of the internal accounting department of TAM S.A. from 2010 to 2014, an executive officer and the head of the internal accounting department of Globex Utilidades S.A. (Grupo Pão de Açúcar) from 2004 to 2010 and a coordinator and the head of the accounting department of Grupo Telefonica from 2000 to 2004. She holds an MBA from EAESP/FGV, a master's degree in management systems from Universidade Federal Fluminense (UFF), a master's degree in computer networks from São Judas University, an accounting degree from Universidade Federal Fluminense (UFF) and a systems analysis degree from FATEC/BS. She was formerly a professor of audit systems and information security at Objetivo University from 1997 to 1998.

Flávio Dias. Flávio Dias is an independent member of our board of directors, a position he has held since July 2020. Mr. Dias has 20 years' experience in the Brazilian retail sector, having been the executive in charge in three of the five top e-commerce companies in Brazil, including Walmart.com, Cnova and Via Varejo. Outside the retail sector, Mr. Dias played a key role in the conception and construction of the first digital bank in Brazil, Banco Original. In recent years, he has become a professional investor and advisor in the tech startups ecosystem. Mr. Dias has been acting as advisor and board member for large corporations in a variety of sectors. Currently, he is the partner of 500 Startups in Brazil, in charge of building and growing the fund operations in the country.

João Paulo Seibel de Faria. João Paulo Seibel de Faria is a member of our board of directors and an independent member of our audit and ethics committee, positions he has held since August 2020. He is currently the CFO of OLX, a position he has held since August 26, 2020. He has more than 25 years of experience in companies like Arthur Andersen S/C, Ericsson Telecomunicações and Microsoft. He spent 18 years at Microsoft in different leadership roles in Latin America and the U.S. in sales, marketing and in finance, including his last role as chief financial officer in Brazil. Since October 2019, he has been working as Latin America chief financial officer for Didi Chuxing (China Giant Mobility Company that owns 99 Tecnologia in Brazil). Mr. Faria holds a bachelor's degree in business management from FAAP and an Executive MBA from IBMEC Business School (both in São Paulo). Additionally he holds several executive sessions in leadership, strategy and global business environment from Fundação Dom Cabral, INSEAD and Devry.

Miguel Filisbino Pereira de Paula. Miguel Filisbino Pereira de Paula is a member of our board of directors and an independent member of our audit and ethics committee, positions he has held since August 2020. He has more than 35 years of experience in human resources in the Brazilian corporate world, holding positions such as senior HR director of Grupo Pão de Açúcar, HR vice president of Estácio Participações, head of organization development at Votorantim Cimentos and HR of Grupo Gerdau. He holds an MBA degree from USP and a post-grad degree in HR from PUCRS.

120

Table of Contents

Executive Officers

Our executive officers are responsible for the management and representation of our company. We have a strong centralized team led by Virgílio Deloy Capobianco Gibbon, our CEO, with broad experience in the education industry.

The following table lists our current executive officers.

Name	Age	Position
Virgílio Deloy Capobianco Gibbon	47	Chief Executive Officer
Luis André Carpintero Blanco	48	Chief Financial Officer
Lélio de Souza Junior	48	Vice President of Innovation & Digital Services

The following is a brief summary of the business experience of our executive officers. Unless otherwise indicated, the current business addresses for our executive officers is Alameda Oscar Niemeyer, No 119, rooms 502, 504, 1,501 and 1,503, Vila da Serra, Nova Lima, Minas Gerais, Brazil.

Virgílio Deloy Capobianco Gibbon. Virgílio Deloy Capobianco Gibbon is our Chief Executive Officer, a position he has held since July 2019. He has been the Chief Executive Officer of Afya Brazil since August 2016. Prior to joining us, he was Chief Operating Officer and Chief Financial Officer of Estácio Participação S.A., from March 2010 to March 2012, and March 2012 to June 2016, respectively. He was also Executive Director of Business Consulting and Education Industry at TOTVS Consulting from October 2007 to December 2009, and Senior Manager of Business Consulting at Accenture from 2000 to 2007. He holds a degree in economics from PUC-RJ. He is currently a board member of EABH—Escola Americana of Belo Horizonte.

Luis André Blanco. Luis André Blanco is our Chief Financial Officer, a position he has held since April 2020. Prior to joining us, he served as CFO for OdontoPrev for 10 years, where he oversaw corporate finance – treasury, financial planning, M&A, tax and accounting operations, legal and compliance. Prior to that, Luis served as a Financial Officer at Vivo S.A from 2003 to 2009 and also as CFO at *Tele Centro – Oeste Celular Participações* from 2000 to 2003. Luis holds a bachelor's degree in engineering from the Federal University of Rio de Janeiro and an executive program degree from University of Westminster, London, England.

Lélio de Souza Junior. Lélio de Souza Junior is our Vice President of Innovation & Digital Services, a position he has held since January 2022. Prior to joining us, he served as CEO for Intelie for 5 years, where he had the chance to support the internationalization of the company, the acquisition process by RigNet (later on acquired by Viasat, NASDAQ: VSAT) and to experience a very well succeeded growth history. Prior to that, Lelio served as a Corporate Officer at TOTVS from 2008 – 2016 and also as Senior Manager in Accenture from 2000-2008. Lelio holds a bachelor's degree in Mechanical Engineering from the Federal University of Minas Gerais (UFMG) and executive programs degrees from University of Wharton, Pennsylvania, USA and Insper, São Paulo, Brazil.

Family Relationships

Nicolau Carvalho Esteves, the chairman of our board of directors, is the father of Renato Tavares Esteves, one of our directors.

Legal Proceedings

In 2016, the federal prosecutors' office filed a public civil proceeding against Mr. Nicolau Carvalho Esteves, our chairman and one of our controlling shareholders, and certain other individuals, for irregular administrative acts alleged to have taken place during each of their respective terms as Health Secretary of the State of Tocantins (*Secretário de Saúde do Estado de Tocantins*) between 2012 and 2014, a position held by Mr. Carvalho Esteves for a period of four months, from March 9, 2012 to July 20, 2012. The prosecution alleges that Mr. Carvalho Esteves and the other individuals did not apply federal funds in compliance with mandatory budgeting rules required by applicable federal statutes. On September 19, 2017, the lower court dismissed the federal prosecutor's claims on the basis that the alleged improper acts were carried out to allow the public healthcare system in the State of Tocantins to continue to provide basic healthcare services, given there were insufficient public funds allocated for that purpose at the time. The federal prosecutor's office appealed the lower court's decision and on October 30, 2018, the federal court of appeals granted the appeal to overturn the lower court's decision and to nullify the evidentiary phase of the

121

Table of Contents

proceedings on the procedural technicality that the State of Tocantins had not been properly notified of its right to file its motion on evidence. On May 3, 2019, Mr. Carvalho Esteves filed an appeal of the federal court of appeals decision with the Supreme Court of Justice. In February 2022, a decision was issued, dismissing the motions submitted by the Public Prosecutor Office, to date no appeal has been filed by the referred entity. The court suit is classified as remote by the office. If Mr. Carvalho Esteves is found liable, he may be subject to penalties, including a three-year prohibition on him or any legal entity under his control transacting with public entities or being granted tax incentives/benefits, including Afya.

B. Compensation

Under Cayman Islands law, we are not required to disclose compensation paid to our senior management on an individual basis and we have not otherwise publicly disclosed this information elsewhere.

Our executive officers, directors and management receive fixed and variable compensation. They also receive benefits in line with market practice in Brazil. The fixed component of their compensation is set on market terms and adjusted annually.

The variable component consists of cash bonuses and awards of shares (or the cash equivalent). Cash bonuses or paid to executive officers and members of our management based on previously agreed targets for the business. Shares (or the cash equivalent) are awarded under our share options long-term incentive program, as discussed below.

The following table sets forth the fixed and variable compensation of our key management personnel for the periods indicated:

	2021	2020	2019
		(in R\$ millions)	
Short-term employee benefits	11.9	9.6	4.9
Share-based compensation plans	20.3	24.0	13.9
Total compensation	32.2	33.6	18.8

Afya Brazil Long-Term Incentive Plan

Certain members of our management participated in the share option long-term incentive program, or the LTIP, of Afya Brazil. Beneficiaries under the LTIP were granted rights to buy shares based on certain criteria. All unvested share options were automatically vested upon the consummation of our initial public offering, and the LTIP was terminated on January 10, 2020.

New Long-Term Incentive Plan

On August 30, 2019, our board of directors approved the establishment of the new equity incentive plan, or the New LTIP, as amended on July 29, 2020, with the purpose of advancing the interests of our shareholders by enhancing our ability to attract, retain and motivate individuals to perform at the highest level.

The New LTIP and the applicable option agreement to be entered into between us and the beneficiary, or the Option Agreement, governs the issuance of equity incentive awards with respect to our Class A common shares, or the Options. The calculation of the strike price of the Option will be set forth in the applicable Option Agreement, as approved by the board of directors, upon the granting of the Option to the beneficiary. If a beneficiary is dismissed by us, resigns, retires or dies, the portion of his or her Options under the New LTIP that has vested at that date will be satisfied, but the non-vested portion will be canceled. If a beneficiary is terminated for cause, all of his or her Options under the New LTIP will be canceled. The maximum aggregate number of shares that can be issued to beneficiaries under the New LTIP may not exceed 4% of our share capital at any time. As of December 31, 2021, a total of 3,086,728 options are outstanding under the New LTIP. For further information about vesting periods and strike price, see note 16.b to our audited consolidated financial statements.

[Table of Contents](#)

C. Board Practices

Duties of Directors

As a matter of Cayman Islands law, a director of a Cayman Islands company is considered a fiduciary of the company. Accordingly, directors owe fiduciary duties to their companies to act in accordance with the best interests of the company, to exercise their powers for the purposes for which they are conferred and not to place themselves in a position where there is a conflict between their personal interests and their duty to the company. Accordingly, a director owes a company a duty not to make a profit based on his or her position as director (unless the company permits him or her to do so) and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duties to a third party.

However, a company's articles of association may permit a director to vote on a matter in which he or she has a personal interest if he or she has disclosed the nature of his or her interest to the board of directors. Our Articles of Association provide that a director must disclose the nature and extent of any material interests in any contract or arrangement, and that he or she may vote at any meeting on any resolution concerning an interested matter, provided he or she has disclosed the nature of his or her interest.

A director of a Cayman Islands company also owes to the company duties to exercise independent judgment in carrying out his or her functions and to exercise reasonable skill, care and diligence, which has both objective and subjective elements. Recent Cayman Islands case law confirmed that directors must exercise the care, skill and diligence that would be exercised by a reasonably diligent person having the general knowledge, skill and experience reasonably to be expected of a person acting as a director. Additionally, a director must exercise the knowledge, skill and experience that he or she actually possesses.

Election and Terms of Directors

See "Item 10. Additional Information.—B. Memorandum and Articles of Association—Appointment, Disqualification and Removal of Directors."

Board Committees

Our board of directors has established an (i) audit, risks and ethics committee; (ii) compensation committee; and (iii) a business expansion committee. In the future, our board of directors may establish other committees, as it deems appropriate, to assist with its responsibilities.

Audit, Risks and Ethics Committee

The audit, risks and ethics committee, or the audit committee, which consists of Vanessa Claro Lopes (elected to the committee on July 8, 2019), João Paulo Seibel de Faria (elected to the committee on August 26, 2020) and Miguel Filisbino Pereira de Paula (elected to the committee on August 26, 2020), assists our board of directors in overseeing our accounting and financial reporting processes and the audits of our financial statements. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. Vanessa Claro Lopes serves as chairman of the audit committee. The audit committee consists exclusively of members of our supervisory board who are financially literate, and Vanessa Claro Lopes is considered an "audit committee financial expert" as defined by the SEC. Our board of directors has determined that Vanessa Claro Lopes, João Paulo Seibel de Faria and Miguel Filisbino Pereira de Paula satisfy the "independence" requirements set forth in Rule 10A-3 under the Exchange Act.

On January 29, 2021, our board of directors approved the audit committee charter. The audit committee complies with applicable SEC and Nasdaq rules. Notwithstanding anything to the contrary established in the audit committee charter, the audit committee is responsible for, among other things:

- the appointment, compensation, retention and oversight of any auditor or accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services;
- pre-approval of the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;

[Table of Contents](#)

- review and discussions with the independent auditor its responsibilities under generally accepted auditing standards, the planned scope and timing of the independent auditor's annual audit plan(s) and significant findings from the audit;
- obtaining and review of a report from the independent auditor describing all relationships between the independent auditor and the Company consistent with the applicable PCAOB requirements regarding the independent auditor's communications with the audit committee concerning independence;
- confirming and evaluating the rotation of the audit partners on the audit engagement team as required by law;
- review with management and the independent auditor, in separate meetings whenever the audit committee deems appropriate, any analyses or other written communications prepared by the management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS methods on the financial statements; and other critical accounting policies and practices of the Company;
- review, in conjunction with the Chief Executive Officer and Chief Financial Officer of the Company, the Company's disclosure controls and procedures and internal control over financial reporting;
- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy.

The audit committee meets as often as it determines is appropriate to carry out its responsibilities, but in any event, pursuant to its charter, the audit committee ordinarily meets at least six times per year.

Information contained on our website shall not constitute, or be deemed incorporated as, a part of this annual report.

In addition, our audit committee monitors ongoing compliance with our code of ethics and related compliance policies.

People and ESG Committee

Since our initial public offering, we have established a compensation committee. The compensation committee, which consists of Rafael Munerato de Almeida, Renato Tavares Esteves and Miguel Filisbino Pereira de Paula, assists our board of directors in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. On January 29, 2021, our board of directors approved the compensation committee charter and included the responsibility for the committee to indicate and recommend for board approval the appointment of our independent directors, directors and executive officer. On May 26, 2021 our board of directors approved the amendment of the internal bylaws of the compensation committee to change its name to People and ESG Committee and also to include strategic sustainability matters and approve reports, adhere to national and/or international protocols, agreements, principles or treaties to be discussed and recommended by the committee. Notwithstanding anything to the contrary established in the audit committee charter, the committee also reviews the total compensation package for our executive officers and directors and recommends to the board of directors for determination the compensation of each of our directors and executive officers, and will periodically review and approve any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses and employee pension and benefits plans. As permitted by the listing requirements of Nasdaq, we have opted out of Nasdaq Listing Rule 5605(d), which requires that a compensation committee consist entirely of independent directors. On August 25, 2021, the Board of Directors appointed Mr. Kay Krafft as a member of the People and ESG Committee.

Business Expansion Committee

[Table of Contents](#)

The business expansion committee, which consists of Sérgio Mendes Botrel Coutinho, Renato Esteves and Daulins Réni Emílio, assists our board of directors to evaluate potential acquisition opportunities

and new business opportunities, and makes recommendations to our board of directors as to whether we should pursue them. On January 29, 2021, our board of directors approved the business expansion committee charter. On August 25, 2021 the Board of Directors appointed Mr. Daulins Rêni Emílio as leader member of the business expansion committee.

D. Employees

As of December 31, 2021, we had 8,079 employees, 6.7% of which were based in our offices in Nova Lima and 93.3% of which were based in other cities elsewhere in Brazil. We also engage temporary employees and consultants as needed to support our operations.

As of December 31, 2021, we had 281 medical content creators, who are responsible for developing our learning materials (including media, podcasts, quizzes, classes, among others), including 212 physician professors.

The table below breaks down our full-time personnel by function as of December 31, 2021:

Function	Number of Employees	% of Total
Management	65	0.8%
Shared Services Center and IT, Sales and Marketing	557	6.9%
Faculties	2,986	37.0%
General and Administrative	4,471	55.3%
Total	8,079	100.0%

Our employees in Brazil are represented by the labor unions of independent sales agents and of consulting, information, research and accounting firms for the geographic area in which they render services. We believe we have a constructive relationship with these unions, as we have never experienced strikes, work stoppages or disputes leading to any form of downtime.

E. Share Ownership

For information regarding the share ownership of our directors and senior management, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders." For information as to stock options granted to our directors, executive officers and other employees, see "Item 6. Directors, Senior Management and Employees—B. Compensation—A. fya Brazil Long-Term Incentive Plan" and "Item 6. Directors, Senior Management and Employees—B. Compensation—New Long-Term Incentive Plan."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table and accompanying footnotes presents information relating to the beneficial ownership of our Class A common shares, our Class B common shares, and our Series A perpetual convertible preferred shares as of April 22, 2022:

- each person or group of affiliated persons, known by us to own beneficially 5% or more of our outstanding shares;
- each of our executive officers and directors individually; and
- all executive officers and directors as a group.

The number of common shares beneficially owned by each entity, person, executive officer or director is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to acquire within 60 days through the exercise of any option, warrant or other right. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all common shares held by that person.

125

[Table of Contents](#)

Unless otherwise indicated below, the business address for each beneficial owner is c/o Afya, Alameda Oscar Niemeyer, No. 119, rooms 502, 504, 1,501 and 1,503, Vila da Serra, Nova Lima, Minas Gerais, Brazil.

Shareholders	Shares Beneficially Owned						% of Total Voting Power(1)
	Class A Common Shares		Class B Common Shares		Preferred Shares Series A		
	Shares	%	Shares	%	Shares	%	
5% Shareholders party to our shareholders' agreements							
Bertelsmann SE & Co. KGaA (2)	—	—	29,074,134	63.5%	—	—	57.9%
Nicolau Carvalho Esteves (3)	—	—	—	—	—	—	—
Rosângela de Oliveira Tavares Esteves	—	—	—	—	—	—	—
NRE Capital Ventures Limited	—	—	16,707,489	36.5%	—	—	33.2%
Renato Tavares Esteves (4)	2,545,844	5.7%	—	—	—	—	0.5%
Vanessa Tavares Esteves (5)	2,479,440	5.6%	—	—	—	—	0.5%
Lilian Tavares Esteves de Carvalho (6)	2,533,911	5.7%	—	—	—	—	0.5%
Other 5% Shareholders							
Ameriprise Financial, Inc. (7)	2,758,086	6.2%	—	—	—	—	0.5%
Jackson Square Partners, LLC (8)	1,897,676	4.3%	—	—	—	—	0.4%
AustralianSuper Pty Ltd (9)	1,758,697	4.0%	—	—	—	—	0.3%
Ronald Baron (10)	4,542,496	10.2%	—	—	—	—	0.9%
SoftBank Group Corp. (11)	2,433,323	5.5%	—	—	150,000	100%	0.5%
Other Executive Officers and Directors (12)							
Kay Krafft (13)	—	—	—	—	—	—	—
Shobhna Mohn (14)	—	—	—	—	—	—	—
Flávio Dias	—	—	—	—	—	—	—
João Paulo Seibel de Faria	—	—	—	—	—	—	—
Miguel Filisbino Pereira de Paula	—	—	—	—	—	—	—
Sérgio Mendes Botrel Coutinho	—	—	—	—	—	—	—
Daulins Rêni Emílio	—	—	—	—	—	—	—
Maria Tereza Azevedo	—	—	—	—	—	—	—
Vanessa Claro Lopes	—	—	—	—	—	—	—
Rafael Munerato de Almeida	—	—	—	—	—	—	—
Lélio de Souza Junior	—	—	—	—	—	—	—
Luis André Carpintero Blanco	39,170	0.1%	—	—	—	—	—
Virgilio Deloy Capobianco Gibbon	694,731	1.3%	—	—	—	—	0.1%

(1) Percentage of total voting power represents voting power with respect to all of our Class A common shares and Class B common shares, as a single class. Holders of our Class B common shares are entitled to 10 votes per share, whereas holders of our Class A common shares are entitled to one vote per share. For more information about the voting rights of our Class A common shares and Class B common shares, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Share Capital." The terms of our Series A perpetual convertible preferred shares require the approval of a majority of our Series A perpetual convertible preferred shares voting as a separate class for us to take the following decisions, among others described in the certificate of designations: (1) amend our organizational documents in a manner that would have an adverse effect on the Series A perpetual convertible preferred shares; and issue securities that are senior to, or equal in priority with, the Series A perpetual convertible preferred shares; except as provided in the the certificate of designations, our Series A perpetual convertible preferred shares otherwise are not entitled to vote.

(2) Based on a statement by Bertelsmann SE & Co. KGaA and Erste WV Gütersloh GmbH (collectively, "Bertelsmann") on Schedule 13D filed on April 18, 2022, the date of the last available Schedule 13D filed by such person with the SEC. Such person's business address is at Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany.

(3) Mr. Nicolau Carvalho Esteves is a member of our board of directors.

(4) Based on a statement by Renato Tavares Esteves on Schedule 13G filed on February 14, 2022, the date of the last available Schedule 13G filed by such person with the SEC. Renato Tavares Esteves is a member of our board of directors.

(5) Based on a statement by Vanessa Tavares Esteves on Schedule 13G filed on February 14, 2022, the date of the last available Schedule 13G filed by such person with the SEC.

(6) Based on a statement by Lilian Tavares Esteves de Carvalho on Schedule 13G filed on February 14, 2022, the date of the last available Schedule 13G filed by such person with the SEC.

(7) Based on a statement on Schedule 13G filed on February 14, 2022 by Ameriprise Financial, Inc., the date of the last available Schedule 13G filed by such person with the SEC. Such person's business address is at 145 Ameriprise Financial Center, Minneapolis, MN 55474.

126

[Table of Contents](#)

- (8) Based on a statement on Schedule 13G filed on February 11, 2022 by Jackson Square Partners, LLC, the date of the last available Schedule 13G filed by such person with the SEC. Such person's business address is at One Letterman Drive, Building A, Suite A3-200, San Francisco, CA 94129.
- (9) Based on a statement on Schedule 13G filed on January 25, 2022 by AustralianSuper Pty Ltd, the date of the last available Schedule 13G filed by such person with the SEC. Such person's business address is at Level 33, 50 Lonsdale Street, Melbourne, Victoria, 3000, Australia.
- (10) Based on a statement on Schedule 13G filed on April 7, 2022, by BAMCO, Inc., Baron Capital Group, Inc., Baron Capital Management, Inc., and Ronald Baron, the date of the last available Schedule 13G by such persons with the SEC. Such persons' business address is 767 Fifth Avenue, 49th Floor, New York, NY 10153.
- (11) Based on a statement on Schedule 13G filed on May 13, 2021 by SoftBank Group Corp. the date of the last available Schedule 13G by such person with the SEC. Such person's business address is 1-7-1 Kaigan, Minato-ku, Tokyo 105-7537 Japan.
- (12) Disclosure regarding the equity interest held by Messrs. Nicolau Carvalho Esteves and Renato Tavares Esteves, both members of our board of directors, in us, is above.
- (13) Mr. Kay Krafft, a member of our board of directors, is the founding CEO of Bertelsmann Education Group. Mr. Krafft disclaims beneficial ownership of the shares held by Bertelsmann except to the extent, if any, of his pecuniary interest therein.
- (14) Ms. Shobhna Mohn, a member of our board of directors, is the Chief Strategy Officer at Bertelsmann Investments. Ms. Mohn disclaims beneficial ownership of the shares held by Bertelsmann except to the extent, if any, of her pecuniary interest therein.

The holders of our Class A common shares and Class B common shares have identical rights, except that the Esteves Family and Bertelsmann as holders of Class B common shares (i) are entitled to 10 votes per share, whereas holders of our Class A common shares are entitled to one vote per share, (ii) have certain conversion rights and (iii) are entitled to maintain a proportional ownership interest by purchasing additional Class B common shares in the event that additional Class A common shares are issued. For more information see "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Share Capital—Preemptive or Similar Rights" and "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Share Capital—Conversion." Each Class B common share is convertible into one Class A common share.

We are not aware of any other shareholder that beneficially owns more than 5% of our common shares nor of any arrangements the operation of which may at a subsequent date result in a change of control of the company.

Shareholders' Agreement

On July 7, 2019, Crescera and the Esteves Family entered into a shareholders' agreement, or the Original Shareholders' Agreement. The Original Shareholders' Agreement specifies that Crescera may not transfer its shares in the Company, in whole or in part, without first offering them to Bertelsmann SE& Co. KGaA, or Bertelsmann, which will have the option to acquire such shares. If Crescera and Bertelsmann are unable to agree the sale and purchase of the offered shares within five business days of being notified of Crescera's proposal, Crescera can sell the shares to a third party within specified time limits. Further, the Esteves Family is bound by a non-compete obligation preventing it from directly or indirectly carrying on a competing business that is in direct competition with us, subject to certain limited exceptions.

On June 7, 2021, in connection with the acquisition by Bertelsmann of all Afya shares held by Crescera as of such date pursuant to a share purchase agreement also entered into on such date, the Original Shareholders' Agreement was terminated and the Esteves Family and Bertelsmann determined to enter into an amended and restated shareholders' agreement, or the A&R Shareholders' Agreement. The A&R Shareholders' Agreement provides that the parties shall cooperate to ensure that Afya enters into a customary registration rights agreement with the parties. Further, while Bertelsmann holds an interest in Afya, the Esteves Family is bound by a non-compete obligation preventing it from directly or indirectly carrying on a competing business that is in direct competition with us, subject to certain limited exceptions.

B. Related Party Transactions

In addition to the compensation arrangements with directors and executive officers described under "Item 6. Directors, Senior Management and Employees—B. Compensation" and certain other rights of certain of the holders of our common shares as described under "A. Major Shareholders—Shareholders' Agreement," the following is a description of each transaction since January 1, 2019 and each currently proposed transaction in which the amount involved in the transactions is material to us and any related party.

127

[Table of Contents](#)

Lease Agreements

Lease agreements with RVL Esteves Gestão Imobiliária S.A.

Afya Brazil has entered into lease agreements with RVL Esteves Gestão Imobiliária S.A., or RVL, an entity controlled by the shareholder Nicolau Carvalho Esteves and of which Mr. Renato Esteves is an executive officer, as described below:

On June 21, 2016, RVL entered into lease agreements (as amended on April 26, 2018) with ITPAC—Instituto Tocantinense Presidente Antônio Carlos S.A., or ITPAC, and Itpac Porto Nacional—Instituto Tocantinense Presidente Antonio Carlos Porto S.A., or ITPAC Porto Nacional, pursuant to which RVL Esteves Gestão Imobiliária S.A. agreed to lease campuses to ITPAC and ITPAC Porto Nacional in the cities of Araguaína and Porto Nacional, both located in the State of Tocantins. The lease agreements are adjustable in accordance with the provisions of each lease agreement. The lease agreements are for an initial term of 20 years, and are renewable for an additional 20 years subject to the provisions of each lease agreement.

On November 1, 2016, RVL entered into a lease agreement with Afya Brazil, pursuant to which RVL agreed to lease to Afya Brazil certain offices located in the city of Nova Lima, State of Minas Gerais, where Afya Brazil's principal executive offices are located. On February 9, 2019 the agreement was amended to extend lease terms and adjust the lease amounts, subject to certain discount conditions set forth in the lease agreement and adjustable in accordance with the provisions of the lease agreement. The lease agreement is for an initial term of five years, and may be renewable for an additional five years subject to the provisions of the lease agreement.

On September 6, 2018, RVL entered into a lease agreement with ITPAC, pursuant to which RVL agreed to lease to ITPAC the new ITPAC campus in the city of Palmas, State of Tocantins. The lease agreement is for an amount equal to 7.5% of the monthly net revenue of ITPAC during the prior semester, which will start to become due once the new ITPAC campus becomes operational, subject to the provisions of the lease agreement. The lease agreement is for an initial term of 20 years, starting on the date the new ITPAC campus becomes operational, and is renewable for an additional 20 years subject to the provisions of the lease agreement.

On October 30, 2019, RVL entered into a lease agreement with IPTAN, pursuant to which RVL agreed to lease to IPTAN the new IPTAN medical campus, currently under construction by RVL in the city of Santa Inês, State of Maranhão. The lease agreement is for a monthly amount equal to: (i) up to June 2020, R\$12,000.00; and (ii) after June 2020 and until March 2024, 6.5% of the monthly net revenue of IPTAN assessed during the prior semester, in each case adjustable in accordance with the provisions of the lease agreement. The lease agreement is for an initial term of five years counted from the conclusion of the construction works, and may be renewable for an additional five years subject to the provisions of the lease agreement.

The lease payments in connection with the lease agreements with RVL totaled R\$15.3 million and R\$11.3 million in the years ended December 31, 2021 and 2020, respectively.

Lease agreement with UNIVAÇO Patrimonial Ltda.

On July 14, 2016, UNIVAÇO Patrimonial Ltda., an entity controlled by the shareholder Nicolau Carvalho Esteves and of which Ms. Rosângela Esteves is the chief executive officer, entered into a lease agreement with UNIVAÇO, a subsidiary of Afya Brazil, pursuant to which UNIVAÇO Patrimonial Ltda. agreed to lease the UNIVAÇO campus to UNIVAÇO, located in the city of Ipatinga, State of Minas Gerais. The lease agreement is adjustable in accordance with the provisions of the lease agreement. The lease agreement is for an initial term of 20 years, and is renewable for an additional 20 years subject to the provisions of the lease agreement. The lease payments in connection with this lease agreement totaled R\$3.2 million and R\$2.9 million in the years ended December 31, 2021 and 2020, respectively.

Lease agreement with IESVAP Patrimonial Ltda.

On April 25, 2018, IESVAP Patrimonial Ltda., an entity controlled by the shareholder Nicolau Carvalho Esteves and of which Mr. Renato Esteves is an executive officer, entered into a lease agreement with IESVAP, a subsidiary of Afya Brazil, pursuant to which IESVAP Patrimonial Ltda. agreed to lease the IESVAP campus to IESVAP located in the city of Parnaíba, State of Piauí. The lease agreement is for an amount equal to 7.5% of the monthly net revenue of IESVAP during 2018. The lease agreement is for an initial term of 20 years, and is

128

[Table of Contents](#)

renewable for an additional 20 years subject to the provisions of the lease agreement. The lease payments in connection with this lease agreement totaled R\$4.6 million and R\$3.5 million in the years ended December 31, 2021 and 2020, respectively.

UEPC Services Agreement

On February 25, 2019, Medcel entered into a services agreement with UEPC, pursuant to which Medcel agreed to provide certain educational services and content to UEPC, available on Medcel's online platform. The services agreement is for an amount equal to R\$1.3 million, payable by UEPC to Medcel subject to the terms of the services agreement. For the years ended December 31, 2021 and 2020, the revenues in connection with this services agreement totaled R\$0.8 million and R\$0.1 million, respectively.

See note 8 to our audited consolidated financial statements.

ITPAC Garanhuns Assignment Agreement

On March 28, 2019, our shareholder Nicolau Carvalho Esteves entered into an agreement with Afya Brazil pursuant to which he assigned to Afya Brazil, in connection with a pending authorization by MEC to operate a medical school, the right to develop the ITPAC Garanhuns greenfield unit, a medical school in the city of Garanhuns, State of Pernambuco. The consummation of the assignment is subject to the approval of the ITPAC Garanhuns medical school authorization by MEC, which must be obtained within 10 years from the execution of the assignment agreement. The purchase price paid by Afya Brazil to Nicolau Carvalho Esteves to the extent MEC's approval is obtained within the prescribed time period is R\$900,000 *multiplied by* the number of medical school seats authorized by MEC. Once operational, ITPAC Garanhuns is expected to generate 120 new medical school seats. In 2008, two public civil proceedings were filed by the Brazilian federal government and the federal public prosecutor for the suspension of the activities of the Garanhuns Greenfield unit, claiming that the status of the Garanhuns Greenfield unit with the MEC was irregular. On November 5, 2021, the Secretary of Regulation and Supervision of Higher Education of the Ministry of Education ("MEC") authorized the operation of the medical school in Garanhuns in the State of Pernambuco. ITPAC Garanhuns authorization guaranteed 120 medical seats to Afya, totaling a purchase price of R\$108 million of which: 50% in cash on the transaction closing date and 50% in two equal annual installments, adjusted by the CDI rate.

See "Item 8. Financial Information—Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings—Civil Matters."

Related person transaction policy

On January 29, 2021, our board of directors approved the related party transactions and conflicts of interests' policy that set forth our guidelines and procedures regarding agreements with related parties.

Our related person transaction policy states that related person transactions must be approved or ratified by our executive officers and board of directors. In determining whether to approve or ratify a transaction with a related person, our executive officers or board of directors will consider all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, of the transaction the benefit and perceived benefit, or lack thereof, to us, opportunity costs of alternate transaction, the materiality and character of the related person's direct or indirect interest and the actual or apparent conflict of interest of the related person.

Pursuant to the related transaction policy, our executive officers or board of directors will not approve or ratify a related person transaction unless it has determined that, upon consideration of all relevant information, such transaction is in, or not inconsistent with, our best interests and the best interests of our shareholders.

Indemnification agreements

We have executed indemnification agreements with our directors and executive officers. The indemnification agreements and our Articles of Association require us to indemnify our directors and executive officers to the fullest extent permitted by law.

129

[Table of Contents](#)

Employment agreements

Virgílio Deloy Capobianco Gibbon, Lélío de Souza Junior and Luis André Carpintero Blanco entered into employment agreements with the Company. None of our directors have entered into service agreements with the Company.

For a description of the compensation paid to our directors and executive officers, see "Item 6. Directors, Senior Management and Employees—B. Compensation."

Long-Term Incentive Plan

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Afya Brazil Long-Term Incentive Plan." and "Item 6. Directors, Senior Management and Employees—B. Compensation—New Long-Term Incentive Plan."

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Exhibits.

Legal and Administrative Proceedings

From time to time, we are involved in disputes that arise in the ordinary course of our business. Any claims against us, whether meritorious or not, can be time consuming, result in costly litigation, require significant management time and result in the diversion of significant operational resources.

We and our subsidiaries are subject to a number of judicial and administrative proceedings in the Brazilian court systems, including civil, labor and tax law and social security claims and other proceedings, which we believe are common and incidental to business operations in Brazil, in general. We recognize provisions for legal proceedings in our financial statements, when we are advised by independent outside counsel that (i) it is probable that an outflow of resources will be required to settle the obligation, and (ii) a reliable estimate can be made of the amount of the obligation. The assessment of the likelihood of loss includes analysis by outside counsel of available evidence, the hierarchy of laws, available case law, recent court rulings and their relevance in the legal system. Our provisions for probable losses arising from these matters are estimated and periodically adjusted by management. In making these adjustments our management relies on the opinions of our external legal advisors.

As of December 31, 2021, we had provisions recorded in our audited consolidated financial statements in connection with legal proceedings for which we believe a loss is probable, in an aggregate amount of R\$148.3 million, and had made judicial deposits in an aggregate amount of R\$18.8 million. However, legal proceedings are inherently unpredictable and subject to significant uncertainties. If one or more cases were to result in a judgment against us in any reporting period for amounts that exceeded our management's expectations, the impact on our operating results or financial condition for that reporting period could be material.

Civil Matters

As of December 31, 2021, we and our subsidiaries were party to approximately 6,695 civil proceedings, 2,674 of which are collection proceedings, 3,571 of which are judicial proceedings and 450 of which are administrative proceedings. The civil claims to which we are a party generally relate to consumer claims, including those related to student complaints. We believe these proceedings are unlikely to have a material adverse impact, individually, or in the aggregate, on our results of operations or financial condition.

On November 14, 2008, a civil suit was filed by Alessandra Vanessa Leite e Silva and others as plaintiffs against ITPAC Porto Nacional and others, seeking (i) to void IESPEN's decision to revoke their IESPEN membership and all subsequent decisions taken by IESPEN starting in April 4, 2004, and (ii) the payment of

130

[Table of Contents](#)

damages for loss of profits. On September 15, 2015, the lower court rendered a judgment in favor of the plaintiffs, granting interlocutory relief. On December 13, 2016, following an interlocutory appeal of the plaintiffs, the lower court froze 5% of ITPAC's monthly revenues in favor of the plaintiffs, and on January 9, 2017, ITPAC appealed the lower court judgment and filed an interlocutory appeal to suspend the order to freeze 5% of its revenues. On May 24, 2017, an injunction was issued suspending the freeze order. As of the date of this annual report, the appeal against the Lower Court judgment and the interlocutory appeal are pending the decision of the appeals court. As of November 2020, the lower court deferred ITPAC request and excluded ITPAC from the proceeding. We estimate the amount of any claim for damages that may be imposed on us as a result of these proceedings to be approximately R\$15.3 million, with the likelihood of loss as possible. On May 27, 2021, there was a final non-appealable decision and the claim was considered groundless, with no obligation of payment.

On October 9, 2012, a civil suit was filed by Marly Luzia Bernardes Rocha against ITPAC Porto Nacional and others, alleging (i) that Municipal Law No. 1780/03 in connection with IESPEN's creation is unconstitutional, and therefore that IESPEN's dissolution and assignment of all its contingencies to ITPAC Porto Nacional should be voided; (ii) that ITPAC Porto Nacional acted in bad faith and failed in its duties to pay for corresponding material damages, loss of profits, loss of opportunity and moral damages; (iii) that Maria Aurora Pinto Leite e Silva and Celso Eduardo Avelar Freire, shareholders of IESPEN, did not pay up corporate capital; and (iv) that ITPAC Porto Nacional should compensate the plaintiffs for alleged illicit enrichment in connection with the dissolution. On January 12, 2014, ITPAC filed its defense, which is pending review by the competent lower court. On November 13, 2016, the lower court froze 8% of ITPAC Porto Nacional's monthly revenues in favor of the plaintiffs, and the freeze order was overturned on January 12, 2017. We estimate the amount of any claim for damages that may be imposed on us as a result of these proceedings to be approximately R\$24.1 million, with the likelihood of loss as possible.

In 2008, two public civil proceedings were filed by the Brazilian federal government and the federal public prosecutor for the suspension of the activities of the Garanhuns Greenfield unit, claiming that the status of the Garanhuns Greenfield unit with the MEC was irregular. As of the date of this annual report, the activities of the Garanhuns Greenfield unit are suspended pursuant to a judgment of the 23rd Federal Court of the State of Pernambuco. On February 27, 2020, the Superior Court of Justice confirmed the judgment of the 23rd Federal Court of the State of Pernambuco and the Garanhuns Greenfield unit remains suspended. Afya Brazil is currently in discussions with MEC to obtain the necessary authorizations for the Garanhuns Greenfield unit, and to the extent those authorizations are obtained, this proceeding will be extinguished. In July 2019, ITPAC Araguaia filed an administrative proceeding requesting MEC's reappraisal of its previous decision that denied the request of transferring the administrative proceeding related

to the medical course authorization, filed in 2011, from the state educational system to the federal educational system, pursuant to applicable regulation. On September 2, 2020, MEC published Ordinance no. 722 recognizing the right of ITPAC and determining the review of the regularization request formulated in 2011 by the institution. On November 05, 2021, the instruction authorizing the start of educational activities was published.

On November 30, 2019, a public proceeding was filed by Domingos Borges da Silva against Centro de Ensino São Lucas, other educational institutions and the city hall of Porto Velho, alleging (i) that the defendants were purportedly not granting all the full scholarships to undergraduate students from "Programa de Inclusão Social Universidade Para Todos – Faculdade da Prefeitura", provided by Municipal Law No. 1,887/10 and modified by Municipal Law No. 2,284/16; (ii) that due to the lack of full scholarships, the Treasury was being jeopardized because the agreement was for tax waive in exchange to the full scholarships for the beneficiary from the referred Program; (iii) therefore, the plaintiff requires to be awarded a preliminary injunction to revoke Municipal Laws Nos. 1,887/10 and 2,284/16 and the suspension of the adherence contracts to the Program signed by the defendants; and (iv) that the defendants should be liable for alleged material damages and loss of profits. On January 13, 2020, the lower court denied the preliminary injunction. On March 3, 2020, São Lucas was served. The lawsuit was not ruled by the lower court yet. It is important to highlight that Centro de Ensino São Lucas is currently granting scholarships from the Program and, by December 2020, there were 290 scholarships being offered. We estimate the amount of any claim for damages that may be imposed on us as a result of this proceeding to be approximately of R\$10.8 million, with the likelihood of loss as probable.

The provisions related to civil proceedings whose likelihood of loss is assessed as probable are R\$22.9 million as of December 31, 2021. There are other civil proceedings assessed by management and our legal counsels as possible risk of loss, for which no provisions are recognized in the amount of R\$56.5 million as of December 31, 2021.

[Table of Contents](#)

Labor Matters

As of December 31, 2021, we and our subsidiaries were party to approximately 266 labor proceedings, 203 of which are judicial proceedings and 63 of which are administrative proceedings. The principal labor proceedings to which we are a party were filed by former employees or service providers seeking enforcement of labor rights allegedly not provided by us. The judicial proceedings relate to employment bonds (judicial proceedings filed by former service providers), overtime, premiums for hazardous workplace conditions, statutory severance, fines for severance payment delays, and compensation for workplace-related accidents. The administrative proceedings relate to the alleged failure by us to comply with certain labor laws, including with respect to working hours, the registration of employment agreements, disabled workers' hiring quotas and the protection of underage workers and apprentices.

The provisions related to labor proceedings whose likelihood of loss is assessed as probable are R\$25.5 million as of December 31, 2021. There are other labor proceedings assessed by management and our legal counsels as possible risk of loss, for which no provisions are recognized in the amount of R\$5.0 million as of December 31, 2021.

Tax and Social Security Matters

As of December 31, 2021, certain of our subsidiaries were party to 71 tax and social security proceedings, 47 of which are judicial proceedings and 24 of which are administrative proceedings, for which we did not record any provisions based on the advice of our external legal counsel that the likelihood of loss is possible. The tax claims to which these subsidiaries are party are mostly tax foreclosures filed by Brazilian federal and municipal tax authorities. The most significant tax claim is in an amount of R\$47.4 million, in which Unigranrio is a plaintiff in a tax debit annulment action that seeks to void three tax assessments relating to tax immunities in the collection of ISS taxes. As of the date of this annual report, a decision by the trial court is pending.

ITPAC Porto Nacional is party to one tax foreclosure proceeding filed by the Brazilian federal government on July 12, 2010 for the collection of social security contribution on payroll debts in the total historical amount of R\$2.8 million, for which we did not record any provisions based on the advice of our external legal counsel that the likelihood of loss is possible. As of the date of this annual report, the amount of this proceeding is approximately R\$2.9 million and the proceeding is pending the decision of the lower court.

UniSL is party to tax proceeding filed by city of Porto Velho on July 19, 2017 for having allegedly incurred in insufficient payment of ISS taxes in the total historical amount of R\$6.0 million. As of the date of this annual report, the amount of this proceeding is approximately R\$12.8 million and the likelihood of loss as possible.

The provisions related to taxes proceedings whose likelihood of loss is assessed as probable are R\$99.8 million as of December 31, 2021. There are other Taxes proceedings assessed by Management and its legal counsels as possible risk of loss, for which no provisions are recognized in the amount of R\$4.4 million as of December 31, 2021.

"Mais Médicos" Proceedings

On January 15, 2019, Sociedade de Ensino Superior Estácio de Sá Ltda., or SESES, filed a writ against SERES, requesting a judicial review of SERES's decision to disqualify the SESES bid to open a medical school in the city of Bragança, State of Pará, as part of the public procurement for the "Mais Médicos" program, and award it to ITPAC Porto Nacional. The lower court granted a preventive injunction in favor of SESES, suspending SERES's award of the medical school to ITPAC Porto Nacional. ITPAC Porto Nacional joined these proceedings as a co-defendant. On March 6, 2019, the federal prosecutor issued an opinion to dismiss the writ. On September 11, 2019, the lower court dismissed the writ and revoked the suspension of the award of the medical school granted by MEC to ITPAC Porto Nacional, and we became authorized by MEC to open and operate a medical school in the city of Bragança. As of the date of this annual report, the proceedings are pending the review of the appeal by the Federal Court of Appeals.

On January 31, 2019, Brasil Educação S.A., or BR Educação, filed proceedings against SERES, requesting a judicial review of SERES's decision to disqualify the BR Educação bid to open a school in the city of Abaetetuba, State of Pará, as part of the public procurement for the "Mais Médicos" program, and award it to ITPAC Porto Nacional. ITPAC Porto Nacional joined these proceedings as a co-defendant. The lower court granted a preventive injunction in favor of BR Educação, suspending SERES's award of the medical school to ITPAC Porto Nacional.

[Table of Contents](#)

This injunction was subsequently repealed by the Federal Court of Appeals upon preliminary review. As of the date of this annual report, the proceedings are pending the issuance of the final decision by the lower court and the Federal Court of Appeals, and ITPAC Porto Nacional is authorized by MEC to open and operate a medical school in the city of Abaetetuba.

On February 2, 2019, in proceedings separate to those of BR Educação, Faculdades Integradas Carajás S/C Ltda., or Faculdades Carajás, filed a writ against SERES, requesting a judicial review of SERES's decision to disqualify the Faculdades Carajás bid to open a medical school in the city of Abaetetuba, State of Pará, as part of the public procurement for the "Mais Médicos" program, and award it to ITPAC Porto Nacional. The lower court granted a preventive injunction in favor of Faculdades Carajás, suspending SERES's award of the school to ITPAC Porto Nacional. On October 10, 2019, Faculdades Carajás filed a motion to dismiss the writ, and the writ was dismissed by the lower court on January 10, 2020. Consequently, ITPAC Porto Nacional is authorized by MEC to open and operate a medical school in the city of Abaetetuba.

In July 2019, Instituto Metropolitano de Ensino Ltda., or IME, filed a lawsuit against SERES requesting the cancellation of the results of the public procurement for the "Mais Médicos" program in connection with the awards granted to IPTAN and ITPAC Araguaína to open medical schools in the cities of Itacoatiara and Manacapuru, located in the State of Amazonas. IME alleges that SERES's final decision with respect to IME's participation in the public procurement was irregular. On September 11, 2019, the lower court granted a preventive injunction in favor of IME, suspending SERES's award of the medical schools to IPTAN and ITPAC Araguaína. IPTAN and ITPAC Araguaína joined these proceedings as co-defendants. The preventive injunction was suspended following an appeal filed by SERES, and SERES, IPTAN and ITPAC Araguaína filed their responses to IME's allegations. As of the date of this annual report, these proceedings are pending the decision of the lower court. On February 14, 2020, the preventive injunction granted in favor of IME to suspend the results of the public procurement in the cities of Itacoatiara and Manacapuru was revoked by the Federal Court of Appeals. This decision gave a suspensive effect for the appeal filed by IPTAN and ITPAC Araguaína, rendering the decisions of the first instance without effect.

Dividends and Dividend Policy

We have not adopted a dividend policy with respect to future distributions of dividends. The amount of any distributions will depend on many factors such as our results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by our board of directors and, where applicable, our shareholders. We currently intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Class A Common Shares—It is unlikely that we will declare any dividends on our common shares in the foreseeable future and therefore, you must rely on price appreciation of our common shares for a return on your investment."

We may make any future determination to pay dividends based on an ordinary shareholder resolution, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors recommends a dividend payment, the form, frequency and amount will depend on a number of factors, including our future operations and earnings, our capital requirements and surplus, our general financial condition, impositions of restrictions on conversions and remittances of funds abroad in the jurisdictions where we operate, contractual restrictions and other factors that the board of directors may deem relevant. Cash dividends on our common shares, if any, will be paid in U.S. dollars.

In the year ended December 31, 2021, holders of the Series A perpetual convertible preferred shares received dividends in kind with a value in the aggregate of approximately R\$22.1 million and in cash amounting to US\$4.2 million.

We are a holding company incorporated in the Cayman Islands. We rely on dividends and distributions from our subsidiaries in Brazil for our cash requirements, including funds to pay our operating expenses, service any debt we may incur and pay dividends and other cash distributions to our shareholders. Also, payments of dividends from Afya Brazil to Afya Limited may be made according to cash requirements. Our holding company structure makes us dependent on the operations of our subsidiaries and therefore, any determination to pay dividends in the future will depend on our ability to receive distributions from them. See "Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Our holding company structure makes us dependent on the operations

of our subsidiaries. We depend on dividend distributions by our subsidiaries, and we may be adversely affected if the performance of our subsidiaries is not positive.”

Certain Cayman Islands Legal Requirements Related to Dividends

Under the Companies Act and our Articles of Association, a Cayman Islands company may pay a dividend out of either its profit or share premium account, but a dividend may not be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. According to our Articles of Association, dividends can be declared and paid out of funds lawfully available to us, which include the share premium account. Dividends, if any, would be paid in proportion to the number of common shares a shareholder holds. For further information, see “Item 10. Additional Information—E. Taxation—Cayman Islands Tax Considerations.”

Certain Brazilian Legal Requirements Related to Dividends

Our ability to pay dividends is directly related to positive and distributable net results from our Brazilian subsidiaries. See “Item 3. Key Information—D. Risk Factors—Certain Risks Relating to Our Business and Industry—Our holding company structure makes us dependent on the operations of our subsidiaries. We depend on dividend distributions by our subsidiaries, and we may be adversely affected if the performance of our subsidiaries is not positive.” Our Brazilian subsidiaries are required under Federal Law No. 6,404 dated December 15, 1976, as amended, to distribute a mandatory minimum dividend to shareholders each year, which cannot be lower than 25% of their income for the prior year, unless a lower mandatory minimum dividend is provided for in such subsidiary by-laws or such distribution is suspended by a decision of such subsidiary’s shareholders at its annual shareholders’ meeting based on a report by its board of directors that such distribution would be incompatible with its financial condition at that time.

In addition, if, for any legal reasons due to new laws or bilateral agreements between countries, our Brazilian subsidiaries are unable to pay dividends to Cayman Islands companies, or if a Cayman Islands company becomes incapable of receiving them, we may not be able to make any dividend payments in the future.

As of the date of this annual report, Afya Brazil and certain of our subsidiaries are required by their respective bylaws to distribute the following minimum dividends to shareholders: (i) Afya Brazil, ITPAC—Instituto Tocantinense Presidente Antônio Carlos S.A. (ITPAC Araguaína), ITPAC Porto Nacional—Instituto Tocantinense Presidente Antônio Carlos S.A., IESP—Instituto de Ensino Superior do Piauí S.A., IPTAN—Instituto de Ensino Superior Presidente Tancredo de Almeida Neves S.A., União Educacional do Planalto Central S.A. (UEPC), Instituto Educacional Santo Agostinho S.A. (FASA), Sociedade Universitária Redentor S.A. (UniRedentor), PEBMED Instituição de Pesquisa Médica e Serviços Tecnológicos da Área da Saúde S.A. (PEBMED), FESAR—Sociedade de Educação, Cultura e Tecnologia da Amazônia S.A. (FESAR), Iclinic Desenvolvimento de Software S.A. (Iclinic), Iclinic Participações S.A. (Iclinic Participações), Black River Participações S.A. (Black River), Medicinae Solutions S.A. (Medicinae)—at least 25% of adjusted net profit in each fiscal year; (ii) Medcel Editora e Eventos S.A. (Medcel Editora)—at least 50% of adjusted net profit in each fiscal year; (iii) IESVAP—at least 80% of adjusted net profit in each fiscal year; (iv) UNIVAÇO—at least 90% of adjusted net profit in each fiscal year; (v) Centro de Ciências em Saúde de Itajubá S.A. (CCSI)—at least 2% of net profit in each fiscal year. FADEP, Centro Integrado de Saúde de Teresina Ltda., Instituto de Pesquisa e Ensino Médico do Estado de Minas Gerais Ltda. (IPEMED), Instituto Paraense de Educação e Cultura Ltda. (IPEC), ESMC Educação Superior Ltda. (ESMC), Centro Universitário São Lucas Ltda. (Unisl), Centro Superior de Ciências da Saúde S/S Ltda. (FCMPB), Medphone Tecnologia em Saúde Ltda. (Medphone), Medical Harbour Aparaelhos Médico – Hospitalares e Serviços em Tecnologia Ltda. (Medical Harbour) e CliqueFarma Drogarias Online Ltda. (CliqueFarma), are limited liability companies and their articles of association do not stipulate a mandatory minimum dividend.

We have not declared or paid any dividends to our shareholders since our incorporation in the Cayman Islands on March 22, 2019. Afya Brazil did not declare or pay any dividends to its shareholders in 2018 and 2020. On June 13, 2019, Afya Brazil approved the payment of interim dividends totaling R\$38 million to Afya Brazil shareholders of record on June 13, 2019. The dividend amount was determined based on Afya Brazil’s net income for the five months ended May 31, 2019. Neither Afya nor the public shareholders of Afya were entitled to receive such dividend, which was paid in September 2019. See note 17 to our audited consolidated financial statements for additional information.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

On July 19, 2019, we completed our initial public offering. On February 7, 2020, we completed a follow-on offering. Our common shares have been listed on the Nasdaq since July 19, 2019 under the symbol “AFYA.” Prior to that date, there was no public trading market for our common shares.

B. Plan of Distribution

Not applicable.

C. Markets

See “—A. Offer and Listing Details” above.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Description of Share Capital

We were incorporated on March 22, 2019 as a Cayman Islands exempted company with limited liability duly registered with the Cayman Islands Registrar of Companies. Our corporate purposes are unrestricted and we have the authority to carry out any object not prohibited by law as provided by Section 7(4) of the Companies Act.

Our affairs are governed principally by (i) our Memorandum and Articles of Association; (ii) the Companies Act; and (iii) the common law of the Cayman Islands. As provided in our Memorandum and Articles of Association, subject to Cayman Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, and, for such purposes, full rights, powers and privileges. Our registered office is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Our Articles of Association authorize the issuance of share capital of up to 1,000,000,000 shares of a nominal or par value of US\$0.00005 each, which, at the date of this annual report, comprise 500,000,000 Class A common shares and 250,000,000 Class B common shares (which may be converted into Class A common shares in the manner contemplated in our Articles of Association), and 250,000,000 shares of such class or classes (howsoever designated) and having the rights that our board of directors may determine. As of the date of this annual report we have 44,509,593 Class A common shares, and 45,802,763 Class B common shares, 3,410,475 common shares held in treasury and 150,000 Series A perpetual convertible preferred shares of our authorized share capital issued and outstanding.

The following is a summary of the material provisions of our authorized share capital and our Articles of Association.

Share Capital

The Memorandum and Articles of Association currently authorize two classes of common shares: Class A common shares, which are entitled to one vote per share, and Class B common shares, which are entitled to 10 votes per share and to maintain a proportional ownership interest in the event that additional Class A common shares are issued. Any holder of Class B common shares may convert his or her shares at any time into Class A common shares on a share-for-share basis. The rights of the two classes of common shares are otherwise identical, except as described below. The implementation of this dual class equity structure was required by the Esteves Family and Crescera, our principal shareholders in the year of 2019, as a condition of undertaking the initial public offering of our common shares. See "—Anti-Takeover Provisions in Our Articles of Association—Two Classes of Common Shares."

As of December 31, 2021, our total authorized share capital was US\$50,000, divided into 1,000,000,000 shares par value US\$0.00005 each, of which:

- 500,000,000 shares are designated as Class A common shares;
- 250,000,000 shares are designated as Class B common shares; and
- 250,000,000 shares of such class or classes (howsoever designated) and having the rights as the Board may determine.

As of December 31, 2021, Afya had a total issued share capital of R\$17 thousand, represented by 93,722,831 common shares comprised by 46,265,141 Class A common shares, 45,802,763 Class B common shares, 1,654,927 common shares held in treasury and 150,000 Series A perpetual convertible preferred shares.

Treasury Shares

As of December 31, 2021, Afya had 1,654,927 common shares in treasury.

Issuance of Shares

Except as expressly provided in our Articles of Association, our board of directors has general and unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any unissued shares in the company's capital without the approval of our shareholders (whether forming part of the original or any increased share capital), either at a premium or at par, with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, on such terms and conditions, and at such times as the directors may decide, but so that no share shall be issued at a discount, except in accordance with the provisions of the Companies Act. In accordance with its Articles of Association, Afya shall not issue bearer shares.

Our Articles of Association provide that at any time that there are Class A common shares in issue, additional Class B common shares may only be issued pursuant to (i) a share split, subdivision of shares or similar transaction or where a dividend or other distribution is paid by the issue of shares or rights to acquire shares or following capitalization of profits, (ii) a merger, consolidation, or other business combination, or (iii) an issuance of shares including Class A common shares or any other class of share designated as a common share pursuant to the Articles of Association, whereby each holder of the Class B common shares is entitled to purchase a number of Class B common shares that would allow it to maintain its proportional ownership interests in Afya (following an offer by Afya to each holder of Class B common shares to issue to such holder, upon the same economic terms and at the same price, such number of Class B common shares as would ensure such holder may maintain a proportional ownership interest in Afya pursuant to our Articles of Association). In light of: (a) the above provisions; (b) the fact that future transfers by holders of Class B common shares will generally result in those shares converting to Class A common shares, subject to limited exceptions as provided in the Articles of Association; and (c) the ten-to-one voting ratio between our Class B common shares and Class A common shares, means that holders of our Class B common shares will in many situations continue to maintain control of all matters requiring shareholder approval.

136

[Table of Contents](#)

This concentration of ownership and voting power will limit or preclude your ability to influence corporate matters for the foreseeable future. For more information see "—Preemptive or Similar Rights."

Our Articles of Association also provide that the issuance of non-voting common shares requires the affirmative vote of a majority of the then-outstanding Class A common shares and the prior written consent of a Bertelsmann Director and Esteves Family Director as set out below in "—Proceedings of the Board of Directors."

Fiscal Year

Our fiscal year begins on January 1 of each year and ends on December 31 of the same year.

Voting Rights

The holders of the Class A common shares and Class B common shares have identical rights, except that (i) the holder of Class B common shares is entitled to 10 votes per share, whereas holders of Class A common shares are entitled to one vote per share, (ii) Class B common shares have certain conversion rights and (iii) the holders of Class B common shares are entitled to maintain their proportional ownership interest in the event that common shares and/or preferred shares are proposed to be issued. For more information see below "—Preemptive or Similar Rights" and "—Conversion." The holders of Class A common shares and Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, except as provided below and as otherwise required by law.

Our Articles of Association provide as follows regarding the respective rights of holders of Class A common shares and Class B common shares:

- Class consents from the holders of Class A common shares or Class B common shares, as applicable, shall be required for any variation to the rights attached to their respective class of shares, however, the directors may treat any two or more classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposal;
- the rights conferred on holders of Class A common shares shall not be deemed to be varied by the creation or issue of further Class B common shares and vice versa; and
- the rights attaching to the Class A common shares and the Class B common shares shall not be deemed to be varied by the creation or issue of shares with preferred or other rights, including, without limitation, shares with enhanced or weighted voting rights.

As set forth in the Articles of Association, the holders of Class A common shares and Class B common shares, respectively, do not have the right to vote separately if the number of authorized shares of such class is increased or decreased. Rather, the number of authorized Class A common shares and Class B common shares may be increased or decreased (but not below the number of shares of such class then outstanding) by the affirmative vote of the holders of a majority of the voting power of the issued and outstanding Class A common shares and Class B common shares, voting together in a general meeting.

Preemptive or Similar Rights

The Class A common shares and Class B common shares are not entitled to preemptive rights upon transfer and are not subject to conversion (except as described below under "—Conversion"), redemption or sinking fund provisions.

The Class B common shares are entitled to maintain a proportional ownership interest in the event that additional common and/or preferred shares are issued. As such, if Afya issues common and/or preferred shares, it must first make an offer to each holder of Class B common shares to issue to such holder on the same economic terms such number of Class B common shares as would ensure such holder may maintain a proportional ownership interest in Afya. This right to maintain a proportional ownership interest may be waived by all of the holders of Class B common shares, such waiver to remain effective until the date specified therein or 12 months from the date of the waiver.

137

[Table of Contents](#)

Conversion

The outstanding Class B common shares are convertible at any time as follows: (i) at the option of the holder, a Class B common share may be converted at any time into one Class A common share or (ii) upon the election of the holders of all the then issued and outstanding Class B common shares, all outstanding Class B common shares may be converted into a like number of Class A common shares. In addition, each Class B common share will convert automatically into one Class A common share upon any transfer, whether or not for value, except for certain transfers described in the Articles of Association, including transfers to holders of Class B common shares, to affiliates, transfers to Bertelsmann SE & Co. KGaA and any of its affiliates, to and between the Esteves Family, Bertelsmann, their family members and their respective children, heirs and successors, trusts solely for the benefit of the shareholder or their affiliates, and to partnerships, corporations and other entities exclusively owned or controlled by the Class B shareholder or their affiliates and certain transfers to organizations that are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Furthermore, each Class B common share will convert automatically into one Class A common share and no Class B common shares will be issued thereafter if, at any time, the total number of the issued and outstanding Class B common shares is less than 10% of the total number of shares outstanding. To the extent that Bertelsmann or the Esteves Family cease to be a Class B common shareholder, the rights nominally vested to each shall vest in their permitted transferee within the meaning of our Articles of Association.

No class of our common shares may be subdivided or combined unless the other class of common shares is concurrently subdivided or combined in the same proportion and in the same manner.

Equal Status

Except as expressly provided in our Articles of Association, Class A common shares and Class B common shares have the same rights and privileges and rank equally, share ratably and are identical in all respects as to all matters.

In the event of any merger, consolidation, scheme, arrangement or other business combination requiring the approval of our shareholders entitled to vote thereon (whether or not Afya is the surviving entity), the holders of Class A common shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B common shares, and the holders of Class A common shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B common shares. In the event of any (i) tender or exchange offer to acquire any Class A common shares or Class B common shares by any third-party pursuant to an agreement to which Afya is a party, or (ii) any tender or exchange offer by Afya to acquire any Class A common shares or Class B common shares, the holders of Class A common shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B common shares, and the holders of Class A common shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B common shares.

Record Dates

For the purpose of determining shareholders entitled to notice of, or to vote at any general meeting of shareholders or any adjournment thereof, or shareholders entitled to receive dividend or other distribution payments, or in order to make a determination of shareholders for any other purpose, Our board of directors may set a record date which shall not exceed 40 clear days prior to the date where the determination will be made.

General Meetings of Shareholders

As a condition of admission to a shareholders' meeting, a shareholder must be duly registered as a shareholder of Afya at the applicable record date for that meeting and, in order to vote, all calls or installments then payable by such shareholder to Afya in respect of the shares that such shareholder holds must have been paid.

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative not being himself or herself a shareholder entitled to vote) shall have one vote per Class A common share and 10 votes per Class B common share.

138

[Table of Contents](#)

As a Cayman Islands exempted company, Afya is not obliged by the Companies Act to call annual general meetings; however, the Articles of Association provide that in each year the company will hold an annual general meeting of shareholders, at a time determined by the board of directors, provided that the board of directors of Afya has the discretion whether or not to hold an annual general meeting. For the annual general meeting of shareholders the agenda will include, among other things, the presentation of the annual accounts and the report of the directors. In addition, the agenda for an annual general meeting of shareholders will only include such items as have been included therein by the board of directors.

Also, Afya may, but is not required to (unless required by the laws of the Cayman Islands), hold other extraordinary general meetings during the year. General meetings of shareholders are generally expected to take place in Nova Lima, Brazil, but may be held elsewhere if the directors so decide.

The Companies Act provides shareholders a limited right to request a general meeting and does not provide shareholders with any right to put any proposal before a general meeting in default of a company's Articles of Association. However, these rights may be provided in a company's Articles of Association. Our Articles of Association provide that upon the requisition of one or more shareholders representing not less than one-third of the voting rights entitled to vote at general meetings, the board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. The Articles of Association provide no other right to put any proposals before annual general meetings or extraordinary general meetings.

Subject to regulatory requirements, the annual general meeting and any extraordinary general meetings must be called by not less than 10 clear calendar days' notice prior to the relevant shareholders meeting and convened by a notice discussed below. Alternatively, upon the prior consent of all holders entitled to receive notice, with regards to the annual general meeting, and the holders of 95% in par value of the shares entitled to attend and vote at an extraordinary general meeting, that meeting may be convened by a shorter notice and in a manner deemed appropriate by those holders.

Afya will give notice of each general meeting of shareholders by publication on its website and in any other manner that it may be required to follow in order to comply with Cayman Islands law, Nasdaq and SEC requirements. The holders of registered shares may be given notice of a shareholders' meeting by means of letters sent to the addresses of those shareholders as registered in our shareholders' register, or, subject to certain statutory requirements, by electronic means.

Holders whose shares are registered in the name of DTC or its nominee, which we expect will be the case for all holders of Class A common shares, will not be a shareholder or member of the company and must rely on the procedures of DTC regarding notice of shareholders' meetings and the exercise of rights of a holder of the Class A common shares.

A quorum for a general meeting consists of any one or more persons holding or representing by proxy not less than one-third of the aggregate voting power of all shares in issue and entitled to vote upon the business to be transacted, provided that such a quorum must also include (i) Bertelsmann for so long as it holds Class B common shares in excess of the Ownership Threshold, and (ii) the Esteves Family for so long as it holds Class B common shares in excess of the Ownership Threshold.

A resolution put to a vote at a general meeting shall be decided on a poll. An ordinary resolution to be passed by the shareholders at a general meeting requires the affirmative vote of a simple majority of the votes cast by, or on behalf of, the shareholders entitled to vote, present in person or by proxy and voting at the meeting. A special resolution requires the affirmative vote on a poll of no less than two-thirds of the votes cast by the shareholders entitled to vote who are present in person or by proxy at a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our Company, as permitted by the Companies Act and our Articles of Association.

Pursuant to our Articles of Association, general meetings of shareholders are to be chaired by the chairman of our board of directors or in his absence the vice-chairman of the board of directors. If the chairman or vice-chairman of our board of directors is absent, the directors present at the meeting shall appoint one of them to be chairman of the general meeting. If neither the chairman nor another director is present at the general meeting within 15 minutes after the time appointed for holding the meeting, the shareholders present in person or by proxy and entitled to vote may elect any one of the shareholders to be chairman. The order of business at each meeting shall be determined by

139

[Table of Contents](#)

the chairman of the meeting and he or she shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Company, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls. The chairman shall not have the right to vote in his capacity as chairman and shall not have a casting vote.

Liquidation Rights

If Afya is voluntarily wound up, the liquidator, after taking into account and giving effect to the rights of preferred and secured creditors and to any agreement between Afya and any creditors that the claims of such creditors shall be subordinated or otherwise deferred to the claims of any other creditors and to any contractual rights of set-off or netting of claims between Afya and any person or persons (including without limitation any bilateral or any multi-lateral set-off or netting arrangements between the company and any person or persons) and subject to any agreement between Afya and any person or persons to waive or limit the same, shall apply our property in satisfaction of its liabilities *pari passu* and subject thereto shall distribute the property amongst the shareholders according to their rights and interests in Afya.

Special Matters

Afya may not without the prior written consent of (i) Bertelsmann for so long as it holds Class B common shares and (ii) the Esteves Family for so long as it holds Class B common shares in excess of the Ownership Threshold: change the number of directors; change the structure, function, and/or number of the board of executive officers (which comprises the three senior executive officers that manage the day-to-day business activities of Afya, subject to the overall supervision of the board of directors); amend its Memorandum and Articles of Association; vary the rights attaching to shares; approve any merger or consolidation of Afya with one or more constituent companies (as defined in the Companies Act), the contribution by Afya of any assets to any subsidiary and/or the creation of any joint venture by Afya; approve any business combination; approve the winding-up, liquidation or dissolution of Afya; or take certain actions in respect of its share capital as set out in the Articles of Association; register as an exempted limited duration company; or approve the transfer by way of continuation of Afya to a jurisdiction outside the Cayman Islands.

Anti-Corruption and Anti-Money Laundering

Our Articles of Association contain stringent anti-corruption, anti-money laundering and certain other related measures applicable to us, our officers and directors, and its service providers. The Articles of Association provide that if one of our shareholders is found to have been involved in an act of corruption, money laundering or other related irregular act, the directors shall convene a meeting to consider the circumstances of such incident, and establish a course of action to be taken against such shareholder. The actions range from (i) suspending such shareholder from his/her duties as a director, officer and/or employee (if applicable) of the Company; (ii) terminating such duties; (iii) directing such shareholder to transfer the entirety of his/her shareholding in the Company to his/her children and/or heirs; or (iv) if such transfer is not possible, resolve that the shares in the Company owned by such shareholder be mandatorily redeemed by us. Further, our Articles of Association provide that we shall not engage the services of any provider that has been found to violate applicable anti-corruption laws, and further provide that we and our shareholders shall not violate applicable anti-corruption laws.

Changes to Capital

Subject to the restrictions contained in the Articles of Association and summarized above in "—Special Matters," Afya may from time to time by ordinary resolution:

- increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;

- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- convert all or any of its paid-up shares into stock and reconvert that stock into paid up shares of any denomination;

[Table of Contents](#)

- subdivide its existing shares or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by the Company for an order confirming such reduction, reduce its share capital or any capital redemption reserve in any manner permitted by law.

In addition, subject to the provisions of the Companies Act and our Articles of Association, Afya may:

- issue shares on terms that they are to be redeemed or are liable to be redeemed;
- purchase its own shares (including any redeemable shares); and
- make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Companies Act, including out of its own capital.

Transfer of Shares

Subject to any applicable restrictions set forth in the Articles of Association, any shareholder of Afya may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or in the form prescribed by the Nasdaq or any other form approved by the Company's board of directors.

The Class A common shares are traded on the Nasdaq in book-entry form and may be transferred in accordance with our Articles of Association and Nasdaq's rules and regulations.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any common share which is either not fully paid up to a person of whom it does not approve or is issued under any share incentive scheme for employees which contains a transfer restriction that is still applicable to such common share. The board of directors may also decline to register any transfer of any common share unless:

- the instrument of transfer is lodged with Afya, accompanied by the certificate (if any) for the common shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the common shares transferred are free of any lien in favor of Afya; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If the directors refuse to register a transfer they are required, within 15 business days after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

Share Repurchases

The Companies Act and the Articles of Association permit Afya to purchase its own shares, subject to certain restrictions. The board of directors may only exercise this power on behalf of Afya, and subject to the Companies Act, the Articles of Association and to any applicable requirements imposed from time to time by the SEC, the Nasdaq, or by any recognized stock exchange on which our securities are listed. Set forth below is a description of our share repurchase programs.

1st Share Repurchase Program. Our Board of Directors approved a share buyback program on December 23, 2020. Under the share buyback program, Afya may repurchase up to 1,015,844 of its outstanding Class A common

[Table of Contents](#)

shares in the open market, based on prevailing market prices, or in privately negotiated transactions, over a period beginning on December 24, 2020 continuing until the earlier of the completion of the repurchase or December 31, 2021, depending upon market conditions. We intend to repurchase the shares to execute the stock option program for the executives of the company and expect to utilize our existing funds to fund repurchases made under this program. Our Board of Directors also authorized management to appoint BofA Securities, Inc. as our agent to purchase Securities on its behalf in the open market. It is our intention such purchases benefit from the safe harbor provided by Rule 10b-18 ("Rule 10b-18") promulgated by the SEC under the Exchange Act. Accordingly, we shall not take, nor permit any person or entity under its control to take, any action that could jeopardize the availability of Rule 10b-18 for purchases of our common shares under the program. The share buyback program was completed on October 21, 2021, upon the completion of the purchase of the full amount of Class A common shares permitted under the program.

2nd Share Repurchase Program. After the completion of our first share repurchase program on October 21, 2021 that resulted in the purchase of 1,015,844 Class A common shares, our Board of Directors approved a new share repurchase program on October 27, 2021. Under the second share repurchase program, Afya may repurchase up to 1,383,108 of its outstanding Class A common shares in the open market, based on prevailing market prices, or in privately negotiated transactions, beginning on October 28, 2021 until the earlier of the completion of the repurchase or December 31, 2022, depending upon market conditions. We intend to repurchase the shares to execute the stock option program for the executives of the company and expect to utilize our existing funds to fund repurchases made under this program. The Board of Directors of Afya also authorized management to appoint BofA Securities, Inc. as its agent to purchase the shares on its behalf in the open market. It is Afya's intention that such purchases benefit from the safe harbor provided by Rule 10b-18 promulgated by the SEC under the Exchange Act. Accordingly, Afya shall not take, nor permit any person or entity under its control to take, any action that could jeopardize the availability of Rule 10b-18 for purchases under the program. The second repurchase program was completed upon the purchase of the full amount of Class A common shares permitted under the second repurchase program.

3rd Share Repurchase Program. After the completion of our second share repurchase program, which resulted in the purchase of 1,383,108 Class A common shares, our Board of Directors has approved a new share repurchase program on January 27, 2022. Under the third repurchase program, Afya may repurchase up to 1,874,457 of its outstanding Class A common shares which represents 4% of its free float, in the open market, based on prevailing market prices, or in privately negotiated transactions, beginning on January 27, 2022 until the earlier of the completion of the repurchase or December 31, 2022, depending upon market conditions.

The share repurchases may be made from time to time through open market transactions and are subject to market and business conditions, levels of available liquidity, cash requirements for other purposes, regulatory, and other relevant factors. Afya intends to repurchase the shares for use in its stock option program, as consideration in future business combination transactions and for general corporate purposes. Afya expects to utilize its existing funds and future dividends to be received from Afya Brazil to fund repurchases made under this program. Afya's Board of Directors will review the share repurchase program periodically and may authorize adjustments to its terms and size or suspend or discontinue the program.

The Board of Directors of Afya also authorized management to appoint BofA Securities, Inc. as its agent to purchase the shares on its behalf in the open market. It is Afya's intention that such purchases benefit from the safe harbor provided by Rule 10b-18 promulgated by the SEC under the Exchange Act. Accordingly, Afya shall not take, nor permit any person or entity under its control to take, any action that could jeopardize the availability of Rule 10b-18 for purchases under the program.

Dividends and Capitalization of Profits

We have not adopted a dividend policy with respect to payments of any future dividends by Afya. Subject to the Companies Act, our shareholders may, by resolution passed by a simple majority of the voting rights entitled to vote at a general meeting, declare dividends (including interim dividends) to be paid to shareholders but no dividend shall be declared in excess of the amount recommended by the board of directors. The board of directors may also declare dividends. Dividends may be declared and paid out of funds lawfully available to Afya. Except as otherwise provided by the rights attached to shares and the Articles of Association of Afya, all dividends shall be paid in proportion to the number of Class A common shares or Class B common shares a shareholder holds at the date the

[Table of Contents](#)

dividend is declared (or such other date as may be set as a record date); but, (i) if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend

accordingly, and (ii) where we have shares in issue which are not fully paid up (as to par value) we may pay dividends in proportion to the amounts paid up on each share.

The holders of Class A common shares and Class B common shares shall be entitled to share equally in any dividends that may be declared in respect of our common shares from time to time. In the event that a dividend is paid in the form of Class A common shares or Class B common shares, or rights to acquire Class A common shares or Class B common shares, (i) the holders of Class A common shares shall receive Class A common shares, or rights to acquire Class A common shares, as the case may be; and (ii) the holders of Class B common shares shall receive Class B common shares, or rights to acquire Class B common shares, as the case may be.

Series A perpetual convertible preferred shares rank senior to our common with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company. The holders of Series A perpetual convertible preferred shares are entitled to a cumulative dividend at the rate of 6.5% per annum, payable quarterly in arrears. Dividends are payable in kind through the issuance of additional Series A perpetual convertible preferred shares, in cash, or in any combination of both, at our discretion. In the year ended December 31, 2021, holders of the Series A perpetual convertible preferred shares received dividends in kind with a value in the aggregate of approximately R\$22.1 million and in cash amounting to US\$4.2 million. The holders of the Series A perpetual convertible preferred shares are also entitled to participate in dividends declared or paid on our common stock on an as-converted basis.

Appointment, Disqualification and Removal of Directors

Afya is managed by its board of directors. The Articles of Association provide that, unless otherwise determined by a special resolution of shareholders, the board of directors will be composed of four to 11 directors, with the number being determined by a majority of the directors then in office. There are no provisions relating to retirement of directors upon reaching any age limit. The Articles of Association also provide that, while our shares are admitted to trading on Nasdaq, the board of directors must always comply with the residency and citizenship requirements of the U.S. securities laws applicable to foreign private issuers. Bertelsmann for so long as it holds Class B common shares may appoint up to three directors at its discretion (and is entitled at any time to remove substitute or replace such directors) ("Bertelsmann Directors"), and the Esteves Family for so long as it holds Class B common shares in excess of the Ownership Threshold may appoint up to three directors at its discretion (and is entitled at any time to remove substitute or replace such directors) ("Esteves Family Directors"), in addition for so long as both hold Class B common shares, they may appoint a further director (the "Joint Director") and are entitled at any time to remove, substitute or replace the Joint Director. The board of directors shall have a chairman that for so long as both Bertelsmann and the Esteves Family hold Class B common shares in excess of the Ownership Threshold, which chairman is appointed in rotation for a term of a year by each of them as prescribed in the Articles of Association, such right to be exercised initially by Bertelsmann. Once neither Bertelsmann nor the Esteves Family hold Class B common shares in excess of the Ownership Threshold, the chairman is elected by the board of directors then in office instead. The directors may elect a vice chairman of the board of directors.

Subject to the foregoing, the Articles of Association provide that directors shall be elected by an ordinary resolution of our shareholders, which requires the affirmative vote of a simple majority of the votes cast on the resolution by the shareholders entitled to vote who are present, in person or by proxy, at the meeting. Each director shall be appointed and elected for a two-year term or until his or her death, resignation or removal, and is eligible for re-election.

For the names of our directors, see "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Board of Directors."

Any vacancies on the board of directors that arise other than in respect of the Bertelsmann and/or Esteves Family director appointments set out above or upon the removal of a director by resolution passed at a general meeting can be filled by the remaining directors (notwithstanding that they may constitute less than a quorum). Any such appointment shall be as an interim director to fill such vacancy until the next annual general meeting of shareholders.

143

Table of Contents

Subject to the foregoing, additions to the existing board (within the limits set pursuant to the Articles of Association) may be made by ordinary resolution of the shareholders.

Our board of directors has an audit committee in place. See "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Audit Committee."

Grounds for Removing a Director

A director may be removed with or without cause by ordinary resolution, save that each Bertelsmann Director may be removed by Bertelsmann at its discretion and each Esteves Family Director may be removed by the Esteves Family at its discretion.

The notice of general meeting must contain a statement of the intention to remove the director and must be served on the director not less than 10 calendar days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal.

The office of a director will be vacated automatically if he or she (i) becomes prohibited by law from being a director, (ii) becomes bankrupt or makes an arrangement or composition with his creditors, (iii) dies or is in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director, (iv) resigns his office by notice to us or (v) has for more than six months been absent without permission of the directors from meetings of the board of directors held during that period, and the remaining directors resolve that his or her office be vacated. Further, the Directors may remove a Director as set out above in "—Anti-Corruption."

Proceedings of the Board of Directors

The Articles of Association provide that our business is to be managed and conducted by the board of directors, save that Afya may not without (i) the consent of a Bertelsmann Director while there is a Bertelsmann Director and (ii) the consent of an Esteves Family Director while there is an Esteves Family Director: create new classes of shares, issue new shares, options, warrants or convertible securities of similar nature conferring the right upon the holders thereof to subscribe for purchase or receive any class of shares or securities in the capital of Afya; repurchase or redeem any shares; approve the payment of any remuneration to a Director or executive officer; approve any incentive plan (as set out in the Articles of Association); change our accounting practices except as required by applicable law; execute and/or terminate any shareholders' agreement, quotaholders' agreement, or any other agreements related to our interest in any subsidiary; approve our financial statements; effect an initial public offering and/or follow-on offerings of Afya, or hire any investment banks or service providers inherent to the initial public offering; approve the listing and/or the delisting of our securities with any designated stock exchange; change our dividend policy and/or approve any dividend, create and/or use our reserves; approve any budget, as well as any amendment and/or change to such budget; conduct, negotiate, terminate and/or amend any business, agreement, or transaction between Afya and any related party; acquire, sell or encumber any of our permanent assets, in one transaction or in a series of transactions, which value exceeds the equivalent of R\$250 thousands; approve any sale or encumbrance, for the benefit of a person of shares issued by any subsidiary, or the admission of any new partner or shareholder in such subsidiaries; create or dissolve any committees of the Directors; carry out any investments outside the scope of the core business of Afya or its controlled persons (as set out in the Articles of Association); incorporate any entity; acquire, sell or encumber the capital stock of entities in which Afya has an interest; appoint or terminate the engagement of any auditor that is not an Authorized Auditor as set out in the Articles of Association; provide any guarantee in respect of any person or related person of any of our shareholders, director and/or officers inter alia; negotiate, amend, renew, change or terminate any lease agreement or enter into any new lease agreement; appoint any executive officer; approve the delegation of any powers by the board of directors; or take actions in connection with the Company's Anti-Corruption measures.

The quorum necessary for the board meeting shall be a simple majority of the directors then in office (subject to there being a minimum of two directors present), provided that such a quorum must include at least one Bertelsmann Director for so long as there is at least one Bertelsmann Director and one Esteves Family Director for so long as there is one Esteves Family Director and business at any meeting shall be decided by a majority of votes, provided such a majority must include at least one Bertelsmann Director for so long as there is at least one Bertelsmann Director and one Esteves Family Director for so long as there is one Esteves Family Director. In the case of an equality of votes, neither the chairman of the board nor the chairman of the meeting shall have a casting vote.

144

Table of Contents

Subject to the foregoing and the provisions of the Articles of Association, the board of directors may regulate its proceedings as they determine is appropriate. Board meetings shall be held at least once every calendar quarter and shall take place either in Nova Lima, Brazil, or at such other place as the directors may determine.

Subject to the provisions of the Articles of Association, to any directions given by ordinary resolution of the shareholders and the listing rules of the Nasdaq, the board of directors may from time to time at its discretion exercise all powers of Afya, including, subject to the Companies Act, the power to issue debentures, bonds and other securities of the company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third-party.

Inspection of Books and Records

Holders of Afya shares have no general right under Cayman Islands law to inspect or obtain copies of the list of shareholders or corporate records of the Company. However, the board of directors may determine from time to time whether and to what extent our accounting records and books shall be open to inspection by shareholders who are not members of the board of directors. Notwithstanding the above, the Articles of Association provide shareholders with the right to receive annual financial statements and upon request agreements executed by the Company and its Related Parties (as defined in the Articles of Association), shareholder agreements to which the Company is a party and details of any incentive plan). Such right to receive annual financial statements may be satisfied by publishing the same on the company's website or filing such annual reports as we are required to file with the SEC.

Register of Shareholders

The Class A common shares are held through DTC, and DTC or Cede & Co., as nominee for DTC, and recorded in the shareholders' register as the holder of our Class A common shares.

Under Cayman Islands law, Afya must keep a register of shareholders that includes:

- the names and addresses of the shareholders, a statement of the shares held by each member and of the amount paid or agreed to be considered as paid, on the shares of each member;
- whether voting rights attach to the shares in issue;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of shareholders of Afya is *prima facie* evidence of the matters set out therein (i.e., the register of shareholders will raise a presumption of fact on the matters referred to above unless rebutted) and a shareholder registered in the register of shareholders is deemed as a matter of Cayman Islands law to have *prima facie* legal title to the shares as set against his or her name in the register of shareholders.

However, there are certain limited circumstances where an application may be made to a Cayman Islands court for a determination on whether the register of members reflects the correct legal position. Further, the Cayman Islands court has the power to order that the register of members maintained by a company should be rectified where it considers that the register of members does not reflect the correct legal position. If an application for an order for rectification of the register of members were made in respect of our ordinary shares, then the validity of such shares may be subject to re-examination by a Cayman Islands court.

Exempted Company

Afya is an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;

145

[Table of Contents](#)

- an exempted company's register of shareholders is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with no par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, we comply with the Nasdaq rules in lieu of following home country practice.

Anti-Takeover Provisions in Our Articles of Association

Some provisions of the Articles of Association may discourage, delay or prevent a change in control of Afya or management that shareholders may consider favorable. In particular, the capital structure of Afya concentrates ownership of voting rights in the hands of the Esteves Family and Bertelsmann. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of Afya to first negotiate with the board of directors. However, these provisions could also have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of the Class A common shares that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the management of Afya. It is possible that these provisions could make it more difficult to accomplish transactions that shareholders may otherwise deem to be in their best interests.

Two Classes of Common Shares

The Class B common shares of Afya are entitled to 10 votes per share, while the Class A common shares are entitled to one vote per share. Since they own all of the Class B common shares of Afya, the Esteves Family and Bertelsmann currently have the ability to elect all directors and to determine the outcome of most matters submitted for a vote of shareholders. This concentrated voting control could discourage others from initiating any potential merger, takeover, or other change of control transaction that other shareholders may view as beneficial.

So long as the Esteves Family and Bertelsmann have the ability to determine the outcome of most matters submitted to a vote of shareholders as well as the overall management and direction of Afya, third parties may be deterred in their willingness to make an unsolicited merger, takeover, or other change of control proposal, or to engage in a proxy contest for the election of directors. As a result, the fact that Afya has two classes of common shares may have the effect of depriving you as a holder of Class A common shares of an opportunity to sell your Class A common shares at a premium over prevailing market prices and make it more difficult to replace the directors and management of Afya.

Preferred Shares

Our board of directors is given wide powers to issue one or more classes or series of shares with preferred rights. Such preferences may include, for example, dividend rights, conversion rights, redemption privileges, enhanced voting powers and liquidation preferences.

146

[Table of Contents](#)

Despite the anti-takeover provisions described above, under Cayman Islands law, our board of directors may only exercise the rights and powers granted to them under the Articles of Association, for what they believe in good faith to be in the best interests of Afya.

For further information on our outstanding Series A perpetual convertible preferred shares, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness—Financing—Series A Perpetual Convertible Shares" and note 13.2.1(f) to our audited consolidated financial statements included elsewhere in this annual report.

Protection of Non-Controlling Shareholders

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of the shares of Afya in issue, appoint an inspector to examine the Company's affairs and report thereon in a manner as the Grand Court shall direct.

Subject to the provisions of the Companies Act, any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that this winding up is just and equitable.

Notwithstanding the U.S. securities laws and regulations that are applicable to Afya, general corporate claims against Afya by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Articles of Association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents, which permit a minority shareholder to commence a representative action against Afya, or derivative actions in our name, to challenge (i) an act which is ultra vires or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers themselves control Afya, and (iii) an irregularity in the passing of a resolution that requires a qualified (or special) majority.

Registration Rights and Restricted Shares

Although no shareholders of Afya have formal registration rights, they or entities controlled by them or their permitted transferees will be able to sell their shares in the public market from time to time without registering them, subject to certain limitations on the timing, amount and method of those sales imposed by regulations promulgated by the SEC.

Principal Differences between Cayman Islands and U.S. Corporate Law

The Companies Act was modeled originally after similar laws in England and Wales but does not follow subsequent statutory enactments in England and Wales. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to Afya and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements

The Companies Act permits mergers or consolidations between two Cayman Islands companies, or between a Cayman Islands company and a company incorporated in another jurisdiction (provided that is facilitated by the laws of that other jurisdiction).

Where the merger or consolidation is between two Cayman Islands companies the directors of each company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution (usually a majority of 66 2/3 % in value) of the shareholders of each company; and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. No shareholder resolution is required for a merger between a parent company (i.e., a company that owns at least 90% of the issued shares of each class in a subsidiary company) and its subsidiary company. The consent of each holder of a fixed or floating security interest of a constituent company must be obtained, unless the court waives such requirement. If the Cayman Islands Registrar of Companies is satisfied that the requirements of the Companies Act (which includes certain other formalities) have been complied with, the Registrar of Companies will register the plan of merger or consolidation. Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to

147

[Table of Contents](#)

the foreign company, the director of the Cayman Islands company is required to make a declaration to the effect that, having made due enquiry, he is of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the company in any foreign jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or property or any part thereof; (iv) that no scheme, order, compromise or similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Moreover, Cayman Islands law also has separate statutory provisions that facilitate the reconstruction or amalgamation of companies, in certain circumstances, schemes of arrangement will generally be more suited for complex mergers or other transactions involving widely held companies, commonly referred to in the Cayman Islands as a "scheme of arrangement" which may be tantamount to a merger. In the event that a merger was sought pursuant to a scheme of arrangement (the procedure of which are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States), the arrangement in question must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting or meetings summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- Afya is not proposing to act illegally or beyond the scope of its corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act or that would amount to a "fraud on the minority."

If a scheme of arrangement or takeover offer (as described below) is approved, any dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Squeeze-out Provisions

When a takeover offer is made and accepted by holders of 90.0% of the shares to whom the offer is made within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Further, transactions similar to a merger, reconstruction and/or an amalgamation may in some circumstances be achieved through other means to these statutory provisions, such as a share capital exchange, asset acquisition or control, through contractual arrangements, of an operating business.

Shareholders' Suits

Maples and Calder (Cayman) LLP, our Cayman Islands counsel is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, we will be the proper plaintiff in any claim based on a breach of duty owed to us, and a claim against (for example) our officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of

148

[Table of Contents](#)

persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

Borrowing Powers

Our directors may exercise all the powers of Afya to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of Afya or of any third party. Such powers may be varied by a special resolution of shareholders (requiring a two-thirds majority vote).

Indemnification of Directors and Executive Officers and Limitation of Liability

The Companies Act does not limit the extent to which a company's articles of association may provide for indemnification of directors and officers, except to the extent that it may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Articles of Association provide that we shall indemnify and hold harmless our directors and officers against all actions, proceedings, costs, charges, expenses, losses, damages, liabilities, judgments, fines, settlements and other amounts incurred or sustained by such directors or officers, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil, criminal or other proceedings concerning Afya or our affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to Our directors, officers or persons controlling the Company under the foregoing provisions, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' and Controlling Shareholders' Fiduciary Duties

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company. Accordingly, directors and officers owe the following fiduciary duties: (1) duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole; (2) duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose; (3) directors should not properly fetter the exercise of future discretion; (4) duty to exercise powers fairly as between different sections of shareholders; (5) duty to exercise independent judgment; and (6) duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests. However, this obligation may be varied by the company's articles of association, which may permit a director to vote on a matter in which he has a personal interest provided that he has disclosed that nature of his interest to the board of directors. With respect to the duty of directors to avoid conflicts of interest, our Articles of Association vary from the applicable provisions of Cayman Islands law mentioned above by providing that a director must disclose the nature and extent of his or her interest in any contract or arrangement, and following such disclosure and subject to any separate requirement under applicable law or the listing rules of the Nasdaq,

[Table of Contents](#)

A director of a Cayman Islands company also owes to the company duties to exercise independent judgment in carrying out his functions and to exercise reasonable skill, care and diligence, which has both objective and subjective elements. Recent Cayman Islands case law confirmed that directors must exercise the care, skill and diligence that would be exercised by a reasonably diligent person having the general knowledge, skill and experience reasonably to be expected of a person acting as a director.

Additionally, a director must exercise the knowledge, skill and experience which he or she actually possesses.

A general notice may be given to the board of directors to the effect that (i) the director is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm or (ii) he or she is to be regarded as interested in any contract or arrangement which may after the date of the notice to the board of directors be made with a specified person who is connected with him or her, will be deemed sufficient declaration of interest. This notice shall specify the nature of the interest in question. Following the disclosure being made pursuant to our Articles of Association and subject to any separate requirement under applicable law or the listing rules of the Nasdaq, and unless disqualified by the chairman of the relevant meeting, a director may vote in respect of any transaction or arrangement in which he or she is interested and may be counted in the quorum at the meeting.

In comparison, under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself or herself, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Furthermore, as a matter of Cayman Islands law and in contrast to the position under Delaware corporate law, controlling shareholders of Cayman Islands companies do not owe fiduciary duties to those companies, other than the limited duty that applies to all shareholders to exercise their votes to amend a company's articles of association in good faith in the interests of the company. The absence of this minority shareholder protection might impact the ability of minority shareholders to protect their interests.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Articles of Association provide that upon the requisition of one or more shareholders representing not less than one-third of the voting rights entitled to vote at general meetings, the board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. The Articles of Association provide no other right to put any proposals before annual general meetings or extraordinary general meetings.

[Table of Contents](#)

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it.

Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our Articles of Association do not provide for cumulative voting. As a result, the shareholders of Afya are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

The office of a director shall be vacated automatically if, among other things, he or she (i) becomes prohibited by law from being a director, (ii) becomes bankrupt or makes an arrangement or composition with his creditors, (iii) dies or is in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director, (iv) resigns his office by notice to us or (v) has for more than six months been absent without permission of the directors from meetings of the board of directors held during that period, and the remaining directors resolve that his/her office be vacated.

Transaction with Interested Shareholders

The Delaware General Corporation Law provides that, unless the corporation has specifically elected not to be governed by this statute, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that this person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which the shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, Afya cannot avail itself of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that the board of directors owe duties to ensure that these transactions are entered into bona fide in the best interests of the company and for a proper corporate purpose and, as noted above, a transaction may be subject to challenge if it has the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. If the dissolution is initiated by the board of directors it may be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company resolves by ordinary resolution that it be wound up because it is unable to pay its debts as they fall due. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act, Afya may be dissolved, liquidated or wound up by a special resolution of shareholders (requiring a two-thirds majority vote). Our Articles of Association also give its board of directors authority to petition the Cayman Islands Court to wind up Afya.

[Table of Contents](#)

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of that class, unless the certificate of incorporation provides otherwise. Under our Articles of Association, if the share capital is divided into more than one class of shares, the rights attached to any class may only be varied with the written consent of the holders of two-thirds of the shares of that class or the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Also, except with respect to share capital (as described above), alterations to our Articles of Association may only be made by special resolution of shareholders (requiring a two-thirds majority vote).

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under Cayman Islands law, our Articles of Association generally (and save for certain amendments to share capital described in this section) may only be amended by special resolution of shareholders (requiring a two-thirds majority vote).

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in the Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

C. Material Contracts

For information concerning certain contracts important to our business, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources" and Item 4. Information on the Company—B. Business Overview—Our Recent Acquisitions.

Except as otherwise described in this annual report on Form 20-F, we have not entered into any material contracts other than in the ordinary course of business.

D. Exchange Controls

See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates"

E. Taxation

Cayman Islands Tax Considerations

The Cayman Islands laws currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of Class A common shares. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

As a Cayman Islands exempted company with limited liability, we are entitled, upon application, to receive an undertaking as to tax concessions pursuant to Section 6 of the Tax Concessions Act (as revised). This undertaking would provide that, for a period of 20 years from the date of issue of the undertaking, no law thereafter enacted in the Cayman Islands imposing any taxes to be levied on profits, income, gains or appreciation will apply to us or our operations.

152

[Table of Contents](#)

Payments of dividends and capital in respect of our Class A common shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our Class A common shares, nor will gains derived from the disposal of our Class A common shares be subject to Cayman Islands income or corporation tax.

There is no income tax treaty or convention currently in effect between the United States and the Cayman Islands.

U.S. Federal Income Tax Considerations

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Class A common shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to own the securities. This discussion applies to you only if you hold Class A common shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe any state, local or non-U.S. tax consequences or all of the tax consequences that may be relevant in light of your particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Code known as the Medicare contribution tax and tax consequences applicable to you if you are subject to special rules, such as:

- one of certain financial institutions;
- a dealer or trader in securities who uses a mark-to-market method of tax accounting;
- holding a Class A common shares as part of a straddle, wash sale, conversion transaction or integrated transaction or entering into a constructive sale with respect to a Class A common share;
- a person whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- an entity classified as partnerships for U.S. federal income tax purposes;
- a tax-exempt entity, an "individual retirement account" or a "Roth IRA";
- a person who acquired our Class A common shares pursuant to the exercise of an employee stock option or otherwise as compensation;
- a person that owns or is deemed to own ten percent or more of our stock (by vote or value); or
- holding shares in connection with a trade or business conducted outside of the United States.

If you are an entity classified as a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and your activities. Partnerships holding Class A common shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the Class A common shares.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

You are a "U.S. Holder" if for U.S. federal income tax purposes you are a beneficial owner of Class A common shares and:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

153

[Table of Contents](#)

Taxation of Distributions

The following is subject to the discussion in "—Passive Foreign Investment Company Rules" below.

As discussed above under "Item 8. Financial Information—Dividends and Dividend Policy," we do not currently intend to pay dividends. In the event that we pay dividends, distributions paid on our Class A common shares, other than certain *pro rata* distributions of Class A common shares, will be treated as dividends for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to you as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for taxation as "qualified dividend income" and therefore may be taxable at rates applicable to long-term capital gains, provided the Class A common shares are treated as readily tradeable on an established securities market in the United States. You should consult your tax adviser regarding the availability of the reduced tax rate on dividends in your particular circumstances. The amount of any dividend will be treated as foreign-source dividend income and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in your income on the date of receipt.

As discussed in "—Cayman Island Tax Considerations," there are currently no applicable withholding taxes under Cayman Island law. However, if any non-U.S. income taxes were withheld from distributions on your Class A common shares, the amount of the withheld tax would be includible in your income as a dividend. Subject to applicable limitations, some of which vary depending upon your circumstances, the non-U.S. withholding tax may be potentially creditable against your U.S. federal income tax liability. Recently issued Treasury regulations impose additional requirements for non-U.S. taxes to be eligible for foreign tax credit, and we cannot assure you that any non-U.S. income taxes would be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the creditability or deductibility of non-U.S. taxes, if any, in your particular circumstances (including any applicable limitations).

Sale or Other Disposition of Class A Common Shares

The following is subject to the discussion in "—Passive Foreign Investment Company Rules" below.

For U.S. federal income tax purposes, gain or loss realized on the sale or other disposition of a Class A common share will be capital gain or loss, and will be long-term capital gain or loss if you have held the Class A common share for more than one year. The amount of the gain or loss will equal the difference between your tax basis in the Class A common share disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. Long-term capital gains of non-corporate U.S. Holders are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. If any non-U.S. taxes were imposed on gains from dispositions of the Class A common shares, it is expected that those taxes would not be creditable against your U.S. federal income tax liability. You should consult your tax adviser regarding the U.S. federal income tax consequences if any non-U.S. income taxes were imposed on disposition gains.

Passive Foreign Investment Company Rules

Under the Code, we will be a PFIC for any taxable year in which, after the application of certain "look-through" rules with respect to subsidiaries, either (i) 75% or more of our gross income consists of "passive income," or (ii) 50% or more of the average quarterly value of our assets consists of assets that produce, or are held for the production of, "passive income." For purposes of the above calculations, we will be treated as if we hold our proportionate share of the assets of, and receive directly our proportionate share of the income of, any other corporation in which we directly or indirectly own at least 25%, by value, of the shares of such corporation. Passive income generally includes dividends, interest, certain non-active rents or royalties and investment gains. Cash is generally a passive asset for these purposes. Goodwill is an active asset to the extent attributable to activities that produce active income.

Based on the composition of our income and assets and the value of our assets, including goodwill, which is based on the price of our Class A common shares, we believe that we were not a PFIC for the taxable year of 2021. However, because we hold a substantial amount of cash (relative to the assets shown on our balance sheet) and

154

Table of Contents

because our PFIC status for any taxable year will depend on the composition of our income and assets and the value of our assets from time to time (which may be determined, in part, by reference to the market price of our Class A common shares, which could be volatile), there can be no assurance that we will not be a PFIC for any taxable year. If our Class A common share price declines while we continue to hold a substantial amount of cash for any taxable year, our risk of being or becoming a PFIC will increase. In addition, as we continue to expand our business through acquisitions and organically, our risk of becoming a PFIC will increase if we engage in activities that generate substantial passive income. Moreover, the extent to which our goodwill will be treated as an active asset is not entirely clear. If we were a PFIC for any taxable year during which you hold Class A common shares, we generally would continue to be treated as a PFIC with respect to you for all succeeding years during which you hold Class A common shares, even if we ceased to meet the threshold requirements for PFIC status.

If we were a PFIC for any taxable year and any of our subsidiaries or other companies in which we owned or were treated as owning equity interests were also a PFIC (any such entity, a "Lower-tier PFIC"), you would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if you held such shares directly, even though you would not receive the proceeds of those distributions or dispositions.

If we were a PFIC for any taxable year during which you held any of our Class A common shares, you could be subject to adverse tax consequences. Generally, gain recognized upon a disposition (including, under certain circumstances, a pledge) of Class A common shares would be allocated ratably over your holding period for the shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax on such amount. Further, to the extent that distributions received on your Class A common shares in a taxable year exceeded 125% of the average of the annual distributions on those shares during the preceding three taxable years or your holding period, whichever was shorter, the excess distributions would be subject to taxation in the same manner as gain, described immediately above.

Alternatively, if we were a PFIC and if the Class A common shares were "regularly traded" on a "qualified exchange," you could be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. The Class A common shares would be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the Class A common shares were traded on a qualified exchange on at least 15 days during each calendar quarter. The Nasdaq, on which the Class A common shares are listed, is a qualified exchange for this purpose. Once made, the election cannot be revoked without the consent of the IRS unless the shares cease to be marketable.

If you make the mark-to-market election, you generally will recognize as ordinary income any excess of the fair market value of your Class A common shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the Class A common shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If you make the election, your tax basis in your Class A common shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of Class A common shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election, with any excess treated as a capital loss). This election cannot be made with respect to any of our subsidiaries because the shares of which are not regularly traded. Accordingly, you may continue to be subject to tax under the PFIC excess distribution regime with respect to any lower-tier PFICs notwithstanding your mark-to-market election for the Class A common shares.

We do not intend to provide information necessary for you to make a qualifying electing fund election which would result in alternative treatment.

In addition, if we were a PFIC for any taxable year in which we paid a dividend or for the prior taxable year, the preferential dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

155

Table of Contents

If you own Class A common shares during any year in which we are a PFIC, you generally must file annual reports on IRS Form 8621 (or any successor form) with respect to us, generally with your federal income tax return for that year. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of your taxable years for which such form is required to be filed. As a result, the taxable years with respect to which you fail to file the form may remain open to assessment by the IRS.

You should consult your tax adviser regarding whether we are a PFIC and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) you are a corporation or other exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a refund or credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals (and certain specified entities) may be required to report information relating to their ownership of Class A common shares, or non-U.S. accounts through which Class A common shares are held. You should consult your tax adviser regarding your reporting obligations with respect to the Class A common shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act applicable to foreign private issuers. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F within four months from the end of each of our fiscal years, and reports on Form 6-K. You can read our SEC filings over the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference room at 100 F. Street, N.E., Washington, D.C. 20549. You may obtain copies of these documents upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room.

I. Subsidiary Information

See note 2.2 to our audited consolidated financial statements for a description of the Company's subsidiaries.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. We monitor market, credit and operational risks in line with the objectives in capital management, supported by the oversight of our Board of Directors, in decisions related to capital management and to ensure their consistency with our objectives and assessment of risks. Information relating to quantitative and qualitative disclosures about these market risks is described below.

[Table of Contents](#)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash equivalents and financial investments classified as restricted cash with floating interest rates and accounts payable to selling shareholders.

The following table demonstrates the sensitivity to a reasonably possible change in the current interest rates on cash equivalents, restricted cash, loans and financing and derivatives and accounts payable to selling shareholders. With all variables held constant, the Company's income before income taxes is affected through the impact on floating interest rate, as follows:

	Balance as of December 31, 2021	Index – % per year	Base rate	Increase / decrease in basis points			
				+75	-75	+150	-150
							(amounts in RS thousands, unless otherwise stated)
Cash equivalents	636,847	100.38% CDI	58,440	4,776	(4,776)	9,553	(9,553)
Loans and financing	(510,972)	CDI + 1,62%	(55,032)	(3,832)	3,832	(7,665)	7,665
Loans and financing	(31,199)	CDI + 1,75%	(3,401)	(234)	234	(468)	468
Loans and financing	(10,145)	TJLP	(617)	(76)	76	(152)	152
Accounts payable to selling shareholders	(612,121)	CDI	(56,009)	(4,591)	4,591	(9,182)	9,182
Accounts payable to selling shareholders	(41,581)	IPCA + 4,1%	(1,708)	(312)	312	(624)	624
Notes payable	(72,726)	IPCA	(531)	(545)	545	(1,091)	1,091

For further information, see note 13.4.1 to our audited consolidated financial statements included elsewhere in this annual report.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates to cash and cash equivalents denominated in U.S. dollars in the amount of RS23.2 million as of December 31, 2021. See note 13.4.1 to our audited consolidated financial statements for a sensitivity analysis of the impact of a hypothetical 10% change in the exchange rate variation on our cash and cash equivalents as of December 31, 2021.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities (primarily trade receivables) and from our financing activities, including cash and cash equivalents and restricted cash. We manage customer credit risk based on the established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. Credit risk from balances with banks and financial institutions is managed by our treasury department in accordance with our policy. Investments of surplus funds are made only with approved counterparties and within limits assigned to each counterparty.

Our maximum exposure to credit risk for the components of the statements of financial position as of December 31, 2021 and 2020 is the carrying amounts of our financial assets. For more information, see note 13.4.2 to our audited consolidated financial statements.

Liquidity Risk

Our management is responsible for monitoring liquidity risk. To this end, management regularly reviews the risk and maintains appropriate reserves, including bank credit facilities with first-tier financial institutions. Management also continuously monitors projected and actual cash flows and the combination of the maturity profiles of the financial assets and liabilities. The main requirements for financial resources used by us arise from the need to make payments for suppliers, operating expenses, labor and social obligations, loans and financing and accounts payable to selling shareholders.

[Table of Contents](#)

For more information, see "Item 5. Operating and Financial Review and Prospects—F. Tabular Disclosure of Contractual Obligations."

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

[Table of Contents](#)

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. Defaults

No matters to report.

B. Arrears and delinquencies

No matters to report.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material modifications to instruments

Not applicable.

B. Material modifications to rights

Not applicable.

C. Withdrawal or substitution of assets

Not applicable.

D. Change in trustees or paying agents

Not applicable.

E. Use of proceeds

On July 19, 2019, our registration Statement on Form F-1 (File No 333-232309), as amended, was declared effective by the SEC for our initial public offering of our Class A common shares, pursuant to which we sold a total of 15,805,841 Class A common shares, par value \$0.00005 per share, at a public offering price of US\$19.00 per share. BofA Securities, Inc., Goldman Sachs & Co. LLC, and UBS Securities LLC, Itau BBA USA Securities, Inc. acted as the representatives of the underwriters in our initial public offering. We received approximately US\$242.7 million of net proceeds from our initial public offering (i.e., after deducting underwriting discounts, commissions and offering expenses).

On February 6, 2020, our registration Statement on Form F-1 (File No 333-236246), as amended, was declared effective by the SEC for a public offering of our Class A common shares, pursuant to which we sold a total of 3,260,480 Class A common shares, par value \$0.00005 per share, at a public offering price of US\$27.50 per share. BofA Securities, Inc., Goldman Sachs & Co. LLC, and UBS Securities LLC, Itau BBA USA Securities, Inc. acted as the representatives of the underwriters of this offering. We received approximately US\$86.6 million of net proceeds from our follow-on offering (i.e., after deducting underwriting discounts, commissions and offering expenses).

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on that evaluation, as of December 31, 2021, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective to

159

[Table of Contents](#)

provide reasonable assurance that all material information required to be filed in this annual report has been made known to them in a timely fashion.

Our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and are effective to provide reasonable assurance that information to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

B. Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

In accordance with guidance issued by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. As such, our management's evaluation of internal control over financial reporting excluded the internal control activities of ICLINIC, which was acquired in January 2021, MEDICINAE, acquired in March 2021, MEDICAL HARBOUR and CLIQUE FARMA, acquired in April 2021, SHOSP, acquired in May 2021, UNIFIPMOC, acquired in June 2021, UNIGRANRIO, acquired in August 2021 and RXPRO, acquired in October 2021 as discussed in note 5 to our audited consolidated financial statements. We have included the financial results of these in the consolidated financial statements from the date of acquisition. Such entities represented approximately 7% and 2% of total equity and net assets, respectively, as of December 31, 2021 and 13% and 17% of net revenue and net income, respectively, for the year then ended.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, under the oversight of our board of directors, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013), or COSO 2013. Based on this assessment, management believes that, as of December 31, 2021, our internal control over financial reporting was effective and had no material weaknesses, based on those criteria.

In 2021, we conducted the remediation of the material weakness in the ITGC environment to be completed, which was accomplished through several actions, such as: review of all IT General Controls to address the issues related to the material weaknesses, standardization of logins, implement the Segregation of Duties matrix (SOD), improvements in all accesses granting and recertification processes, realized a complete review of our ERP access profiles based on the RBAC methodology (Role-based access control) and last but not least, we have further strengthened our IT technical team and the IT Governance.

C. Attestation Report of the Registered Public Accounting Firm

The effectiveness of internal control over financial reporting as of December 31, 2021, which did not include an evaluation of the internal control over financial reporting of ICLINIC, UNIFIPMOC, UNIGRANRIO, RXPRO, MEDICAL HARBOUR, CLIQUE FARMA, SHOSP and MEDICINAE, has been audited by Ernst & Young Auditores Independentes S.S., or EY, the independent registered public accounting firm that also audited our consolidated financial statements as of and for the year then ended. EY has issued an attestation report on the effectiveness of our internal controls over financial reporting as of December 31, 2021. Their attestation report on internal controls over financial reporting is included herein.

D. Changes in Internal Control Over Financial Reporting

We have mapped new controls to the PEBMED revenue process (all evaluated as effective), increase our IT technical team and the IT Governance Team, review all IT General Controls to address the issues related to the material weaknesses (remediated as described in ITEM B), we have implemented new system GESPLAN to improve our Financial Operations Management, Cash Flow and Leasing Management (IFRS 16).

160

[Table of Contents](#)

In 2021, we conducted the remediation of the material weakness in the ITGC environment to be completed, which was accomplished through several actions, such as: review of all IT General Controls to address the issues related to the material weaknesses, standardization of logins, implement the Segregation of Duties matrix (SOD), improvements in all accesses granting and recertification processes, realized a complete review of our ERP access profiles based on the RBAC methodology (Role-based access control) and last but not least, we have further strengthened our IT technical team and the IT Governance.

With the exception of the changes listed above, there were no other changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2021 that materially affected or are reasonably likely to materially affect our internal control over financial reports.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The audit committee, which currently consists of Vanessa Claro Lopes, João Paulo Seibel de Faria and Miguel Filisbino Pereira de Paula, assists our board of directors in overseeing our accounting and financial reporting processes and the audits of our financial statements. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. Vanessa Claro Lopes serves as Chairman of the audit committee. The audit committee consists exclusively of members of our board of directors who are financially literate, and Vanessa Claro Lopes qualifies as "audit committee financial expert" as defined in Item 16A of Form 20-F. Our board of directors has determined that Vanessa Claro Lopes, João Paulo Seibel de Faria and Miguel Filisbino Pereira de Paula satisfy the "independence" requirements set forth in Rule 10A-3 under the Exchange Act. For more information, see "Item 6. Directors, Senior Management and Employees —C. Board Practices—Board Committees—Audit Committee."

ITEM 16B. CODE OF ETHICS

Our activities are subject to a code of ethics, which is applicable to all our members and entities, including our directors, officers, managers, teachers and other staff (including interns). Our code of ethics is also applicable to relevant third parties involved in our activities, such as suppliers, consultants and other service providers. Our code of ethics describes our mission, vision and values and provides the relevant conduct standards that must be followed by our members and entities. It regulates our interactions with our suppliers, students, clients, competitor suppliers and governmental entities and agents. Our code of ethics also sets forth fundamental rules of conduct related to the safeguarding of our financial books and records, conflict of interest situations, the protection of our confidential information and assets and our compliance with applicable laws and relevant information on whistleblowing procedures. The Code of Ethics is included as an exhibit to this annual report. We have also posted a copy of our code of business conduct and ethics on our website at <https://ir.afa.com.br/corporate-governance/governance-overview>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Auditores Independentes S.S., our principal accountants, for the periods indicated. Our independent registered public accounting firm was Ernst & Young Auditores Independentes S.S. for the years ended December 31, 2021 and 2020.

161

[Table of Contents](#)

	Year Ended December 31,	
	2021	2020
	(in RS millions)	
Audit fees (1)	6.3	5.3
Audit-related fees (2)	—	2.7
Tax fees	0.2	—
All other fees	—	—
Total fees	6.5	8.0

(1) Audit fees include fees for the audit of our annual consolidated financial statements; audit of the effectiveness of internal control over financial reporting, audit of statutory financial statements of subsidiaries; review of our interim financial statements, and audit of financial statements of acquired businesses.

(2) Audit-related fees include fees for the preparation and issuance of comfort letters in connection with our equity offerings.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst & Young Auditores Independentes S.S., including audit services, audit-related services, tax services and other services as described above, other than those for *de minimus* services that are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We are relying on the exemption under Rule 10A-3(b)(1)(iv)(A)(2) of the Exchange Act, which provides that a minority of the members of the listed issuer's audit committee may be exempt from the independence requirements of paragraph (b)(1)(ii) of Rule 10A-3 for one year from the date of effectiveness of the registration statement covering an initial public offering of securities listed by the issuer. Our audit committee currently comprises three directors, all of whom are independent directors.

We do not believe that our reliance on the temporary exemption permitted by Rule 10A-3(b)(1)(iv)(A)(2) materially adversely affects the ability of our audit committee to act independently or to satisfy the requirements of Rule 10A-3 under the Exchange Act. Our audit committee will consist solely of independent directors within one year of our initial public offering.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Set forth below, in tabular format, is disclosure on the repurchase of our Class A common shares for the year ended December 31, 2021:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
January 1 to January 31, 2021	155,025	RS 125.15	155,025	155,025
February 1 to February 28, 2021	116,005	RS 124.80	116,005	116,005
March 1 to March 31, 2021	250,087	RS 123.45	250,087	250,087
April 1 to April 30, 2021	0	RS 0.00	0	0
May 1 to May 31, 2021	0	RS 0.00	0	0
June 1 to June 30, 2021	0	RS 0.00	0	0
July 1 to July 31, 2021	0	RS 0.00	0	0
August 1 to August 31, 2021	10,000	RS 119.36	10,000	10,000
September 1 to September 30, 2021	289,385	RS 112.66	289,385	289,385
October 1 to October 31, 2021	228,379	RS 106.14	228,379	228,379
November 1 to November 30, 2021	231,972	RS 84.87	231,972	231,972
December 1 to December 31, 2021	861,198	RS 82.70	861,198	861,198
Total	2,142,051	RS 90.34	2,142,051	2,142,051

(1) For more information on our second share repurchase program and our third share repurchase program, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Share Repurchases."

162

[Table of Contents](#)

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Cayman Islands law restricts transactions between a company and its directors unless there are provisions in the Articles of Association which provide a mechanism to alleviate possible conflicts of interest. Additionally, Cayman Islands law imposes on directors' duties of care and skill and fiduciary duties to the companies which they serve. Under our Articles of Association, a director must disclose the nature and extent of his interest in any contract or arrangement, and following such disclosure and subject to any separate requirement under applicable law or the listing rules of the Nasdaq, and unless disqualified by the chairman of the relevant meeting, the interested director may vote in respect of any transaction or arrangement in which he or she is interested. The interested director shall be counted in the quorum at such meeting and the resolution may be passed by a majority of the directors present at the meeting.

Subject to the foregoing and our Articles of Association, our directors may exercise all the powers of Afya to vote compensation to themselves or any member of their body in the absence of an independent quorum. Our Articles of Association provide that, in the event a Compensation Committee is established, it shall be made up of such number of independent directors as is required from time to time by the Nasdaq rules (or as otherwise may be required by law). We currently have no intention to establish a Compensation Committee.

As a foreign private issuer, we are permitted to follow home country practice in lieu of certain Nasdaq corporate governance rules, subject to certain requirements. We currently rely, and will continue to rely, on the foreign private issuer exemption with respect to the following rules:

- Nasdaq Rule 5605(b), which requires that independent directors comprise a majority of a company's board of directors. As allowed by the laws of the Cayman Islands, independent directors do not comprise a majority of our board of directors.
- Nasdaq Rule 5605(e)(1), which requires that a company have a nominations committee comprised solely of "independent directors" as defined by Nasdaq. As allowed by the laws of the Cayman Islands, we do not have a nominations committee nor do we have any current intention to establish one.
- Nasdaq Rule 5605(d) & (e), which require that compensation for our executive officers and selection of our director nominees be determined by a majority of independent directors. As allowed by the laws of the Cayman Islands, we do not have a nomination and corporate governance committee or remuneration committee nor do we have any current intention to establish either.
- Nasdaq Rule 5635, which requires an issuer to obtain shareholder approval prior to an issuance of securities (in certain circumstances) in connection with certain events, including: (i) the acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) private placements. Cayman Islands law does not require shareholder approval prior to an issuance of securities to the extent the securities are authorized.

163

[Table of Contents](#)

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16L Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

164

[Table of Contents](#)**PART III****ITEM 17. FINANCIAL STATEMENTS**

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

See our consolidated financial statements beginning on page F-1.

ITEM 19. EXHIBITS

Exhibit No.	Description
1.1	Memorandum and Articles of Association of Afya (incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form F-1 filed with the SEC on July 9, 2019, File No. 333-232309).
1.2*	Amended and Restated Memorandum and Articles of Association of Afya adopted on July 23, 2021, effective as of August 5, 2021.
1.3	Certificate of Designations of Series A Perpetual Convertible Preferred Shares of Afya dated May 3, 2021 (incorporated herein by reference to Exhibit 99.2 of the Registrant's Report on Form 6-K filed with the SEC on May 3, 2021).
2.1*	Description of Securities registered under Section 12 of the Exchange Act.
4.1 †	English translation of Purchase Agreement dated as of January 11, 2018, among Nicolau Carvalho Esteves, Rosângela de Oliveira Tavares Esteves, NRE Participações S.A. and BR Health Participações S.A. (incorporated herein by reference to Exhibit 10.2 to the Registration Statement on Form F-1 filed with the SEC on July 9, 2019, File No. 333-232309).
4.2 †	English translation of Purchase Agreement dated as of November 27, 2018, among NRE Participações S.A., JC JOINT Fundo de Investimento em Participações Multiestratégia, Breno Miranda Trábulo Pinheiro Correia and Cristina Maria Miranda de Sousa (incorporated herein by reference to Exhibit 10.3 to the Registration Statement on Form F-1 filed with the SEC on July 9, 2019, File No. 333-232309).
4.3 †	English translation of Purchase Agreement dated as of December 5, 2018, among NRE Participações S.A., João Carlos Ribeiro Pedroso, Leoni Margarida Bertolin, José Carlos Januário, Ricardo Pedroso, Daiane Pedroso Canto and RD Administração e Participação Ltda (incorporated herein by reference to Exhibit 10.4 to the Registration Statement on Form F-1 filed with the SEC on July 9, 2019, File No. 333-232309).
4.4 †	English translation of Investment and Purchase Agreement dated as of March 29, 2019, among Afya Participações S.A. (formerly NRE Participações S.A.), BR Health Participações S.A. and Guardaya Empreendimentos e Participações S.A. (incorporated herein by reference to Exhibit 10.5 to the Registration Statement on Form F-1 filed with the SEC on July 9, 2019, File No. 333-232309).
4.5	English translation of Bank Note (Cédula de Crédito Bancário) issued by Afya Participações S.A. on September 23, 2020 (incorporated herein by reference to Exhibit 4.5 to the annual report on Form 20-F for the year ended December 31, 2020, filed with the SEC on April 30, 2021).
8.1*	List of Subsidiaries.
11.01	English translation of the Code of Ethics of Afya (incorporated herein by reference to Exhibit 14.1 to the Registration Statement on Form F-1 filed with the SEC on June 24, 2019, File No. 333-232309).
12.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
12.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.

165

[Table of Contents](#)

13.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.
13.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.
23.1*	Consent of Ernst & Young Auditores Independentes S.S.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the inline XBRL document).

* Filed herewith.

† Certain provisions, exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K.

166

[Table of Contents](#)**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on Form 20-F on its behalf.

AFYA LIMITED

By: /s/ Virgilio Deloy Capobianco Gibbon
 Name: Virgilio Deloy Capobianco Gibbon
 Title: Chief Executive Officer

Date: April 29, 2022

By: /s/ Luis André Carpintero Blanco
 Name: Luis André Carpintero Blanco
 Title: Chief Financial Officer

167

[Table of Contents](#)**Index to Financial Statements****Audited Consolidated Statements—Afya Limited**

	Page
Reports of Independent Registered Public Accounting Firm (Auditor Firm ID: 01448)	F-1
Consolidated Statements of Financial Position as of December 31, 2021 and 2020	F-5
Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2021, 2020 and 2019	F-6
Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019	F-7
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	F-8
Notes to the Consolidated Financial Statements for the years ended December 31, 2021, 2020 and 2019	F-9

Afya Limited

**Consolidated financial statements
as of December 31, 2021 and 2020 and
for the years ended December 31, 2021, 2020 and 2019**

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Afya Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Afya Limited (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board - IASB.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 31, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

F-1

Accounting for Business combinations

Description of the Matter As described in Note 5 of the consolidated financial statements, the Company, through its wholly owned subsidiary Afya Participações S.A., completed the acquisition of several entities during the year ended December 31, 2021 for a total aggregated purchase consideration of R\$ 1,234,460 thousand. Such transactions were accounted for as business combinations, in accordance with the requirements of IFRS 3 *Business Combinations*, and the Company estimated the fair value of net assets acquired for each one of those acquisitions, including acquired intangible assets.

Auditing the Company's accounting for such acquisitions was complex and involved significant auditor judgement due to the significant estimation uncertainty in the Company's determination of the fair value of identified intangible assets of R\$861,031 thousand, which principally consisted of licenses, customer relationships, trademark and developed technology. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions about the future performance of the acquired businesses. The Company used valuation techniques to measure licenses, customer relationships, trademark and developed technology. The significant assumptions used to estimate the value of these intangible assets included discount rates and certain assumptions that form the basis of the forecasted results, such as revenue growth rates, projected profit margins and royalty rates. These significant assumptions are forward looking and could be affected by future economic events and market conditions.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over accounting for business combinations, including controls over the recognition and measurement of identifiable intangible assets. For example, we tested controls over management's evaluation of underlying assumptions in the valuation models applied, and we also tested management's controls over the data used in the valuation models.

To test the estimated fair value of the intangible assets acquired, we performed audit procedures that included, among others, evaluating the valuation methodology and the significant assumptions used by the Company; obtaining the reports prepared by the Company's valuation specialist; testing the completeness and accuracy of underlying data used in the estimation of fair value of intangible assets acquired; involving our valuation specialists to assist with the evaluation of the methodology and key assumptions used by the Company and comparing the key assumptions used to the ones used by the Company in relation to past acquisitions and available third-party industry information. We also assessed the Company's disclosures in Note 5 to the consolidated financial statements.

/s/ ERNST & YOUNG
Auditores Independentes S.S.

We have served as the Company's auditor since 2016.

Belo Horizonte, Brazil
March 31, 2022

F-2

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Afya Limited

Opinion on Internal Control over Financial Reporting

We have audited Afya Limited's ("the Company") internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of iClinic Participações S.A., iClinic Desenvolvimento de Software Ltda. and Black River Brazil Participações S.A. ("iClinic"), Medicinae Solutions S.A. ("Medicinae"), Medical Harbour Aparelhos Médico-Hospitalares e Serviços em Tecnologia Ltda ("Medical Harbour"), Cliquefarma Drogarias Online Ltda ("Cliquefarma"), Shosp Tecnologia da Informação Ltda. ("Shosp"), Sociedade Padrão de Educação Superior Ltda. ("UnifipMoc"), Companhia Nilza Cordeiro Herdy de Educação e Cultura, Instituto de Ensino Superior de Palhoça S/S Ltda., Sociedade Educacional de Palhoça S/S Ltda., and Policlínica Policlínica e Centro de Estética Duque de Caxias Ltda ("Unigranrio") and RX PRO Soluções de Tecnologia

Ltda. and RX PRO LOG Transporte e Logística Ltda. ("RX PRO"), which are included in the 2021 consolidated financial statements of the Company and constituted 7% and 2% of total and net assets, respectively, as of December 31, 2021 and 13% and 17% of net revenue and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of iClinic., Medicinae, Medical Harbour, CliquePharma, Shosp, UnifipMoc, Unigranrio and RX PRO. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated March 31, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

F-3

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG
Auditores Independentes S.S.

Belo Horizonte, Brazil
March 31, 2022

F-4

Afya Limited

Consolidated statements of financial position
As of December 31, 2021 and 2020
(In thousands of Brazilian reais)

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	6	748,562	1,045,042
Trade receivables	7	378,351	302,317
Inventories		11,827	7,509
Recoverable taxes		25,579	21,019
Other assets	9	42,533	29,614
Total current assets		1,206,852	1,405,501
Non-current assets			
Restricted cash		-	2,053
Trade receivables	7	27,442	7,627
Other assets	9	180,306	74,037
Investment in associate	10	48,477	51,410
Property and equipment	11	419,808	260,381
Right-of-use assets	13.2.2	663,686	419,074
Intangible assets	12	3,900,835	2,573,010
Total non-current assets		5,240,554	3,387,592
Total assets		6,447,406	4,793,093
Liabilities			
Current liabilities			
Trade payables		59,098	35,743
Loans and financing	13.2.1	128,720	107,162
Lease liabilities	13.2.2	24,955	61,976
Accounts payable to selling shareholders	13.2.3	239,849	188,420
Notes payable	13.2.4	14,478	10,503
Advances from customers		114,585	63,839
Labor and social obligations		131,294	77,855
Taxes payable		26,715	32,976

Income taxes payable		11,649	4,574
Other liabilities		15,163	6,331
Total current liabilities		766,506	589,379
Non-current liabilities			
Loans and financing	13.2.1	1,246,156	510,323
Lease liabilities	13.2.2	689,130	385,727
Accounts payable to selling shareholders	13.2.3	439,977	329,820
Notes payable	13.2.4	58,248	65,678
Taxes payable		96,598	21,425
Provision for legal proceedings	23	148,287	53,139
Other liabilities		2,486	3,822
Total non-current liabilities		2,680,882	1,369,934
Total liabilities		3,447,388	1,959,313
Equity			
Share capital	17	17	17
Additional paid-in capital		2,375,344	2,323,488
Share-based compensation reserve		94,101	50,724
Treasury stock		(152,630)	-
Retained earnings		631,317	407,991
Equity attributable to equity holders of the parent		2,948,149	2,782,220
Non-controlling interests		51,869	51,560
Total equity		3,000,018	2,833,780
Total liabilities and equity		6,447,406	4,793,093

The accompanying notes are an integral part of the consolidated financial statements.

F-5

Afya Limited

Consolidated statements of income and comprehensive income
For the years ended December 31, 2021, 2020 and 2019
(In thousands of Brazilian reais, except earnings per share)

	Notes	2021	2020	2019
Net revenue	19	1,719,371	1,201,191	750,630
Cost of services	20	(652,300)	(434,654)	(308,853)
Gross profit		1,067,071	766,537	441,777
General and administrative expenses	20	(622,615)	(402,855)	(239,120)
Other (expenses) income, net		(3,561)	(347)	2,594
Operating income		440,895	363,335	205,251
Finance income	21	64,566	62,290	51,689
Finance expenses	21	(243,796)	(98,269)	(72,365)
Finance result		(179,230)	(35,979)	(20,676)
Share of income of associate	10	11,797	7,698	2,362
Income before income taxes		273,462	335,054	186,937
Income taxes expenses	22	(31,179)	(27,067)	(14,175)
Net income		242,283	307,987	172,762
Other comprehensive income		-	-	-
Total comprehensive income		242,283	307,987	172,762
Income attributable to				
Equity holders of the parent		223,326	292,075	153,916
Non-controlling interests		18,957	15,912	18,846
		242,283	307,987	172,762
Basic earnings per share				
Per common share	18	2.39	3.15	2.03
Diluted earnings per share				
Per common share	18	2.37	3.12	2.02

The accompanying notes are an integral part of the consolidated financial statements.

F-6

Afya Limited

Consolidated statements of changes in equity
For the years ended December 31, 2021, 2020 and 2019
(In thousands of Brazilian reais)

	Equity attributable to equity holders of the parent							Non-controlling interests	Total equity	
	Share capital	Additional paid-in capital	Treasury shares	Share-based compensation reserve	Legal reserve	Retained earnings reserve	Retained earnings			
Balances at January 1, 2019	315,000	125,014	-	2,161	7,223	52,584	-	501,982	88,372	590,354

Net income	-	-	-	-	-	-	153,916	153,916	18,846	172,762
Total comprehensive income	-	-	-	-	-	-	153,916	153,916	18,846	172,762
Capital increase with cash	150,000	-	-	-	-	-	-	150,000	-	150,000
Capital increase from shares contribution of shareholders	48,768	36,358	-	-	-	-	-	85,126	(44,774)	40,352
Capital increase from the corporate reorganization	122,062	137,051	-	-	-	-	-	259,113	-	259,113
Share-based compensation	1	17,627	-	18,114	-	-	-	35,742	-	35,742
Allocation to additional paid-in capital	-	33,001	-	-	-	(33,001)	-	-	-	-
Dividends declared	-	-	-	-	-	-	(38,000)	(38,000)	(13,812)	(51,812)
Dividends cancelled	-	-	-	-	-	4,107	-	4,107	-	4,107
Corporate reorganization	(635,830)	668,904	-	(2,161)	(7,223)	(23,690)	-	-	-	-
Issuance of common shares in initial public offering	16	992,762	-	-	-	-	-	992,778	-	992,778
Shares issuance cost	-	(79,670)	-	-	-	-	-	(79,670)	-	(79,670)
Balances at December 31, 2019	17	1,931,047	-	18,114	-	-	115,916	2,065,094	48,632	2,113,726
Net income	-	-	-	-	-	-	292,075	292,075	15,912	307,987
Total comprehensive income	-	-	-	-	-	-	292,075	292,075	15,912	307,987
Capital increase from shares contribution of shareholders	-	17,531	-	-	-	-	-	17,531	-	17,531
Issuance of common shares in follow-on public offering	-	389,170	-	-	-	-	-	389,170	-	389,170
Shares issuance cost	-	(19,704)	-	-	-	-	-	(19,704)	-	(19,704)
Dividends declared	-	-	-	-	-	-	-	-	(12,984)	(12,984)
Share-based compensation	-	5,444	-	32,610	-	-	-	38,054	-	38,054
Balances at December 31, 2020	17	2,323,488	-	50,724	-	-	407,991	2,782,220	51,560	2,833,780
Net income	-	-	-	-	-	-	223,326	223,326	18,957	242,283
Total comprehensive income	-	-	-	-	-	-	223,326	223,326	18,957	242,283
Capital increase	-	74,500	-	-	-	-	-	74,500	-	74,500
Treasury shares	-	-	(213,722)	-	-	-	-	(213,722)	-	(213,722)
Treasury shares transferred from exercise of options	-	(21,861)	55,197	-	-	-	-	33,336	-	33,336
Treasury shares transferred from shares contribution on business combination	-	(783)	5,895	-	-	-	-	5,112	-	5,112
Share-based compensation	-	-	-	43,377	-	-	-	43,377	-	43,377
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	(18,648)	(18,648)
Balances at December 31, 2021	17	2,375,344	(152,630)	94,101	-	-	631,317	2,948,149	51,869	3,000,018

The accompanying notes are an integral part of the consolidated financial statements.

F-7

Afya Limited

Consolidated statements of cash flows
For the years ended December 31, 2021, 2020 and 2019
(In thousands of Brazilian reais)

	2021	2020	2019
Operating activities			
Income before income taxes	273,462	335,054	186,937
Adjustments to reconcile income before income taxes			
Depreciation and amortization	154,220	108,744	73,152
Disposals of property and equipment	1,604	-	78
Disposals of intangible	2,374	-	-
Allowance for doubtful accounts	47,819	32,081	15,040
Share-based compensation expense	43,377	32,610	18,114
Net foreign exchange differences	17,973	4,613	(13,321)
Net loss (gain) on derivatives	-	(20,739)	1,780
Accrued interest	108,437	25,543	24,002
Accrued lease interest	67,212	44,458	31,469
Share of income of associate	(11,797)	(7,698)	(2,362)
Provision for legal proceedings	10,664	5,354	(2,568)
Changes in assets and liabilities			
Trade receivables	(79,665)	(164,286)	(35,556)
Inventories	(3,720)	(3,110)	(236)
Recoverable taxes	(2,327)	(13,709)	(3,940)
Other assets	(19,425)	(23,902)	(7,403)
Trade payables	14,479	4,475	3,029
Taxes payables	(14,902)	(552)	4,940
Advances from customers	36,009	(1,951)	19,324
Labor and social obligations	23,449	11,125	6,124
Other liabilities	(2,693)	22,771	(10,881)
Income taxes paid	(35,683)	(19,374)	(8,506)
Net cash flows from operating activities	630,867	371,507	299,216
Investing activities			
Acquisition of property and equipment	(125,869)	(89,832)	(56,964)
Dividends received	11,770	-	-
Acquisition of intangibles assets	(150,931)	(47,753)	(64,745)
Restricted cash	8,103	14,788	7,530
Payments of notes payable	(11,068)	(5,974)	-
Acquisition of subsidiaries, net of cash acquired	(1,006,057)	(913,991)	(241,568)
Loans to related parties	-	-	1,598
Net cash flows used in investing activities	(1,274,052)	(1,042,762)	(354,149)
Financing activities			
Issuance of loans and financing	809,539	605,041	7,383
Payments of loans and financing	(158,076)	(155,090)	(75,093)
Payments of lease liabilities	(87,751)	(55,455)	(39,779)
Treasury shares	(213,722)	-	-
Capital increase	-	5,444	167,628
Dividends paid to non-controlling interests	(18,648)	(12,984)	(51,812)
Proceeds from shares public offering	-	389,170	992,778
Share-based compensation plan receipts	33,336	-	-
Share issuance costs	-	(19,704)	(79,670)
Net cash flows from (used in) financing activities	364,678	756,422	921,435
Net foreign exchange differences	(17,973)	16,656	14,447
Net increase in cash and cash equivalents	(296,480)	101,833	880,949
Cash and cash equivalents at the beginning of the year	1,045,042	943,209	62,260
Cash and cash equivalents at the end of the year	748,562	1,045,042	943,209

The accompanying notes are an integral part of the consolidated financial statements.

F-8

1 Corporate information

Afya Limited ("Afya"), collectively with its subsidiaries referred to as the "Company", is a holding company incorporated under the laws of the Cayman Islands on March 22, 2019. Afya Limited became the holding company of Afya Participações S.A. (hereafter referred to as "Afya Brazil"), formerly denominated NRE Participações S.A., through the completion of the corporate reorganization in July 2019. Up to that date, Afya Limited did not have commenced operations and had only nominal assets and liabilities and no material contingent liabilities or commitments. Accordingly, Afya Limited's consolidated financial information substantially reflect the operations of Afya Brazil after the corporate reorganization.

The Company is formed by a network of higher education and post graduate institutions focused on medicine located in 18 Brazilian states forming the largest educational group by the number of medical seats in the country and by services that comprises the development and sale of electronically distributed educational courses on medicine science, related printed and technological educational content. The Company also offers services to empower the physicians in their daily routine providing supporting clinic decisions through mobile app subscription and deliver practice management tools through a SaaS model.

Corporate reorganization

On March 29, 2019, Afya Brazil merged (i) BR Health Participações S.A. ("BR Health"), a wholly-owned subsidiary of Bozano Educacional II Fundo de Investimento em Participações Multiestratégia ("Crescera") that controlled Guardaya Empreendimentos and Participações S.A. ("Guardaya") and was one of Afya Brazil's shareholders; and (ii) Guardaya which owned 100% of Medcel Editora e Eventos S.A. ("Medcel Editora") and CBB Web Serviços e Transmissões On Line S.A. ("CBB Web"), focused on medical residency preparation courses located in the state of São Paulo, resulting in the transfer to Afya Brazil of 100% of Medcel Editora and CBB Web and 15% of União Educacional do Planalto Central S.A. ("UEPC"), a medical school located in the Federal District. On June 18, 2019 Afya Brazil acquired an additional 15% interest in UEPC resulting in an interest of 30%.

On July 7, 2019, each of Afya Brazil's shareholders had agreed to contribute their respective shares on Afya Brazil into Afya Limited, exchanging one common share into 28 Class A or Class B common shares of Afya Limited. The holders of the Class A common shares and Class B common shares have identical rights, except that (i) the holder of Class B common shares is entitled to 10 votes per share, whereas holders of Class A common shares are entitled to one vote per share, (ii) Class B common shares have certain conversion rights and (iii) the holders of Class B common shares are entitled to maintain their proportional ownership interest in the event that common shares and/or preferred shares are proposed to be issued. The holders of Class A common shares and Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, unless otherwise required by law and subject to certain exceptions.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Initial public offering

On July 18, 2019, Afya Limited priced its initial public offering ("IPO") of 13,744,210 Class A common shares, which began trading on the Nasdaq Global Select Market ("NASDAQ") on July 19, 2019 under the symbol "AFYA". On July 23, 2019, the underwriters exercised the option to buy an additional 2,061,631 Class A common shares to cover over-allotments, totaling 15,805,841 Class A common shares, which 13,888,887 Class A common shares were offered by Afya Limited and 1,916,954 Class A common shares were offered by the selling shareholders at the initial public offering price. The initial offering price was US\$ 19.00 per Class A common share.

On July 23, 2019, the share capital of Afya Limited was increased by 13,888,887 Class A shares through the proceeds received as a result of the IPO of US\$ 263,888 thousand (or R\$ 992,778). The net proceeds from the IPO were US\$ 242,711 thousand (or R\$ 913,108), after deducting US\$ 15,833 thousand (or R\$ 59,566) in underwriting discounts and commissions and other offering expenses totaled US\$ 5,344 thousand (or R\$ 20,104). The share issuance costs totaled R\$ 79,670.

Afya Limited transferred US\$ 251,800 thousand (or R\$ 961,438) of the net proceeds from the Cayman Islands to bank accounts in Brazil. These deposits were invested on first-line financial institutions in Brazil and denominated in Brazilian reais.

Issuance of additional common shares

On February 6, 2020, Afya completed its follow-on public offering of 3,019,928 Class A common shares offered by the Company and 9,406,812 Class A common shares offered by the selling shareholders.

The offering price was US\$ 27.50 per Class A common share and gross proceeds of US\$ 83,048 thousand (R\$ 358,286). The Company received net proceeds of US\$ 78,846 thousand (R\$ 339,648), after deducting US\$ 4,202 thousand (R\$ 18,638) in underwriting discounts, commissions and other offering expenses.

On March 10, 2020, the underwriters exercised their option to acquire additional 240,552 Class A common shares at the offering price, resulting in gross proceeds of US\$ 6,615 thousand (R\$ 30,884). The net proceeds from the additional shares were US\$ 6,387 thousand (R\$ 29,819), after deducting US\$ 228 thousand (R\$ 1,066) in underwriting discounts and commissions.

Afya transferred US\$ 68,060 thousand (R\$ 294,312) of the net proceeds to bank accounts in Brazil with an increase in the capital of Afya Brazil. These deposits were invested in first-line financial institutions in Brazil and denominated in Brazilian reais.

Acquisitions in 2021

(i) On January 21, 2021, Afya Brazil acquired iClinic (comprised by iClinic Participações S.A., iClinic Desenvolvimento de Software Ltda. and Black River Brazil Participações S.A.). iClinic is a SaaS model physician focused technology company and the leading medical practice management software in Brazil. See Note 5.

(ii) On March 25, 2021, Afya Brazil acquired Medicinæ Solutions S.A. ("Medicinæ"), through the acquisition of 100% of its shares. Medicinæ is a leading Brazilian healthcare technology company that specializes in healthcare payments and financial services. See Note 5.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

(iii) On April 8, 2021, Afya Brazil acquired 100% of the total share capital of Medical Harbour Aparelhos Médicos Hospitalares e Serviços em Tecnologia Ltda. ("Medical Harbour"). Medical Harbour offers educational health and medical imaging solutions through an interactive platform for anatomical study, 3D virtual dissection and analysis of medical images, which allow the exploration, and knowledge of human anatomy with digital resources. See Note 5.

(iv) On April 16, 2021, Afya Brazil acquired 100% of the total share capital of Cliquefarma Drogarias Online Ltda. ("Cliquefarma"), a healthtech company operating a free-to-use website that tracks prescription drugs, cosmetics and personal hygiene product prices in Brazil. See Note 5.

(v) On May 13, 2021, Afya Brazil acquired 100% of the total share capital of Shosp Tecnologia da Informação Ltda. ("Shosp"), which provides a clinical management software that offers all functionalities needed for clinics all over Brazil to manage their financials, patients appointments, medical records, marketing, and others. See Note 5.

(vi) On June 1, 2021, Afya Brazil acquired 100% of the total share capital of Sociedade Padrão de Educação Superior Ltda. ("UNIFIPMoc"), which provides a post-secondary education institution with government authorization to offer on-campus, undergraduate degrees programs in medicine and health, as well as other courses, in the states of Minas Gerais and Bahia. See Note 5.

(vii) On August 4, 2021, Afya Brazil acquired 100% of the total share capital of ("Unigranrio"), comprised of (i) Companhia Nilza Cordeiro Herdy de Educação e Cultura; (ii) Instituto de Ensino Superior de Palhoça S/S Ltda.; (iii) Sociedade Educacional de Palhoça S/S Ltda.; and (iv) Policlínica e Centro de Estética Duque de Caxias Ltda. Unigranrio is a post-secondary education institution with governmental authorization to offer on-campus, undergraduate degrees and graduate programs in medicine and health, as well as other courses, in the States of Rio de Janeiro and Santa Catarina. See Note 5.

(viii) On October 1, 2021, Afya Brazil acquired 100% of the total share capital of ("RX PRO"), comprised of (i) RX PRO Soluções de Tecnologia Ltda. and (ii) RX PRO LOG Transporte e Logística Ltda.. RX PRO consists of a solution that connects physicians with the pharmaceutical industry, providing specialized and personalized marketing for those companies, in a more convenient way for physicians. See Note 5.

(ix) On November 05, 2021 Secretary of Regulation and Supervision of Higher Education of the Ministry of Education ("MEC") authorized the operation of 120 medical school seats in Garanhuns, for which our shareholder Nicolau Carvalho Esteves entered into an agreement with Afya Brazil pursuant to which he assigned to Afya Brazil the right to develop the ITPAC Garanhuns greenfield unit, a medical school in the city of Garanhuns, State of Pernambuco. Management assessed the aspects of such transaction and concluded that the transaction does not fall under the definition of business, but an acquisition of license with indefinite useful life recognized in intangible assets.

COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have emerged in Wuhan, China. COVID-19 has since spread to most of the countries around the globe, including every state in Brazil. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 20, 2020 the Brazilian federal government declared a national emergency with respect to COVID-19.

Since March 17, 2020, there has been some interruption of our on-campus activities due to Brazilian government authorities' mandatory lockdowns. We managed to rapidly adapt our business to these unusual times, and although there has been an interruption of our on-campus activities, we are offering our non-practical educational activities to our students through our online platform (rather than on-site). Regarding the offering of practical classes, we quickly resumed our in-hospital and health care residency programs for fifth and sixth-year students, which represents the largest portion of our practical curriculum.

During 2020, the States of Rio de Janeiro, Pará, Tocantins, Piauí, Rondônia, Bahia and Maranhão had issued state decrees granting discounts to our students because of COVID-19. These mandatory discounts have been suspended as their constitutionality has been challenged in the superior courts. As long as it has not been declared constitutional, we started to invoice our students without these discounts and, from March 2021, with the discount granted during 2020.

Additionally, we are also face individual and collective legal proceedings all across the country. On November 18, 2021, the Brazilian Federal Court of Justice (STF) decided, by majority of the votes, that any lawsuit with decisions to apply linear discounts in monthly tuition fees for private universities with respect to the COVID-19 pandemic are unconstitutional. The decisions were made in connection to the suits "Arguições de Descumprimento de Preceito Fundamental – ADPF", numbers 706 e 713, distributed by ANUP (Associação Nacional das Universidades Particulares) e CRUB (Conselho de Reitores das Universidades Brasileiras), respectively. Therefore, the Company shall not apply linear discounts in any active monthly tuition fees that are related to the effects to the Covid-19 pandemic. Regarding the discounts granted by the date of issuance of these financial statements, the Company is charging back the students as final legal decisions are given by Brazilian courts.

The total mandatory discounts granted due to COVID-19, net of discounts that have been recovered from previous period, totaled R\$ 33,081 during 2021 and R\$ 24,800 was related to FCMPB (R\$ 6,545 for the year ended December 31, 2020).

As of the date of these financial statements, the COVID-19 pandemic has had no significant impact on the payment default rates of our students. Furthermore, there have been no significant impacts on our financial performance and position of assets and there have been no significant changes in our financial condition triggering impairment indicators in these financial statements.

By the date of issuance of these financial statements all of the lockdown restrictions have been revoked by Brazilian authorities in our campus locations and the Company has also successfully retaken all of its practical classes in medicines courses and all of its classroom classes.

2 Significant accounting policies

2.1 Basis for preparation of the consolidated financial statements

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The corporate reorganization described in Note 1, occurred on July 7, 2019, was accounted for as a reorganization of entities under common control whereby Afya Limited was created as a holding company of Afya Brazil. As a result, the assets and liabilities of Afya Brazil is carried at historical cost and there was no step-up in basis or goodwill, or other intangible assets recorded as a result of the corporate reorganization.

As a result, the consolidated financial statements prepared by the Company subsequent to the completion of the reorganization are presented "as if" Afya Brazil is the predecessor of the Company. Accordingly, these consolidated financial statements reflect: (i) the historical operating results of Afya Brazil prior to the reorganization; (ii) the consolidated results of the Company and Afya Brazil following the reorganization; (iii) the assets and liabilities of Afya Brazil at their historical cost; and (iv) the Company's equity and earnings per share for all periods presented.

Afya Limited is a holding company, as such the primary source of revenue derives from its interest on the operational companies in Brazil. As result, the Brazilian Real has been assessed as the Company's functional currency.

The consolidated financial statements are presented in Brazilian reais ("BRL" or "R\$"), which is the Company's functional and presentation currency. All amounts are rounded to the nearest thousand.

These consolidated financial statements as of and for the year ended December 31, 2021 were authorized for issue by the Board of Directors on March 31, 2022.

2.2 Basis consolidation

The table below is a list of the Company's subsidiaries and associate:

Name	Principal activities	Location	Investment type	Direct and indirect interest	
				December 31, 2021	December 31, 2020
Afya Participações S.A. ("Afya Brazil")	Holding	Nova Lima - MG	Subsidiary	100%	100%
Instituto Tocantinense Presidente Antônio Carlos Porto S.A. – ("ITPAC Porto")	Undergraduate degree programs	Porto Nacional - TO	Subsidiary	100%	100%
Instituto Tocantinense Presidente Antônio Carlos S.A. – ("ITPAC Araguaína")	Undergraduate degree programs	Araguaína - TO	Subsidiary	100%	100%
União Educacional do Vale do Aço S.A. – ("UNIVAÇO")	Medicine undergraduate degree program	Ipatinga - MG	Subsidiary	100%	100%
IPTAN - Instituto de Ensino Superior Presidente Tancredo de Almeida Neves S.A. ("IPTAN")	Undergraduate degree programs	São João Del Rei - MG	Subsidiary	100%	100%
Instituto de Educação Superior do Vale do Parnaíba S.A. ("IESVAP")	Undergraduate degree programs	Parnaíba - PI	Subsidiary	80%	80%
Centro de Ciências em Saúde de Itajubá S.A. ("CCSI")	Medicine undergraduate degree program	Itajubá - MG	Subsidiary	60%	60%
Instituto de Ensino Superior do Piauí S.A. ("IESP")	Undergraduate and graduate degree programs	Teresina - PI	Subsidiary	100%	100%
Centro Integrado de Saúde de Teresina ("CIS")	Outpatient care	Teresina - PI	Subsidiary	100%	100%
FADEP - Faculdade Educacional de Pato Branco Ltda. ("FADEP")	Undergraduate degree programs	Pato Branco - PR	Subsidiary	100%	100%
Medcol Editora e Eventos S.A. ("Medcol")	Medical education content	São Paulo - SP	Subsidiary	100%	100%
Instituto Educacional Santo Agostinho S.A. ("FASA")	Undergraduate degree programs	Montes Claros - MG	Subsidiary	100%	100%
ESMC Educação Superior Ltda. ("ESMC")	Undergraduate degree programs	Montes Claros - MG	Subsidiary	100%	100%
Instituto de Pesquisa e Ensino Médico do Estado de Minas Gerais Ltda. ("IPEMED")	Graduate	Belo Horizonte - MG	Subsidiary	100%	100%
Instituto Paraense de Educação e Cultura Ltda ("IPEC")	Medicine degree programs	Marabá - PA	Subsidiary	100%	100%
Sociedade Universitária Redentor S.A. ("UniRedentor")	Undergraduate and graduate degree programs	Itaperuna - RJ	Subsidiary	100%	100%
Centro Universitário São Lucas Ltda. ("UniSL")	Undergraduate degree programs	Porto Velho - RO	Subsidiary	100%	100%
Peb Med Instituição de Pesquisa Médica e Serviços Ltda ("PebMed")	Content and clinical tools and online platform	Rio de Janeiro - RJ	Subsidiary	100%	100%
Faculdade de Ensino Superior da Amazônia Reunida – ("FESAR")	Undergraduate degree programs	Redenção - PA	Subsidiary	100%	100%
Centro Superior de Ciências da Saúde S/S Ltda. ("FCOMP")	Medicine degree programs	João Pessoa - PB	Subsidiary	100%	100%
MedPhone Tecnologia em Saúde Ltda. ("MedPhone")	Content and clinical tools and online platform	Recife - PE	Subsidiary	100%	100%
iClinic Desenvolvimento de Software Ltda ("iClinic")*	Electronic Medical Record, Clinical Management System	Ribeirão Preto - SP	Subsidiary	100%	100%
Medicinae Solutions S.A. ("Medicinae")*	Healthcare payments and financial services	Rio de Janeiro - RJ	Subsidiary	100%	100%
Medical Harbour Aparelhos Médico Hospitalares e Serviços em Tecnologia Ltda. ("Medical Harbour")*	Educational health and medical imaging	Florianópolis - SC	Subsidiary	100%	100%
Cliquefarma Drogarias Online Ltda. ("Cliquefarma")*	Online platform	São Paulo - SP	Subsidiary	100%	100%
Shosp Tecnologia da Informação Ltda. ("Shosp")*	Electronic Medical Record, Clinical Management System	Rio de Janeiro - RJ	Subsidiary	100%	100%
Sociedade Padrão de Educação Superior Ltda. ("UnifipMoc")*	Undergraduate degree programs	Montes Claros - MG	Subsidiary	100%	100%
Companhia Nilza Cordeiro Herdy de Educação e Cultura. ("Unigranrio")*	Undergraduate and graduate degree programs	Duque de Caxias - RJ	Subsidiary	100%	100%
Policlínica e Centro de Estética Duque de Caxias Ltda. ("Policlínica")*	Medical Care	Duque de Caxias - RJ	Subsidiary	100%	100%
Sociedade Educacional de Palhoça S/A Ltda. ("SOCIESP")*	Basic Education	Palhoça - SC	Subsidiary	100%	100%
Instituto de Ensino Superior de Palhoça S/S Ltda. ("IESP PALHOÇA")*	Undergraduate degree programs	Palhoça - SC	Subsidiary	100%	100%
RXPRO Soluções de Tecnologia Ltda. ("RXPRO")	Marketing for pharmaceutical industry	São Paulo - SP	Subsidiary	100%	100%
RXPRO LOG Transporte e Logística Ltda. ("RXPRO LOG")	Marketing for pharmaceutical industry	São Paulo - SP	Subsidiary	100%	100%
União Educacional do Planalto Central S.A. ("UEPC")	Undergraduate degree programs	Brasília - DF	Associate	30%	30%

* See Note 5 for further details of the business combinations during 2021.

The financial information of the acquired subsidiaries is included in the Company's consolidated financial statements beginning on the respective acquisition dates.

The Company consolidates the financial information for all entities it controls. Control is achieved when the Company is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and it ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries in order to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in the statement of income.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of financial position, consolidated statements of income and comprehensive income and consolidated statements of changes in equity.

2.3 Summary of significant accounting policies

This note provides a description of the significant accounting policies adopted in the preparation of these consolidated financial statements in addition to other policies that have been disclosed in other notes to these consolidated financial statements. These policies have been consistently applied to all periods presented.

The accounting policies have been consistently applied to all consolidated companies.

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyzes the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

d) Financial instruments – initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI (Other Comprehensive Income), it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as: financial assets at amortized cost or financial assets at fair value through profit or loss. There is no financial assets designated as fair value through OCI.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of income when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of income. This category includes derivative instruments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Significant accounting estimates and assumptions – Note 3
- Trade receivables – Note 7

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes an allowance for credit losses based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, loans and financing, notes payable, lease liabilities, advances from costumers and accounts payable to selling shareholders.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes, when applicable, derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in the statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance expenses in the statement of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term financial investments with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term financial investments, as they are considered an integral part of the Company's cash management.

f) Restricted cash

Restricted cash in the statement of financial position comprise of financial investments in investment funds that serve as collateral for loan agreements and other commitments.

g) Inventories

Inventories are valued at the lower of cost and net realizable value. The costs of inventories are based on the average cost method and include costs incurred in the purchase of inventories and other costs incurred in bringing them to their current location and condition. Costs of purchased inventory are determined after deducting any discounts and recoverable taxes.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

h) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Building	25 years
Machinery and equipment	10 years
Vehicles	4 years
Furniture and fixtures	10 years
IT equipment	5 years
Library books	10 years
Laboratories and clinics	10 years
Leasehold improvements	20 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

i) Leases

As from January 1, 2019, the determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the contract. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles are not capitalized and the related expenditure is reflected in the statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income.

k) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years, considering the companies activities and maturation period of its graduate and undergraduate courses. A long-term growth rate is calculated and applied to project future cash flows after the last projected year.

For impairment testing, goodwill acquired through business combinations and licenses with indefinite useful lives are allocated to their respective CGUs. The Company has defined each of its operating subsidiaries as a CGU, except for "Practice Management Tools & Electronic Prescription" and "Clinical Decision Software" where the subsidiaries were combined as one CGU following the business strategic pillars and "Moc" where we have 2 different educational institution operating in the same municipality (Montes Claros).

Whenever applicable, impairment losses of continuing operations are recognized in the statement of income in expense categories consistent with the function of the impaired asset.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

l) Investments

Investments in associates are initially recognized at consideration transferred and adjusted thereafter for the equity method, being increased or reduced from its interest in the investee's income after the acquisition date. An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

m) Accounts payable to selling shareholders

These amounts represent liabilities related to the acquisitions made by the Company which are not yet due. Accounts payable to selling shareholders are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of income, net of any reimbursement, when applicable.

o) Dividends payable

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. The distribution is authorized when it is required to pay a minimum dividend of the net income for the year in accordance with the Brazilian Corporate Law (applicable for Afya Brazil) and the Company's By-Laws or is approved by the shareholders. A corresponding amount is recognized directly in equity.

p) Labor and social obligations

Labor and social obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

q) Share-based payments

Certain key executives of the Company receive remuneration in the form of share-based payments, whereby the executives render services as consideration for equity instruments (equity-settled transactions).

The expense of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That expense is recognized in general and administrative expenses, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the statement of income.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

r) Revenue from contracts with customers

Tuition fees and other revenue

The Company's revenue consists primarily of tuition fees charged for medical courses. The Company also generates revenue from tuition fees for other undergraduate courses, student fees, certain education-related activities, digital education content and subscription of digital services.

Revenues are recognized when services are rendered to the customer and the performance obligation is satisfied.

Revenue from tuitions and digital education content are recognized over time when services are rendered to the customer and the Company satisfies its performance obligation under the contract at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Revenues from tuitions are recognized net of scholarships and other discounts, refunds and taxes.

Other revenues are recognized at a point in time when the service is rendered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the service. Other revenues are presented net of the corresponding discounts, returns and taxes.

Printed books, e-books, healthcare payments, online platforms and marketing for pharmaceutical industry revenues are transferred at point in time

Revenue from sale of printed books, e-books, healthcare payments, online platforms and marketing for pharmaceutical industry are recognized at the point in time when control of the asset or services is transferred to the customer, generally on delivery of the goods at the customer's location and permission to access the digital content. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the printed books and e-books, the Company considers the effects of variable consideration, financing component, noncash consideration, and consideration payable to the customer to be not significant.

The Company has concluded that it is the principal in its revenue arrangements.

The Company assesses collectability on a portfolio basis prior to recording revenue. Generally, students cannot re-enroll for the next academic session without satisfactory resolution of any past-due amounts. If a student withdraws from an institution, the Company's obligation to issue a refund depends on the refund policy at that institution and the timing of the student's withdrawal. Generally, the refund obligations are reduced over the course of the academic term.

Trade receivables

Trade receivables represent the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Advances from customers

Advances from customers (a contract liability) are the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer, as a result of pre-paid tuition, digital education content and mobile app subscription for digital medical content received from customers and is recognized separately in current liabilities, when the payment is received. Advances from customers are recognized as revenue when the Company performs all obligations related to the contract, generally in the following month.

s) Taxes

The Company's subsidiaries joined the PROUNI (*Programa Universidade para Todos – University for All Program*) program, which is a federal program that exempts post-secondary institutions of some federal taxes in exchange for providing a certain number of student enrollment for low-income students, and benefits from the exemption of the following federal taxes:

- Income taxes and social contribution
- PIS and COFINS

The regulation of PROUNI defines that the revenue from traditional and technological graduation activities is exempt from PIS and COFINS. For income from other teaching activities, PIS and COFINS are charged at rates of 0.65% and 3.00%, respectively, and for non-teaching activities, PIS is charged at a rate of 1.65% and to COFINS at 7.6%.

Current income taxes

Current income taxes were calculated based on the criteria established by the Normative Instruction of the Brazilian Internal Revenue Service, specifically regarding the PROUNI program, which allows exemption of these taxes from traditional and technological graduation activities.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.4 Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Company

Certain amendments apply for the first time in 2021, but do not have an impact on these financial statements of the Company.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3 Significant accounting estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management – Note 15
- Financial instruments risk management objectives and policies – Note 13.4
- Sensitivity analyses disclosures – Note 13.4.1

Estimates and assumptions

The key assumptions about the future and other key sources of estimated uncertainty as of the reporting date that include a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances that arise and that are beyond the Company's control. Such changes are reflected in the assumptions when they occur.

Identification and fair-value measurement of assets and liabilities acquired in a business combination

Business combinations are accounted for using the acquisition method. Such method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The Company, as the acquirer, must classify or designate the identifiable assets and liabilities assumed on the basis of its own contractual terms, economic conditions, operating and accounting policies and other relevant conditions as at the acquisition date. Such assessment requires judgments from the Company on the methods used to determine the fair value of the assets acquired and liabilities assumed, including valuation techniques that may require prospective financial information inputs.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") or group of CGUs exceeds its recoverable amount, defined as the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on data available from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model ("DCF" model). The cash flows are derived from the budget for the next five years and do not include restructuring activities to which the Company has not yet committed or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as to expected future cash-inflows and the growth rate used for extrapolation purposes.

These estimates are most relevant to goodwill and indefinite lived intangible assets recognized by the Company. The key assumptions used to determine the recoverable amount for each CGU, including a sensitivity analysis, are disclosed and further explained in Note 12.

Share-based compensation

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions, the Company uses the Binomial model. As disclosed in Note 16 (b) the Company had stock plans that were fully exercised on July 31, 2019, for which the Monte Carlo and Black & Scholes pricing model were used for the Afya Brazil and Guardaya plans, respectively. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16 (b).

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 Segment information

During 2021, in connection with the recent acquisitions of digital and technology companies, the Company revised its operating segments. As result, the Company has three operating segments as opposed to the previously reported Business Unit 1 (educational services through undergraduate and graduate courses related to medicine, other health sciences and other undergraduate programs) and Business Unit 2 (residency preparatory courses and medical post-graduate specialization programs, delivering printed and digital content, an online medical education platform). The three reportable segments are as follows:

- Undergrad, which provides educational services through undergraduate courses related to medicine, other health sciences and other undergraduate programs;
- Continuing Education, which provides specialization programs and graduate courses; and
- Digital Services, which provides content and technology for medical education, clinical decisions software, practice management tools and electronic medical records, doctor-patient relationship, telemedicine and digital prescription.

Due to changes in operating segments, the segment information for the years ended December 31, 2020 and 2019 have been restated. Segment information is presented consistently with the internal reports provided to the Company's Chief Executive Officer (CEO), which is the Chief Operating Decision Maker (CODM) and is responsible for allocating resources, assessing the performance of the Company's operating segments, and making the Company's strategic decisions.

No operating segments have been aggregated to form the above reportable operating segments. There is only one geographic region and the results are monitored and evaluated as a single business.

The following tables presents assets and liabilities information for the Company's operating segments as of December 31, 2021 and 2020:

	Undergrad	Continuing Education	Digital Services	Total reportable segments	Adjustments and eliminations	Total
As of December 31, 2021						
Total assets	6,072,135	105,629	272,122	6,449,886	(2,480)	6,447,406
Current assets	1,048,869	42,737	117,726	1,209,332	(2,480)	1,206,852
Non-current assets	5,023,266	62,892	154,396	5,240,554	-	5,240,554
Total liabilities and equity	6,072,135	105,629	272,122	6,449,886	(2,480)	6,447,406
Current liabilities	645,657	32,300	91,029	768,986	(2,480)	766,506
Non-current liabilities	2,551,175	47,705	82,002	2,680,882	-	2,680,882
Equity	2,875,303	25,624	99,091	3,000,018	-	3,000,018

	Undergrad	Continuing Education	Digital Services	Total reportable segments	Adjustments and eliminations	Total
As of December 31, 2021						
Other disclosures						
Investments in associate	48,477	-	-	48,477	-	48,477
Capital expenditures (*)	220,202	25,682	56,095	301,979	-	301,979

	Undergrad	Continuing Education	Digital Services	Total reportable segments	Adjustments and eliminations	Total
As of December 31, 2020						
Total assets	4,541,988	68,300	182,920	4,793,208	(115)	4,793,093
Current assets	1,280,342	40,119	85,155	1,405,616	(115)	1,405,501
Non-current assets	3,261,646	28,181	97,765	3,387,592	-	3,387,592
Total liabilities and equity	4,541,988	68,300	182,920	4,793,208	(115)	4,793,093
Current liabilities	522,523	14,491	52,480	589,494	(115)	589,379
Non-current liabilities	1,261,894	40,763	67,277	1,369,934	-	1,369,934
Equity	2,757,571	13,046	63,163	2,833,780	-	2,833,780

	Undergrad	Continuing Education	Digital Services	Total reportable segments	Adjustments and eliminations	Total
Other disclosures						
As of December 31, 2020						
Investments in associate	51,410	-	-	51,410	-	51,410
Capital expenditures (*)	83,256	12,638	13,587	109,481	-	109,481

(*) Capital expenditures consider the acquisitions of property and equipment and intangible assets.

The following tables present the statements of income for the Company's operating segments for the years ended December 31, 2021 and 2020:

December 31, 2021						
	Undergrad	Continuing Education	Digital Services	Total reportable segments	Elimination (inter-segment transactions)	Total
External customer	1,498,408	72,983	147,980	1,719,371	-	1,719,371
Inter-segment	-	-	3,978	3,978	(3,978)	-
Net revenue	1,498,408	72,983	151,958	1,723,349	(3,978)	1,719,371
Cost of services	(554,995)	(50,773)	(50,510)	(656,278)	3,978	(652,300)
Gross profit	943,413	22,210	101,448	1,067,071	-	1,067,071
General and administrative expenses	-	-	-	-	-	(622,615)
Other income, net	-	-	-	-	-	(3,561)
Operating income	-	-	-	-	-	440,895
Finance income	-	-	-	-	-	64,566
Finance expenses	-	-	-	-	-	(243,796)
Share of income of associate	-	-	-	-	-	11,797
Income before income taxes	-	-	-	-	-	273,462
Income taxes expenses	-	-	-	-	-	(31,179)
Net income	-	-	-	-	-	242,283

December 31, 2020						
	Undergrad	Continuing Education	Digital Services	Total reportable segments	Elimination (inter-segment transactions)	Total
External customer	1,002,461	107,197	91,533	1,201,191	-	1,201,191
Inter-segment	-	-	1,619	1,619	(1,619)	-
Net revenue	1,002,461	107,197	93,152	1,202,810	(1,619)	1,201,191
Cost of services	(381,964)	(40,000)	(14,309)	(436,273)	1,619	(434,654)
Gross profit	620,497	67,197	78,843	766,537	-	766,537
General and administrative expenses	-	-	-	-	-	(402,855)
Other expenses, net	-	-	-	-	-	(347)
Operating income	-	-	-	-	-	363,335
Finance income	-	-	-	-	-	62,290
Finance expenses	-	-	-	-	-	(98,269)
Share of income of associate	-	-	-	-	-	7,698
Income before income taxes	-	-	-	-	-	335,054
Income taxes expenses	-	-	-	-	-	(27,067)
Net income	-	-	-	-	-	307,987

December 31, 2019						
	Undergrad	Continuing Education	Digital Services	Total reportable segments	Elimination (inter-segment transactions)	Total
External customer	653,760	64,870	32,000	750,630	-	750,630
Inter-segment	-	-	3,880	3,880	(3,880)	-
Net revenue	653,760	64,870	35,880	754,510	(3,880)	750,630
Cost of services	(279,066)	(29,261)	(4,406)	(312,733)	3,880	(308,853)
Gross profit	374,694	35,609	31,474	441,777	-	441,777
General and administrative expenses	-	-	-	-	-	(239,120)
Other expenses, net	-	-	-	-	-	2,594
Operating income	-	-	-	-	-	205,251
Finance income	-	-	-	-	-	51,689
Finance expenses	-	-	-	-	-	(72,365)
Share of income of associate	-	-	-	-	-	2,362
Income before income taxes	-	-	-	-	-	186,937
Income taxes expenses	-	-	-	-	-	(14,175)
Net income	-	-	-	-	-	172,762

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Seasonality of operations

Undergrad ´s and Continuing Education tuition revenues are related to the intake process and monthly tuition fees charged to students over the period thus the Company do not have significant fluctuations during the semester.

Digital Services are comprised mostly by Medcel, Pebmed and iClinic revenues. While Pebmed and iClinic do not have significant fluctuation regarding seasonality, Medcel revenues are concentrated in the first and last quarter of the year, as a result of enrollments of Medcel's clients period. The majority of Medcel's revenues is derived from printed books and e-books, which are recognized at the point in time when control is transferred to the customer. Consequently, Digital Services segment generally has higher revenues and results of operations in the first and last quarter of the year compared to the second and third quarters of the year.

5 Business combinations

5.1 Acquisitions in 2021

The preliminary fair values of the identifiable assets acquired and liabilities assumed as of each acquisition date were:

Assets	iClinic	Medicinae	Medical Harbour	Cliquefarma	Shosp	Unifipmoc	Unigranrio	RXPRO
Cash and cash equivalents	1,659	201	47	1,009	397	6,140	34,755	91
Restrict cash	6,050	-	-	-	-	-	-	-
Trade receivables	1,201	-	159	501	-	34,309	26,622	1,211
Inventories	-	-	-	-	-	-	352	246
Recoverable taxes	72	15	-	-	1	1,295	738	112
Other assets	20	-	2	-	-	702	12,159	366
Right-of-use assets	88	-	-	-	-	52,079	87,265	82
Property and equipment	473	17	34	-	5	24,277	40,775	42
Indemnification assets	1,252	-	-	-	-	7,331	71,669	-
Intangible assets	84,987	4,518	7,359	14,991	4,856	227,534	510,356	6,330
	95,802	4,751	7,601	16,501	5,259	353,667	784,691	8,480
Liabilities								
Trade payables	619	-	6	8	1	985	6,197	1,060
Loans and financing	-	-	299	580	-	30,179	5,533	-
Labor and social obligations	1,414	159	4	102	89	5,306	22,854	62
Taxes and contributions payable	77	4	1	307	123	758	94,025	100
Provision for legal proceedings	1,252	-	-	-	-	7,331	71,669	-
Leases liabilities	88	-	-	-	-	52,079	87,265	82
Advances from customers	400	-	35	3	167	10,745	3,387	-
Other liabilities	-	-	-	-	-	5,739	4,878	-
	3,850	163	345	1,000	380	113,122	295,808	1,304
Total identifiable net assets at fair value	91,952	4,588	7,256	15,501	4,879	240,545	488,883	7,176
Preliminary goodwill arising on acquisition	99,168	4,584	4,022	6,588	3,022	87,777	130,073	38,446
Purchase consideration transferred	191,120	9,172	11,278	22,089	7,901	328,322	618,956	45,622
Cash paid	119,620	5,600	5,000	16,166	5,855	328,322	375,670	30,263
Contingent consideration	-	3,572	6,278	2,923	1,592	(*)	(**)	10,171
Consideration to be transferred	-	-	-	-	454	-	243,266	76
Paid in shares	71,500	-	-	3,000	-	-	-	5,112
Analysis of cash flows on acquisition:								
Transaction costs of the acquisition (included in cash flows from operating activities)	856	117	144	336	188	177	10,990	264
Cash paid net of cash acquired with the subsidiary (included in cash flows from investing activities)	117,961	5,399	4,953	15,157	5,458	322,182	340,915	30,172
Net of cash flow on acquisition	118,817	5,516	5,097	15,493	5,646	322,359	351,905	30,436

* There are 40 additional seats still pending approval, which, if approved by the Ministry of Education, will result in a potential additional payment of up to R\$ 50,000.

** There are 82 additional seats still pending approval which, if approved by MEC, will result in a potential additional payment of up to R\$90,200.

(a) Acquisition of iClinic

On January 21, 2021, Afya Brazil acquired 100% of the share capital of iClinic (comprised by iClinic Participações, iClinic Desenvolvimento and Black River). The aggregate purchase price of R\$191,120 is comprised of: (i) 62.6% was paid in cash, and (ii) 37.4% was settled with Afya's shares on the transaction closing date.

iClinic is a SaaS model physician focused technology company and the leading medical practice management software in Brazil. iClinic empower doctors to be more independent and have more control over their careers by digitalizing their daily routine, so they can increase their productivity and deliver better healthcare services. With the acquisition of iClinic to our platform, Afya will make another step to become the one stop shop for physicians in Brazil.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The acquisition of iClinic was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$856 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount. Afya Brazil measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavorable terms of the lease relative to market terms.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

From the date of acquisition, iClinic has contributed R\$ 16,456 of net revenue and R\$ 8,250 of loss before income taxes to the Company. Should the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$ 1,158 and income before income taxes would have been decreased by R\$ 1,320.

(b) Acquisition of Medicinae

On March 25, 2021, Afya Brazil acquired 100% of the total share capital of Medicinae, a leading Brazilian healthcare technology company that specializes in healthcare payments and financial services. The aggregate purchase price of R\$9,172 is comprised by: i) R\$ 5,600 of which 100% was paid in cash on the transaction closing date; and ii) an earn-out ("contingent consideration") of up of R\$ 4,400 is payable in connection with product development goals for 2021 and revenue achievements for 2022. The contingent consideration of R\$3,572 is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The acquisition will expand Afya's digital health services, as it offers a unique financial platform that allows healthcare professionals all over Brazil to manage receivables in an efficient and scalable way using FIDC (Receivables Investment Fund).

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Medicinae relieves a number of challenges in the healthcare payments industry, as reduces long payment cycles for professionals and consolidates financial information, improving the consumer financial experience. Afya's intention is to grow the Digital Services segment.

The acquisition of Medicinae was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$117 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

From the date of acquisition, Medicinae has contributed R\$ 359 of net revenue and R\$ 1,518 of loss before income taxes to the Company. If the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$ 105 and income before income taxes would have been decreased by R\$ 113.

(c) Acquisition of Medical Harbour

On April 8, 2021, Afya Brazil acquired 100% of the total share capital of Medical Harbour, which offers educational health and medical imaging solutions through an interactive platform for anatomical study, 3D virtual dissection and analysis of medical images, which allow the exploration, and knowledge of human anatomy with digital resources. The aggregate purchase price of R\$11,278 is comprised by: i) R\$ 5,000 of which 100% was paid in cash on the transaction closing date; and ii) an earn-out ("contingent consideration") of up to R\$ 9,000 is payable in connection with product development goals for 2021 and 2022 and revenue achievements for 2023. The contingent consideration of R\$6,278 is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

This acquisition enables Afya to start providing a high quality solution to study the human body, allowing efficient classes and remote practical sessions with greater student acceptance and scalability. Additionally, Afya will be able to distribute Medical Harbour solutions to all of its ecosystem, creating B2C and B2B growth opportunities.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The acquisition of Medical Harbour was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$144 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The Company has not yet finalized the valuation of all identifiable assets acquired and liabilities assumed in the business combination of Medical Harbour and therefore some of these amounts are preliminary. These amounts may be adjusted when the valuations are finalized.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

From the date of acquisition, Medical Harbour has contributed R\$ 484 of net revenue and R\$ 1,945 of loss before income taxes to the Company. Should the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$ 268 and income before income taxes would have been increased by R\$ 127.

(d) Acquisition of Cliquefarma

On April 16, 2021, Afya Brazil acquired 100% of the total share capital of Cliquefarma, a healthtech company operating a free-to-use website that tracks prescription drugs, cosmetics and personal hygiene product prices in Brazil. The aggregate purchase price of R\$ 22,089 is comprised by: (i) R\$ 16,166 paid in cash; (ii) R\$3,000 settled with Afya's shares on the transaction closing date; and (iii) an earn-out ("contingent consideration") of R\$ 3,000 is payable in relation to product development. The contingent consideration of R\$2,923 is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

Users of Cliquefarma can easily search for medications or healthcare products and compare prices from over 15,000 pharmacies in Brazil. The traffic generated is monetized through a cost-per-click model, where drugstores pay for each click on their advertisements, a cost-per-acquisition, where drugstores pay for each concluded sale.

The acquisition of Cliquefarma will enhance the Digital Services segment, creating the opportunity to leverage traffic and GMV with prescriptions generated from Afya's physician ecosystem.

The acquisition of Cliquefarma was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$336 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The Company has not yet finalized the valuation of all identifiable assets acquired and liabilities assumed in the business combination of Cliquefarma and therefore some of these amounts are preliminary. These amounts may be adjusted when the valuations are finalized.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

From the date of acquisition, Cliquefarma has contributed R\$ 3,268 of net revenue and R\$ 1,752 of income before income taxes to the Company. Should the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$ 1,435 and income before income taxes would have been increased by R\$ 926.

(e) Acquisition of Shosp

On May 13, 2021, Afya Brazil acquired 100% of the total share capital of Shosp, a clinical management software that offers all functionalities needed for clinics all over Brazil to manage their financials, patients appointments, medical records, marketing, and others. Afya's intention is to reinforce the Digital Services operating segment. The aggregate purchase price of R\$7,901 is comprised by: i) R\$ 5,855 was paid in cash; ii) R\$ 454 of consideration to be transferred; and iii) an earn-out ("contingent consideration") of up to R\$ 1,793 is payable in relation to product development. The contingent consideration of R\$1,592 is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

The acquisition of Shosp was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$188 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The Company has not yet finalized the valuation of all identifiable assets acquired and liabilities assumed in the business combination of Shosp and therefore some of these amounts are preliminary. These amounts may be adjusted when the valuations are finalized.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

From the date of acquisition, Shosp has contributed R\$ 1,376 of net revenue and R\$ 448 of income before income taxes to the Company. Should the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$ 306 and income before income taxes would have been decreased by R\$ 82.

(f) Acquisition of UNIFIPMoc

On June 1, 2021, Afya Brazil acquired 100% of the total share capital of Sociedade Padrão de Educação Superior Ltda. ("UNIFIPMoc"). The aggregate purchase price is R\$ 328,322 and the total amount was paid in cash. There are 40 additional seats still pending approval, which, if approved by the Ministry of Education, will result in a potential additional payment of up to R\$ 50,000. Given the future event that will trigger the potential payout is not under the Company's control, the probability of such payout cannot be reliably estimated and thus the contingent consideration was not measured at acquisition date. Should the additional seats be approved it will result in additional licenses, which will be measured accordingly if and when approved.

UNIFIPMoc is a post-secondary education institution with government authorization to offer on-campus, undergraduate courses in medicine in the states of Minas Gerais and Bahia. The acquisition is in line with the Company's strategy to focus on medical education, including medical school.

The acquisition of UNIFIPMoc was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$177 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Undergrad segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The Company has not yet finalized the valuation of all identifiable assets acquired and liabilities assumed in the business combination of UnifipMoc and therefore some of these amounts are preliminary. These amounts may be adjusted when the valuations are finalized.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Licenses	<p>With-and-without method</p> <p>The with-and-without method consists of estimating the fair value of an asset by the difference between the value of this asset in two scenarios: a scenario considering the existence of the asset in question and another considering its non-existence.</p>
Customer relationships	<p>Multi-period excess earnings method</p> <p>The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.</p>

The valuation technique for property and equipment consists of determining the fair value of an asset by using methodologies like replacement costs, market value, remaining useful life and physical depreciation.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

From the date of acquisition, UNIFIPMoc has contributed R\$9,887 of net revenue and R\$ 19,458 of income before income taxes to the Company. Should the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$46,150 and income before income taxes would have been increased by R\$ 12,847.

(g) Acquisition of UNIGRAN

On August 4, 2021, Afya Brazil acquired 100% of the total share capital of Companhia Nilza Cordeiro Herdy de Educação e Cultura, Instituto de Ensino Superior de Palhoça S/S Ltda., Sociedade Educacional de Palhoça S/S Ltda., and Policlínica e Centro de Estética Duque de Caxias Ltda. (combined denominated "Unigranrio"). The aggregate original purchase price of R\$ 626,116 of which 60% was paid in cash on the transaction closing date, and 40% is payable in cash in four equal installments through 2022 to 2025, adjusted by the CDI rate, was adjusted by R\$7,160, because of the actual net debt, to R\$618,956. There are 82 additional seats still pending approval which, if approved by MEC, will result in a potential additional payment of up to R\$90,200. Given the future event that will trigger the potential payout is not under the Company's control, the probability of such payout cannot be reliably estimated and thus the contingent consideration was not measured at acquisition date. Should the additional seats be approved it will result in additional licenses, which will be measured accordingly if and when approved.

Unigranrio is a post-secondary education institution with governmental authorization to offer on-campus, undergraduate degrees and graduate programs in medicine and health, as well as other courses, in the State of Rio de Janeiro and Santa Catarina

The acquisition of Unigranrio was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$10,990 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Undergrad segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The Company has not yet finalized the valuation of all identifiable assets acquired and liabilities assumed in the business combination of Unigranrio and therefore some of these amounts are preliminary. These amounts may be adjusted when the valuations are finalized.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Licenses	<p>With-and-without method</p> <p>The with-and-without method consists of estimating the fair value of an asset by the difference between the value of this asset in two scenarios: a scenario considering the existence of the asset in question and another considering its non-existence.</p>
Customer relationships	<p>Multi-period excess earnings method</p> <p>The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.</p>

The valuation technique for property and equipment consists of determining the fair value of an asset by using methodologies like replacement costs, market value, remaining useful life and physical depreciation.

From the date of acquisition, Unigranrio has contributed R\$ 123,369 of net revenue and R\$ 33,450 of income before income taxes to the Company. Should the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$ 150,456 and income before income taxes would have been increased by R\$ 22,191.

(h) Acquisition of RXPRO

On October 1, 2021, Afya Brazil acquired 100% of RX PRO, comprised of (i) RX PRO Soluções de Tecnologia Ltda. and (ii) RX PRO LOG Transporte e Logística Ltda..Soluções de Tenologia Ltda. RX PRO consists of a solution that connects physicians with the pharmaceutical industry, providing specialized and personalized marketing for those companies, in a more convenient way for physicians. Afya's intention is to reinforce the Digital Services operating segment. The aggregate purchase price of R\$45,622 is comprised by: i) R\$ 30,263 was paid in cash; ii) R\$ 76 to be paid as price adjustment, iii) R\$5,112 settled with Afya's treasury shares on the transaction closing date; and (iv) an earn-out ("contingent consideration") of R\$ 21,000 is payable in relation to revenue achievements. The contingent consideration of R\$10,171 is based on the present value of the obligation considering the facts and circumstances at the acquisition date.

The acquisition of RXPRO was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$264 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The preliminary goodwill recognized is not expected to be deductible for income taxes purposes.

The Company has not yet finalized the valuation of all identifiable assets acquired and liabilities assumed in the business combination of RXPRO and therefore some of these amounts are preliminary. These amounts may be adjusted when the valuations are finalized.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

From the date of acquisition, RXPRO has contributed R\$ 907 of net revenue and R\$ 984 of loss before income taxes to the Company. Should the acquisition had taken place at the beginning of the period, net revenue for the period ended December 31, 2021 would have been increased by R\$ 3,155 and income before income taxes would have been decreased by R\$ 325.

5.2 Acquisitions in 2020

The fair values of the identifiable assets acquired and liabilities assumed as of each acquisition date were:

	UniRedentor*	UniSL**	PEBMED	FESAR	MedPhone	FCMPB
Assets						
Cash and cash equivalents	11,796	3,245	1,119	4,236	60	100
Trade receivables	4,800	21,567	7,984	-	-	8,148
Inventories	-	467	-	-	-	-
Recoverable taxes	3	822	-	-	-	-
Other assets	2,486	7,251	161	42	9	123
Indemnification assets	710	12,645	12,350	6,871	-	-
Right-of-use assets	10,265	42,062	865	-	-	23,663
Property and equipment	4,207	19,144	391	23,176	-	962
Intangible assets	142,399	314,097	60,372	167,106	3,727	264,782
	176,666	421,300	83,242	201,431	3,796	297,778
Liabilities						
Trade payables	746	3,554	9,024	143	-	173
Loans and financing	16,187	58,541	-	1,087	-	-
Lease liabilities	10,265	42,062	865	-	-	23,663
Labor and social obligations	4,471	8,070	1,786	1,801	-	3,832
Taxes payable	850	5,779	1,210	29	2	5
Provision for legal proceedings	710	12,645	12,350	6,871	-	-
Advances from customers	10,994	6,084	9,312	759	-	1,781
Notes payable	-	80,526	-	-	-	-
Other liabilities	-	14,754	-	-	228	-
	44,223	232,015	34,547	10,690	230	29,454
Total identifiable net assets at fair value	132,443	189,285	48,695	190,741	3,566	268,324
Goodwill arising on acquisition	77,662	4,420	84,175	71,664	2,843	110,483
Purchase consideration transferred	210,105	193,705	132,870	262,405	6,409	378,807
Cash paid	114,607	141,065	115,339	260,836	6,373	189,913
Payable in installments	95,498	52,640	-	1,569	36	188,894
Paid in Afya Brazil's shares	-	-	17,531	-	-	-
Analysis of cash flows on acquisition:						
Transaction costs (included in cash flows from operating activities)	1,380	1,666	613	2,047	158	721
Cash paid, net of cash acquired with the subsidiary (included in cash flows from investing activities)	102,811	137,820	114,220	256,600	6,313	189,813
Net of cash flow on acquisition	104,191	139,486	114,833	258,647	6,471	190,534

* During the measurement period, the goodwill for the acquisition of UniRedentor was adjusted to R\$77,662 as a result of an increase of intangible assets to R\$142,399 and a purchase price consideration adjustment of R\$ 4,503.

** During the measurement period, the goodwill for the acquisition of UniSL was adjusted to R\$4,420 as a result of (i) a purchase consideration decrease of R\$7,816 and (ii) adjustments increasing intangible assets to R\$ 314,097 and a decrease in property and equipment of R\$7.

(a) Acquisition of UniRedentor

On January 31, 2020, Afya Brazil acquired 100% of the share capital of UniRedentor. The original purchase price of R\$214,608, was adjusted by R\$4,503 and was comprised by: i) R\$114,607 paid in cash on the acquisition date; and ii) R\$100,000 is payable in five equal installments from January 2021 to July 2024, adjusted by the CDI rate. The purchase consideration adjustment of R\$4,503 was deducted from the first installment due in January 2021.

UniRedentor is a post-secondary education institution with governmental authorization to offer on-campus, undergraduate degrees and graduate programs in medicine and health, as well as other courses, in the State of Rio de Janeiro. The acquisition contributed with 112 medical school seats, with a potential 44 additional medical school seats subject to the approval by MEC and is in line with the Company's strategy to focus on medical education, including medical school.

The acquisition of UniRedentor was accounted for under IFRS 3 – Business Combinations.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Transaction costs to date amount to R\$1,380 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount. Afya Brazil measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavorable terms of the lease relative to market terms.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Undergrad segment. The goodwill recognized is not expected to be deductible for income taxes purposes.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Licenses	With-and-without method The with-and-without method consists of estimating the fair value of an asset by the difference between the value of this asset in two scenarios: a scenario considering the existence of the asset in question and another considering its non-existence.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.

UniRedentor contributed R\$ 96,065 of net revenue and R\$ 30,952 of income before income taxes to the Company in 2020. If the acquisition had taken place at the beginning of the period, net revenue for 2020 would have been increased by R\$ 5,931 and income before income taxes for 2020 would have been increased by R\$ 321.

(b) Acquisition of UniSL

On May 5, 2020, Afya Brazil acquired 100% of the total share capital of UniSL. UniSL is a post-secondary education institution with governmental authorization to offer on-campus, undergraduate courses in medicine and health, as well as other courses, in the State of Rondônia. The original purchase consideration of R\$201,521 was adjusted by R\$7,816, of which: (i) 70% is payable in cash on the transaction closing date, and (ii) 30% is payable in cash in three equal installments through 2023, adjusted by the CDI rate. The purchase consideration adjustment of R\$7,816 was deducted from the first installment due in May 2021.

The acquisition contributed with 182 medical school seats. There are 100 additional seats still pending approval which, if approved by MEC, will result in a potential additional payment of up to R\$80,000, adjusted by the CDI rate.

Given the future event that will trigger the potential payout is not under the Company's control, the probability of such payout cannot be reliably estimated and thus the contingent consideration was not measured at acquisition date. Should the additional seats be approved it will result in additional licenses, which will be measured accordingly if and when approved.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The acquisition of UniSL was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$1,666 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount. Afya Brazil measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavorable terms of the lease relative to market terms.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Undergrad segment. The goodwill recognized is not expected to be deductible for income taxes purposes.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Licenses	With-and-without method The with-and-without method consists of estimating the fair value of an asset by the difference between the value of this asset in two scenarios: a scenario considering the existence of the asset in question and another considering its non-existence.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.

UniSL contributed R\$ 113,894 of net revenue and R\$ 30,649 of income before income taxes to the Company in 2020. If the acquisition had taken place at the beginning of the period, net revenue for 2020 would have been increased by R\$ 57,477 and income before income taxes for 2020 would have been increased by R\$ 9,455.

(c) Acquisition of PEBMED

On July 20, 2020, Afya Brazil acquired 100% of the share capital of PEBMED. The original purchase price of R\$ 132,900 was adjusted by R\$ 30 and was comprised by: i) R\$115,339 paid in cash on the acquisition date; and ii) R\$ 17,531 was paid with Afya Brazil's shares which were afterwards contributed to the Company in exchange of issuance of 141,976 of its own shares.

PEBMED offers content and clinical tools for healthcare professionals, including web portals and mobile apps. With the integration of PEBMED into our platform, Afya will continue to expand offerings for the medical professionals.

The acquisition of PEBMED was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$ 613 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount. Afya Brazil measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavorable terms of the lease relative to market terms.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The goodwill recognized is not expected to be deductible for income taxes purposes.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

PEBMED contributed R\$ 17,535 of net revenue and R\$ 3,413 of income before income taxes to the Company in 2020. If the acquisition had taken place at the beginning of the period, net revenue for 2020 would have been increased by R\$ 17,452 and income before income taxes for 2020 would have been increased by R\$ 1,813.

(d) Acquisition of FESAR

On November 3, 2020, Afya Brazil acquired 100% of the share capital of FESAR. The aggregate purchase price was R\$260,836, including the CDI rate adjustment from the signing date and the real state of the operation, estimated at R\$ 17,397, of which 100% was paid in cash on the closing of the operation. The purchase consideration was adjusted by R\$1,569 and was paid on February 25, 2021.

FESAR is a post-secondary education institution with government authorization to offer on-campus, undergraduate courses in medicine and health, as well as other courses, in the State of Pará and medical course represents 70% of its 2019's net revenue. The acquisition contributed with 120 medical school seats.

The acquisition of FESAR was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$2,047 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Undergrad segment. The goodwill recognized is not expected to be deductible for income taxes purposes.

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Licenses	With-and-without method The with-and-without method consists of estimating the fair value of an asset by the difference between the value of this asset in two scenarios: a scenario considering the existence of the asset in question and another considering its non-existence.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.

FESAR contributed R\$ 6,280 of net revenue and R\$ 3,751 of income before income taxes to the Company in 2020. If the acquisition had taken place at the beginning of the period, net revenue for 2020 would have been increased by R\$ 29,113 and income before income taxes for 2020 would have been increased by R\$ 14,918.

(e) Acquisition of MedPhone

On November 4, 2020, Afya Brazil acquired 100% of the share capital of MedPhone. The net purchase price was R\$6,373 of which 100% was paid in cash on the closing of the operation. The purchase price was adjusted to R\$6,409, this price adjustment of R\$ 36 was paid on February 2, 2021.

MedPhone is a clinical decision and leaflet consultation app in Brazil, that helps physicians, medical students and other healthcare professionals to make faster and more accurate decisions on a daily basis.

The acquisition of MedPhone was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$158 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

There are no trade receivables, right of use assets or lease liabilities associated with the acquisition of MedPhone.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Digital Services segment. The goodwill recognized is not expected to be deductible for income taxes purposes.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Trademark	Relief from royalty This methodology is based on the market remuneration of the use license granted to third parties. The value of the asset is restated by the savings of royalties that the owner would have to own the asset. It is necessary to determine a royalty rate that reflects the appropriate remuneration of the asset. The royalty payments, net of taxes, are discounted to present value.
Customer relationships	Multi-period excess earnings method The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.
Developed technology intangible assets	Replacement cost This methodology is based on the estimated cost of replacing the referred asset with a new one (acquisition or reconstruction), adjusted to reflect the losses in value resulting from the physical deterioration and the functional and economic obsolescence of that asset.

Medphone contributed R\$ 49 of net revenue and R\$ 57 of loss before income taxes to the Company in 2020. If the acquisition had taken place at the beginning of the period, net revenue for 2020 would have been increased by R\$ 142 and income before income taxes for 2020 would have been increased by R\$ 46.

(f) Acquisition of FCMPB

On November 9, 2020, Afya Brazil acquired 100% of the share capital of FCMPB. The total net purchase price of R\$379,913 was adjusted to R\$378,807 and is comprised of (i) R\$189,913 paid in cash on the transaction closing date, and (ii) R\$188,894 is payable in cash in four equal installments through 2024, adjusted by the CDI rate.

FCMPB is a post-secondary education institution with government authorization to offer on-campus, undergraduate courses in the State of Paraíba and medical course represents 99% of its 2019's net revenue. The acquisition contributed with 157 medical school seats

The acquisition of FCMPB was accounted for under IFRS 3 – Business Combinations.

Transaction costs to date amount to R\$721 and were expensed and are included in general and administrative expenses in the consolidated statement of income.

At the acquisition date, the fair value of the trade receivables acquired equals its carrying amount. Afya Brazil measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavorable terms of the lease relative to market terms.

The goodwill recognized includes the value of expected synergies arising from the acquisition, which is not separately recognized. Goodwill is allocated entirely to Undergrad segment. The goodwill recognized is not expected to be deductible for income taxes purposes.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The valuation techniques used for measuring the fair value of separately identified intangible assets acquired were as follows:

Intangible assets acquired	Valuation technique
Licenses	<p>With-and-without method</p> <p>The with-and-without method consists of estimating the fair value of an asset by the difference between the value of this asset in two scenarios: a scenario considering the existence of the asset in question and another considering its non-existence.</p>
Customer relationships	<p>Multi-period excess earnings method</p> <p>The method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.</p>

FCMPB contributed R\$ 10,509 of net revenue and R\$ 3,570 of income before income taxes to the Company in 2020. FCMPB was constituted through a spin-off recently in August, 2020 and there is no information before this period to be presented.

6 Cash and cash equivalents

	2021	2020
Cash and bank deposits	88,487	57,729
Cash equivalents	660,075	987,313
	748,562	1,045,042

Cash equivalents correspond mainly to financial investments in Bank Certificates of Deposit ("CDB") with highly rated financial institutions and investments funds managed by highly rated financial institutions. As of December 31, 2021, the average interest on these investments are equivalent to 100.38% of the Interbank Certificates of Deposit ("CDI") (December 31, 2020: 90.95%). These funds are available for immediate use and have insignificant risk of changes in value. Cash equivalents denominated in U.S. dollars totaled R\$23,228 as of December 31, 2021 (December 31, 2020: R\$70,523).

7 Trade receivables

	2021	2020
Tuition fees	279,915	195,318
Educational content ^(a)	69,227	62,931
FIES	61,342	49,425
Educational credits	5,375	11,248
Mobile app subscription ^(b)	20,946	13,526
Others	14,001	10,476
	450,806	342,924
(-) Allowance for doubtful accounts	(45,013)	(32,980)
	405,793	309,944
Current	378,351	302,317
Non-current	27,442	7,627

(a) Related to trade receivables from sales of printed books, e-books and medical courses through digital platform from Medcoel.

(b) Related to trade receivables from mobile applications subscriptions for digital medical content.

As of December 31, 2021 and 2020, the aging of trade receivables was as follows:

	2021	2020
Neither past due nor impaired	184,382	145,076
Past due		
1 to 30 days	68,932	44,365
31 to 90 days	69,299	57,198
91 to 180 days	55,764	51,521
More than 180 days	72,429	44,764
	450,806	342,924

The changes in the allowance for doubtful accounts for the years ended December 31, 2021, 2020 and 2019, was as follows:

	2021	2020	2019
Balances at the beginning of the period	(32,980)	(14,763)	(7,537)
Additions	(47,819)	(32,081)	(15,040)
Write-offs	35,786	13,864	7,814
Balances at the end of the period	(45,013)	(32,980)	(14,763)

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

On November 1, 2016, RVL entered into a lease agreement with Afya Brazil, pursuant to which RVL agreed to lease to Afya Brazil certain offices located in the city of Nova Lima, State of Minas Gerais, where Afya Brazil's principal executive offices are located. On February 9, 2019 the agreement was amended to extend lease terms and adjust the lease amounts, subject to certain discount conditions set forth in the lease agreement and adjustable in accordance with the provisions of the lease agreement. The lease agreement is for an initial term of five years, and may be renewable for an additional five years subject to the provisions of the lease agreement.

On September 6, 2018, RVL entered into a lease agreement with ITPAC, pursuant to which RVL agreed to lease to ITPAC the new ITPAC campus by RVL in the city of Palmas, State of Tocantins. The lease agreement is for an amount equal to 7.5% of the monthly net revenue of ITPAC during the prior semester, which will start to become due once the new ITPAC campus becomes operational, subject to the provisions of the lease agreement. The lease agreement is for an initial term of 20 years, starting on the date the new ITPAC campus becomes operational, and is renewable for an additional 20 years subject to the provisions of the lease agreement.

On October 30, 2019, RVL entered into a lease agreement with IPTAN, pursuant to which RVL agreed to lease to IPTAN the new IPTAN medical campus, currently under construction by RVL in the city of Santa Inês, State of Maranhão. The lease agreement is for a monthly amount equal to (i) up to June 2020, R\$12 and (ii) after June 2020 and until March 2024, 6.5% of the monthly net revenue of IPTAN assessed during the prior semester, in each case adjustable in accordance with the provisions of the lease agreement. The lease agreement is for an initial term of 5 years counted from the conclusion of the construction works, and may be renewable for an additional 5 years subject to the provisions of the lease agreement.

On August 02, 2021, RVL entered into a lease agreement with ITPAC, pursuant to which RVL agreed to lease to ITPAC the new ITPAC Garanhuns medical campus, in the city of Garanhuns, State of Pernambuco. The lease agreement is for a monthly amount equal to (i) up to June 2022, R\$40; (ii) after June 2022 and until December 2028, 6.5% of the monthly net revenue of ITPAC Garanhuns assessed during the prior semester, in each case adjustable in accordance with the provisions of the lease agreement; and (iii) after 2029 the monthly amount should be adjust by inflation rate (IPCA). The lease agreement is for a term of 20 years.

The lease payments in connection with the lease agreements with RVL totaled R\$15,336 and R\$11,288 in the years ended December 31, 2021 and 2020, respectively. In the year ended December 31, 2019, the lease payments in connection with the lease agreements with RVL totaled R\$10,417.

Lease agreement with UNIVAÇO Patrimonial Ltda.

On July 14, 2016, UNIVAÇO Patrimonial Ltda., an entity controlled by the shareholder Nicolau Carvalho Esteves and of which Ms. Rosângela Esteves is the chief executive officer, entered into a lease agreement with UNIVAÇO, a subsidiary of Afya Brazil, pursuant to which UNIVAÇO Patrimonial Ltda. agreed to lease the UNIVAÇO campus to UNIVAÇO, located in the city of Ipatinga, State of Minas Gerais. The lease agreement is adjustable in accordance with the provisions of the lease agreement. The lease agreement is for an initial term of 20 years, and is renewable for an additional 20 years subject to the provisions of the lease agreement. The lease payments in connection with this lease agreement totaled R\$3,210 and R\$2,915 in the years ended December 31, 2021 and 2020, respectively. In the year ended December 31, 2019, the lease payments in connection with this lease agreement totaled R\$2,816.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Lease agreement with IESVAP Patrimonial Ltda.

On April 25, 2018, IESVAP Patrimonial Ltda., an entity controlled by the shareholder Nicolau Carvalho Esteves and of which Mr. Renato Esteves is an executive officer, entered into a lease agreement with IESVAP, a subsidiary of Afya Brazil, pursuant to which IESVAP Patrimonial Ltda. agreed to lease the IESVAP campus to IESVAP located in the city of Parnaíba, State of Piauí. The lease agreement is for an amount equal to 7.5% of the monthly net revenue of IESVAP during 2018. The lease agreement is for an initial term of 20 years, and is renewable for an additional 20 years subject to the provisions of the lease agreement. The lease payments in connection with this lease agreement totaled R\$4,560 and R\$3,470 in the years ended December 31, 2021 and 2020, respectively. In the year ended December 31, 2019, the lease payments in connection with this lease agreement totaled R\$2,609.

Key management personnel compensation

Key management personnel compensation included in the Company's consolidated statement of income comprised the following:

	2021	2020	2019
Short-term employee benefits	11,933	9,629	4,947
Share-based compensation plan	20,251	23,989	13,893
	32,184	33,618	18,840

Compensation of the Company's key management includes short-term employee benefits comprised by salaries, labor and social charges, and other ordinary short-term employee benefits. The amounts disclosed in the table above are the amounts recognized as an expense in general and administrative expenses during the reporting period related to key management personnel.

The executive officers participate in share-based compensation plans described in Note 16 (b).

9 Other assets

As of December 31, 2021 the Company has R\$222,839 (R\$ 103,651 in December 31, 2020) accounted for as Others assets as follow:

	December 31, 2021	December 31, 2020
Indemnification assets (a)	135,355	53,499
Judicial deposits	18,825	1,451
Prepaid expenses	10,110	2,291
Other FIES receivables	21,450	10,411
Other assets	37,099	35,999
Total	222,839	103,651
Current	42,533	29,614
Non-current	180,306	74,037

(a) Under the terms of the Share Purchase and Sale Agreements ("Agreements") between the Company and the selling shareholders of the subsidiaries acquired, the Company assesses that the selling shareholders are exclusively responsible for any provisions (including labor, tax and civil), which are or will be the subject of a claim by any third party, arising from the act or fact occurred, by action or omission, prior to or on the closing dates of the acquisitions.

10 Investment in associate

In connection with the corporate reorganization, described in Note 1 regarding the merger with BR Health, the Company acquired a 30% interest in UEPC, a medical school located in the Federal District, that offers higher education and post-graduate courses, both in person and long-distance learning. The Company's interest in UEPC is accounted for using the equity method. The following table illustrates the summarized financial information of the Company's investment in UEPC:

	December 31, 2021	December 31, 2020	
Current assets	33,976	55,413	
Non-current assets	109,805	82,575	
Current liabilities	(35,049)	(34,531)	
Non-current liabilities	(91,086)	(76,132)	
Equity	17,646	27,325	
Company's share in equity – 30%	5,294	8,227	
Goodwill	43,183	43,183	
Carrying amount of the investment	48,477	51,410	
	December 31, 2021	December 31, 2020	December 31, 2019
Net revenue	127,618	113,965	85,816
Cost of services	(57,935)	(55,926)	(39,459)
General and administrative expenses	(24,025)	(27,341)	(29,476)
Finance result	(4,585)	(4,882)	(4,121)
Income before income taxes	41,073	25,816	12,760
Income taxes expenses	(1,748)	(252)	(2,275)
Net income for the period	39,325	25,564	10,485
Company's share of income for the period	11,797	7,698	2,362
	December 31, 2021	December 31, 2020	December 31, 2019
Opening balance	51,410	45,634	-
Acquisition of minority interest (15%) in March 2019	-	-	24,458
Acquisition of additional interest (15%) in June 2019	-	-	24,457
Dividends received	(11,770)	(1,922)	(5,643)
Dividends receivable (included in Other assets)	(2,960)	-	-
Share of income	11,797	7,698	2,362
Closing balance	48,477	51,410	45,634

The Company tests at least annually the recoverability of the carrying amount of goodwill and there was no impairment for this goodwill.

11 Property and equipment

Cost	Machinery and equipment		Furniture and fixtures		IT equipment	Library books	Laboratories and clinics	Leasehold improvements	Construction in progress	Total	
	Building	Lands	Vehicles								
As of January 1, 2019	-	30,503	2,770	182	11,897	10,243	12,838	597	11,882	10,736	91,648
Additions	-	9,838	4,235	422	6,976	4,241	1,205	34	4,488	25,525	56,964
Transfers	-	-	-	-	-	(525)	-	-	-	-	(525)
Business combinations	-	3,988	-	103	2,565	2,035	4,066	418	14,541	470	28,216
As of December 31, 2019	-	44,329	7,005	707	21,438	15,994	18,139	1,049	30,911	36,731	176,303
Additions	-	13,806	672	-	4,550	9,657	1,012	-	54,748	5,387	89,832
Business combinations	6,771	8,973	5,724	508	3,061	2,493	2,473	-	12,787	5,090	47,880
Transfer	19,148	1,395	-	-	82	367	-	(1,049)	23,559	(43,502)	-
As of December 31, 2020	25,919	68,503	13,401	1,215	29,131	28,511	21,624	-	122,005	3,706	314,015
Additions	1,384	10,268	5,451	111	21,075	19,511	3,392	-	4,720	59,957	125,869
Business combinations	-	12,810	-	346	16,684	10,138	5,142	-	17,425	3,078	65,623
Disposals*	62	(14,213)	-	(205)	2,862	(4,985)	(86)	-	(550)	(417)	(17,532)
Transfer	25,068	3	-	-	82	9	-	-	9,376	(34,538)	-
As of December 31, 2021	52,433	77,371	18,852	1,467	69,834	53,184	30,072	-	152,976	31,786	487,975
Depreciation											
As of January 1, 2019	-	(9,696)	-	(59)	(4,261)	(4,489)	(7,015)	(27)	(338)	-	(25,885)
Depreciation	-	(4,097)	-	-	(1,629)	(2,495)	(1,648)	(359)	(1,317)	-	(11,545)
Disposals	-	-	-	-	-	447	-	-	-	-	447
As of December 31, 2019	-	(13,793)	-	(59)	(5,890)	(6,537)	(8,663)	(386)	(1,655)	-	(36,983)
Depreciation	-	(5,065)	-	(112)	(2,199)	(4,314)	(2,154)	(78)	(2,729)	-	(16,651)
Transfer	-	(464)	-	-	-	-	-	464	-	-	-
As of December 31, 2020	-	(19,322)	-	(171)	(8,089)	(10,851)	(10,817)	-	(4,384)	-	(53,634)
Depreciation	(1,673)	(7,215)	-	(196)	(5,601)	(7,529)	(3,416)	-	(4,831)	-	(30,461)
Disposals*	-	10,146	-	147	1,194	3,458	633	-	350	-	15,928
As of December 31, 2021	(1,673)	(16,391)	-	(220)	(12,496)	(14,922)	(13,600)	-	(8,865)	-	(68,167)
Net book value											
As of December 31, 2021	50,760	60,980	18,852	1,247	57,338	38,262	16,472	-	144,111	31,786	419,808
As of December 31, 2020	25,919	49,181	13,401	1,044	21,042	17,660	10,807	-	117,621	3,706	260,381

* the Company performed physical inventory procedures in some of the subsidiaries for the year ended December 31, 2021 and the final adjustments (R\$431 of costs net of depreciation) were recorded as disposals above.

The Company assesses, at each reporting date, whether there is an indication that a property and equipment asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. There were no indications of impairment of property and equipment as of and for the years ended December 31, 2021, 2020 and 2019.

12 Intangible assets and goodwill

	Goodwill	Licenses with indefinite useful life	Trademarks	Customer relationships	Software	Education content	Developed technology	Educational platform	Software in progress	Total
Cost										
As of January 1, 2019	169,535	445,616	-	63,303	8,288	-	-	577	1,175	688,494
Additions (i) (ii)	4,030	108,000	-	-	1,101	-	-	8,769	875	122,775
Business combinations	285,844	150,156	32,111	62,110	-	17,305	-	2,845	-	550,371
As of December 31, 2019	459,409	703,772	32,111	125,413	9,389	17,305	-	12,191	2,050	1,361,640
Additions	-	-	-	-	4,175	-	-	-	-	19,649
Disposals	-	-	-	-	(460)	-	-	15,227	247	(460)
Business combinations	351,247	747,498	42,903	158,126	3,117	-	355	484	-	1,303,730
As of December 31, 2020	810,656	1,451,270	75,014	283,539	16,221	17,305	355	27,902	2,297	2,684,559
Additions (iii)	-	108,000	-	684	3,044	-	996	39,686	23,700	176,110
Disposals	-	-	-	-	1,020	-	-	(2,743)	(417)	(2,140)
Business combinations	373,680	606,136	58,355	147,054	1,474	-	33,046	11,599	3,267	1,234,611
As of December 31, 2021	1,184,336	2,165,406	133,369	431,277	21,759	17,305	34,397	76,444	28,847	4,093,140
Amortization										
As of January 1, 2019	-	-	-	(2,945)	(3,080)	-	-	-	-	(6,025)
Amortization	-	-	(1,150)	(34,927)	(1,456)	(4,876)	-	(863)	-	(43,277)
As of December 31, 2019	-	-	(1,150)	(37,872)	(4,536)	(4,876)	-	(868)	-	(49,302)
Amortization	-	-	(2,352)	(47,960)	(2,180)	(2,816)	(32)	(7,367)	-	(62,707)
Disposals	-	-	-	-	460	-	-	-	-	460
As of December 31, 2020	-	-	(3,502)	(85,832)	(6,256)	(7,692)	(32)	(8,235)	-	(111,549)
Amortization	-	-	(5,027)	(56,438)	(5,844)	(8,980)	(625)	(3,608)	-	(80,522)
Disposals	-	-	-	-	(599)	-	-	365	-	(234)
As of December 31, 2021	-	-	(8,529)	(142,270)	(12,699)	(16,672)	(657)	(11,478)	-	(192,305)
Net book value										
As of December 31, 2021	1,184,336	2,165,406	124,840	289,007	9,060	633	33,740	64,966	28,847	3,900,835
As of December 31, 2020	810,656	1,451,270	71,512	197,707	9,965	9,613	323	19,667	2,297	2,573,010

* the Company performed physical inventory procedures in some of the subsidiaries for the year ended December 31, 2021 and the final adjustments (R\$103 of costs net of depreciation) were recorded as disposals above.

- (i) The amount of R\$4,030 added to goodwill relates to adjustments during the measurement period of the business combination of IESP in respect to amounts to be included as part of the purchase price allocation at acquisition date mainly related to impairment of receivables.
- (ii) On August 13, 2019, Afya Brazil entered into a purchase agreement with the shareholders of IPEC for the acquisition of 100% of IPEC. IPEC was a non-operational postsecondary education institution with governmental authorization to offer on-campus post-secondary undergraduate courses in medicine in the State of Pará, that started its operation in September 2019. Management assessed the aspects of such transaction and concluded that the transaction does not fall under the definition of business, but an acquisition of license with indefinite useful life recognized in intangible assets. Prior to the acquisition date, IPEC had no significant assets and liabilities. The purchase price of R\$ 108,000 is comprised of: i) R\$ 54,000 paid in cash on the acquisition date; ii) R\$ 54,000 is payable in two equal installments of R\$ 27,000 payable annually from August 13, 2020 to August 13, 2021, and adjusted by the CDI rate.
- (iii) On November 05, 2021 Secretary of Regulation and Supervision of Higher Education of the Ministry of Education ("MEC") authorized the operation of 120 medical school seats in Garanhuns, for which our shareholder Nicolau Carvalho Esteves entered into an agreement with Afya Brazil pursuant to which he assigned to Afya Brazil the right to develop the ITPAC Garanhuns greenfield unit, a medical school in the city of Garanhuns, State of Pernambuco. Management assessed the aspects of such transaction and concluded that the transaction does not fall under the definition of business, but an acquisition of license with indefinite useful life recognized in intangible assets. Total purchase price was R\$108,000 of which 50% was paid in cash on the transaction closing date and 50% in two equal annual installments, adjusted by the CDI rate.

Licenses with indefinite useful life include intangible assets acquired through business combinations. The licenses for medicine and other courses granted by the Ministry of Education ("MEC") to the companies acquired have no expiration date and the Company has determined that these assets have indefinite useful lives.

For impairment testing goodwill and licenses with indefinite useful lives acquired through business combinations are allocated to CGUs.

The Company performed its annual impairment test on December 31, 2021, 2020 and 2019.

The Company tests at least annually the recoverability of the carrying amount of goodwill and licenses with indefinite useful lives for each CGU. The process of estimating these values involves the use of assumptions, judgments and estimates of future cash flows that represent the Company's best estimate.

There was no impairment for goodwill and licenses with indefinite useful lives as of December 31, 2021, 2020 and 2019.

The carrying amounts of goodwill and licenses with indefinite useful life by CGU and their carrying amount as of December 31, 2021 and 2020 was:

CGU	Carrying amount					
	Goodwill		Licenses with indefinite useful life		CGU	
	2021	2020	2021	2020	2021	2020
PTAN	17,446	17,446	57,214	57,214	140,522	126,397
IESVAP	27,956	27,956	81,366	81,366	112,260	112,898
CCSI	4,664	4,664	56,737	56,737	49,030	48,411
IESP	73,838	73,838	179,693	179,693	346,286	380,410
FADEP	49,661	49,661	70,606	70,606	153,791	160,787
Medcel and CBBW*	139,294	139,294	-	-	235,300	219,359
FASA	58,903	58,903	144,507	144,507	302,330	267,279
IPMED	87,647	87,647	-	-	126,965	119,227
IPEC	-	-	108,000	108,000	131,360	122,325
UniRedentor	77,662	77,662	121,477	121,477	246,320	253,370
UniSL	4,420	4,420	249,387	249,387	305,044	258,234
FESAR	71,664	71,664	141,616	141,616	279,038	263,914
FOVPB	110,483	110,483	235,018	235,018	401,244	380,682
Practice Management Tools & Electronic Prescription	113,362	-	-	-	227,909	-
Clinical Decision Software	87,018	87,018	-	-	147,592	149,805
Medical Harbour	4,022	-	-	-	9,150	-
Mbc	87,777	-	184,597	5,649	356,789	7,230
Unigranrio	130,073	-	421,538	-	630,185	-
RXPRO	38,446	-	-	-	46,788	-

* CBBW as merged by Medcel on May 1, 2020.

The main assumptions used by the Company to determine the value in use of the CGUs were:

Student enrollment – refer to the number of students that are currently enrolled in each CGU.

Tuition fees – is the monthly fee charged to students.

Occupancy rate – the occupancy rate of the medical schools is the ratio of the number of *students effectively enrolled divided by the regulatory capacity in a given period*.

Regulatory capacity – the regulatory capacity is defined by the number of medical schools seats available per year awarded by MEC, multiplied by the number of years of operations since the seats were awarded.

Faculty – refer to the cost with faculty in the CGU, which means the amount paid to teachers and doctors.

Digital content platform users – refer to mobile app subscription, clinical management system, healthcare payments, medical imaging, online courses for digital content users and marketing for pharmaceutical industry.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Capital expenditure – refers to investments to be made on intangible assets related to developments and platform improvements especially on the digital services CGUs.

Discount rates - discount rates represent the current market assessment of the risks specific to the CGU being tested. The pre-tax discount rate applied to cash flow projections is 12.10% in 2021 (13.00% in 2020).

Significant estimate: impact of possible changes in key assumptions

An increase of 25 basis points in management's estimated discount rate applied to the cash flow projections of each CGU for the year ended December 31, 2021, or a decrease of 25 basis points on estimated EBITDA would have not resulted in significant impacts on these financial statements.

Other intangible assets

Intangible assets, other than goodwill and licenses with indefinite useful lives, are valued separately for each acquisition and are amortized during each useful life. The useful lives and methods of amortization of other intangibles are reviewed at each financial year end and adjusted prospectively, if appropriate.

The estimated useful lives of intangible assets are as follows:

Customer relationships – medicine	6 years
Customer relationships – other courses	4.5 years
Software license	5 years
Education content	3 years
Trademarks	2 - 30 years
Developed technology	5 years

For the years ended December 31, 2021, 2020 and 2019, there were no indications that the Company's intangible assets with finite useful lives might be impaired.

13 Financial assets and financial liabilities

13.1 Financial assets

Financial assets	2021	2020
At amortized cost		
Cash and cash equivalents	748,562	1,045,042
Restricted cash	-	2,053
Trade receivables	405,793	309,944
Total	1,154,355	1,357,039
Current	1,126,913	1,347,359
Non-current	27,442	9,680

Financial instruments at amortized cost include trade receivables and cash and cash equivalents.

13.2 Financial liabilities

Financial liabilities	2021	2020
At amortized cost		
Trade payables	59,098	35,743
Loans and financing	1,374,876	617,485
Lease liabilities	714,085	447,703
Accounts payable to selling shareholders	679,826	518,240
Notes payable	72,726	76,181
Advances from customers	114,585	63,839
Total	3,015,196	1,759,191
Current	581,685	467,643
Non-current	2,433,511	1,291,548

13.2.1 Loans and financing

Financial institution	Currency	Interest rate	Maturity	2021	2020
Banco Itaú Unibanco S.A. ^(a)	Brazilian real	CDI + 1.62% p.y.	2023	510,972	504,365
Banco Votorantim ^(b)	Brazilian real	CDI + 1.65% p.y.	2021	-	101,785
BNDES ^(c)	Brazilian real	10.03% p.y.	2024	-	471
FINEP ^(d)	Brazilian real	TJLP p.y.	2027	10,145	10,864
Softbank ^(f)	Brazilian real	6.5% p.y.	2026	822,560	-
Banco Itaú Unibanco S.A. ^(e)	Brazilian real	CDI + 1.75% p.y.	2024	31,199	-
				1,374,876	617,485
Current				128,720	107,162
Non-current				1,246,156	510,323

(a) On October 1, 2020, Afya Brazil entered into a loan with Banco Itaú Unibanco S.A. in the amount of R\$ 500,000 adjusted by the CDI rate plus an interest rate of 1.62% per year and is repayable in three installments in October 2022, April 2023 and October 2023.

(b) On July 3, 2020, Afya Brazil entered into a loan agreement with Banco Votorantim S.A. in the amount of R\$100,000 adjusted by the CDI rate plus an interest rate of 1.65% per year and was repaid at maturity on July 5, 2021.

(c) On May 5, 2020, as a result of the acquisition of UniSL, the Company assumed loans agreements with BNDES which has an interest rate of 0.03% per year and maturity in 2024. This amount was prepaid in September 2021.

(d) On July 23, 2019, Medcel entered into a loan of R\$16,153 with Financiadora de Estudos e Projetos ("FINEP"), a governmental agency focused on financing investment on R&D, which has an interest rate based on TJLP (Long term interest rate), and maturity in 2027. The first and second tranches of R\$6,734 and R\$4,130, respectively, were drawdown in October 2019 and December 2020, respectively, in order to develop the Medical web series and other digital content. There is no financial covenant related to this agreement. The total balance is guaranteed by a bank warranty.

(e) On October 28, 2020, UNIFIPmoc entered into a loan with Banco Itaú Unibanco S.A. in the amount of R\$30,000. On June 30, 2021 this agreement was amended and is now adjusted by the CDI rate plus an interest rate of 1.75% per year and is repayable in three installments in July 2023, January 2024 and July 2024.

(f) On April 26, 2021, the Company issued and sold 150,000 shares of perpetual convertible preferred shares designated as Series A perpetual convertible preferred shares, with a par value of U.S.\$0.00005 per share of the Company for US\$150,000 thousands, equivalent to R\$ 821,805 on the issuance date. The Series A perpetual convertible preferred shares is a class of equity security that ranks senior to the common shares with respect to dividend rights or rights upon liquidation.

Each Series A perpetual convertible preferred share is entitled to a cash dividend of 6.5% per annum and is convertible, at the holder's discretion, into the Company's Class A common shares at an initial conversion price of US\$25.35. The Company may require the conversion of any or all of the Series A perpetual convertible preferred shares at any time on or after the three-year anniversary of the original issuance date if certain conditions set forth in the certificate of designation are met (if for 20 out of 30 consecutive trading days prior, Afya's stock price is equal or above 150% of the conversion rate). The Company may also redeem any or all of the Series A perpetual convertible preferred shares for cash, shares of its common shares or a combination thereof at its election, at any time on or after the seven-year anniversary of the original issuance date as determined in the certificate of designation. On or after the five-year anniversary of the original issuance date, the holders of the Series A convertible perpetual preferred shares shall have the right to redeem all of the outstanding Series A convertible perpetual preferred shares for cash, the Company's common shares or a combination thereof (at the Company's election, subject to certain conditions) to be determined in the certificate of designation. Upon the occurrence of a change of control, the holders will have the right to redeem their Series A convertible perpetual preferred shares for cash at a price set forth in the certificate of designation.

The Series A convertible perpetual preferred shares will be entitled with the same voting rights of the common shares only when converted into it.

The Company determined that the Series A perpetual convertible preferred shares should be classified as financial liability at amortized cost upon their issuance since is redeemable primarily according to the decision of the holder and there is a contractual obligation to deliver assets (cash, shares of its common shares or a combination thereof) that could not be avoided by the Company in an event of redemption. The financial liability is denominated in Brazilian Reais and thus not subject to foreign exchange changes.

In addition, as the entire instrument is classified as a liability, the embedded put option to redeem the Series A perpetual convertible preferred shares for cash is an embedded derivative. The embedded derivative will not be treated separately once the exercise price of the option is closely related to the host contract.

The initial transaction costs that are directly attributable to the issuance of Series A perpetual convertible preferred shares were measured at fair value together with the financial liability on initial measurement. The transaction costs totaled R\$13,030, including legal counsels and advisors.

13.2.2 Leases

The Company has lease contracts for properties. The lease contracts generally have maturities in the lease terms between 5 and 30 years. There are no sublease or variable payments in-substance lease agreements in the period.

Set out below are the carrying amounts of right-of-use assets and lease liabilities and the movements during the period

	Right-of-use assets	Lease liabilities
As of January 1, 2020	274,275	284,515
Additions	64,743	64,743
Remeasurement	34,161	34,161
Business combinations	76,855	76,855
Depreciation expense	(29,386)	-
Interest expense	-	44,458
Payments of lease liabilities	-	(55,455)
Disposals	(1,574)	(1,574)
As of December 31, 2020	419,074	447,703
Additions	62,689	62,689
Remeasurement	95,962	95,962
Business combinations	139,514	139,514
Depreciation expense	(43,237)	-
Interest expense	-	67,212
Payments of lease liabilities	-	(87,751)
Disposals	(10,316)	(11,244)
As of December 31, 2021	663,686	714,085
As of December 31, 2020		
Current	-	61,976
Non-current	419,074	385,727
As of December 31, 2021		
Current	-	24,955
Non-current	663,686	689,130

The Company reassessed its current versus non-current segregation methods for the year ended December 31, 2021. The current lease liabilities balances are presented as the amount expected to be amortized from the principal in the next twelve months.

The Company recognized lease expense from short-term leases and low-value assets of R\$ 11,229 for the year ended December 31, 2021 (R\$ 2,555 and R\$ 4,494 for the years ended December 31, 2020 and 2019).

13.2.3 Accounts payable to selling shareholders

	2021	2020	
Acquisition of IESP ^(a)	-	38,771	
Acquisition of FASA ^(b)	41,581	70,356	
Acquisition of IPEMED ^(c)	30,233	38,622	
Acquisition of IPEC ^(d)	-	28,307	
Acquisition of UniRedentor ^(e)	85,506	97,773	
Acquisition of UniSãoLucas ^(f)	42,672	53,386	
Acquisition of FCMPB ^(g)	149,175	189,420	
Acquisition of FESAR ^(h)	-	1,569	
Acquisition of MEDPHONE ⁽ⁱ⁾	-	36	
Acquisition of Medicinae ^(j)	3,887	-	
Acquisition of Medical Harbour ^(k)	6,801	-	
Acquisition of Cliquefarma ^(l)	3,050	-	
Acquisition of Shosp ^(m)	2,141	-	
Acquisition of Unigranrio ⁽ⁿ⁾	249,979	-	
Acquisition of RXPRO ^(o)	10,245	-	
Acquisition of Guaranhus ^(p)	54,556	-	
	679,826	518,240	
Current	239,849	188,420	
Non-current	439,977	329,820	
	2021	2020	2019
Opening balance	518,240	300,237	177,730
Cash flows	(192,681)	(134,518)	(92,688)
Acquisition of IPEC and Guaranhus	54,000	-	54,000
Interest	31,915	13,884	17,977
Installments on Business combinations	243,816	343,140	144,538
Contingent consideration on Business combinations	24,536	-	-
Compensation of legal proceedings disbursement	-	(4,503)	(1,320)
Closing balance	679,826	518,240	300,237

(a) On November 27, 2018, Afya Brazil acquired 80% of IESP and R\$106,200 is payable in three equal installments of R\$35,400, each adjusted by the CDI rate through the payment date. The remaining installment was paid in November 2021.

(b) On April 3, 2019, Afya Brazil acquired 90% of FASA and R\$39,695 was paid in April 2020, R\$ 29,770 was paid in April, 2021, and R\$ 29,770 is payable in April 2022; each installment adjusted by the IPCA rate + 4.1% per year.

(c) On May 9, 2019, Afya Brazil acquired 100% of IPEMED and R\$45,303 is payable in five equal installments of R\$ 9,061, adjusted by the CDI rate, and due annually in February 2020, 2021, 2022, 2023 and 2024.

(d) On August 13, 2019, Afya Brazil acquired 100% of IPEC and R\$4,000 is payable in two equal installments, adjusted by the CDI rate, and due annually at the end of the first and the second year from the transaction closing date.

(e) On January 31, 2020, Afya Brazil acquired 100% of UniRedentor and R\$100,000 is payable in five equal installments from January 2021 through July 2024, adjusted by the CDI rate. The purchase consideration was adjusted by R\$4,503 and such amount was deducted from the first installment paid in February 2021.

- (f) On May 5, 2020, Afya Brazil acquired 100% of UniSL and R\$60,456 is payable in three equal installments through May 2023, adjusted by the CDI rate. The purchase consideration was adjusted by R\$7,816 and such amount was deducted from the first installment paid on May 5, 2021.
- (g) On November 9, 2020, Afya Brazil acquired 100% of FCMPB and R\$ 188,894 is payable in four installments through November 2024, adjusted by the CDI rate.
- (h) On November 3, 2020, Afya Brazil acquired 100% of FESAR paid in cash and R\$1,569 of price adjustment was paid on February 25, 2021.
- (i) On November 4, 2020, Afya Brazil acquired 100% of MedPhone paid in cash and R\$36 of price adjustment was paid on February 2, 2021.
- (j) On March 25, 2021, Afya Brazil acquired 100% of Medicinae and an earn-out ("contingent consideration") of up to R\$4,400 is payable in connection with product development goals for 2021 and revenue achievements for 2022. The contingent consideration of R\$3,887 is based on the present value of the obligation considering the facts and circumstances at the acquisition date, and no relevant impacts were identified by management from the acquisition date.
- (k) On April 8, 2021, Afya Brazil acquired 100% of Medical Harbour and an earn-out ("contingent consideration") of R\$9,000 is payable in relation to product development goals for 2021 and 2022 and revenue achievements for 2023. The contingent consideration of R\$6,801 is based on the present value of the obligation considering the facts and circumstances at the acquisition date, and no relevant impacts were identified by management from the acquisition date.
- (l) On April 16, 2021, Afya Brazil acquired 100% of Cliquefarma and an earn-out ("contingent consideration") of R\$3,000, adjusted by the CDI rate, is payable in relation to product development. The contingent consideration of R\$3,050 is based on the present value of the obligation considering the facts and circumstances at the acquisition date, and no relevant impacts were identified by management from the acquisition date.
- (m) On May 13, 2021, Afya Brazil acquired 100% of Shosp and R\$454 will be paid, and an earn-out ("contingent consideration") of up to R\$ 1,793 is payable in relation to product development. The contingent consideration of R\$2,141 is based on the present value of the obligation considering the facts and circumstances at the acquisition date, and no relevant impacts were identified by management from the acquisition date.
- (n) On August 4, 2021, Afya Brazil acquired 100% of Unigranrio. The adjusted aggregate purchase price is R\$618,956 of which 60% was paid in cash on the transaction closing date, and 40% is payable in cash in four equal installments through 2022 to 2025, adjusted by the CDI rate.
- (o) On October 01, 2021, Afya Brazil acquired 100% of RXPRO and an earn-out ("contingent consideration") of up to R\$21,000 is payable in relation to revenue achievements until 2024. The contingent consideration of R\$ 10,245 is based on the present value of the obligation considering the facts and circumstances at the acquisition date, and no relevant impacts were identified by management from the acquisition date.
- (p) On November 05, 2021, Afya Brazil concluded the acquisition of 100% of ITPAC Garanhuns and R\$4,000 was paid in cash on the transaction closing date, and (ii) R\$54,000 is payable in two equal installments, adjusted by the CDI rate, and due annually at the end of the first and the second year from the transaction closing date.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

13.2.4 Notes payable

With the acquisition of UniSL, Afya Brazil assumed notes payable regarding the previous acquisition of a portion of the operations of Universidade Luterana do Brasil (ULBRA) by UniSL in auction by the end of 2018. Two of the UniSL campuses, located in the cities of Ji-Paraná and Porto Velho in the State of Rondônia, were acquired in such transaction. As of December 31, 2021, the notes payable of R\$72,726, has a final maturity in 2023 and is adjusted by 100% of IPCA-E.

Set out below are the carrying amount of notes payable and the movements during the years ended December 31, 2021 and 2020:

	Notes payable
As of January 1, 2020	-
Business combinations	80,526
Payments	(5,974)
Monetary indexation	1,629
As of December 31, 2020	76,181
As of January 1, 2021	76,181
Payments	(11,068)
Monetary indexation	7,613
As of December 31, 2021	72,726
As of December 31, 2020	
Current liabilities	10,503
Non-current liabilities	65,678
As of December 31, 2021	
Current liabilities	14,478
Non-current liabilities	58,248

13.3 Fair values

The table below is a comparison of the carrying amounts and fair values of the Company's financial instruments, other than those carrying amounts that are reasonable approximation of fair values:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Restricted cash	-	-	2,053	2,053
Trade receivables (non-current)	27,442	27,442	7,627	7,627
Total	27,442	27,442	9,680	9,680
Financial liabilities				
Loans and financing	1,374,876	1,387,136	617,485	637,723
Lease liabilities	714,085	714,085	447,703	447,703
Accounts payable to selling shareholders	679,826	679,826	518,240	518,240
Notes payable	72,726	72,726	76,181	76,181
Total	2,841,513	2,853,773	1,659,609	1,679,847

The Company assessed that the fair values of cash and cash equivalents, current trade receivables and other current assets, trade payables, advances from customers and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as of the end of the reporting period. The own non-performance risk at December 31, 2021 was assessed to be insignificant.

13.4 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise loans and financing, lease liabilities, accounts payable to selling shareholders, notes payable, trade payables and advances from customers. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables and cash and cash equivalents.

The Company is exposed to market risk, credit risk and liquidity risk. The Company monitors market, credit and liquidity risks in line with the objectives in capital management and counts with the support, monitoring and oversight of the Board of Directors in decisions related to capital management and its alignment with the objectives and risks. The Company's policy is that no trading of derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

13.4.1 Financial instruments risk management objectives and policies

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's exposure to market risk is related to interest rate risk and foreign currency risk.

The sensitivity analysis in the following sections relate to the position as of December 31, 2021.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash equivalents, loans and financing, accounts payable to selling shareholders and notes payable, with floating interest rates.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on cash equivalents, loans and financing and accounts payable to selling shareholders and notes payable. With all variables held constant, the Company's income before income taxes is affected through the impact on floating interest rates, as follows:

	Balance as of December, 31, 2021	Index – % per year	Base rate	Increase / decrease in basis points			
				+75	-75	+150	-150
Cash equivalents	636,847	100.38% CDI	58,440	4,776	(4,776)	9,553	(9,553)
Loans and financing	(510,972)	CDI + 1,62%	(55,032)	(3,832)	3,832	(7,665)	7,665
Loans and financing	(31,199)	CDI + 1,75%	(3,401)	(234)	234	(468)	468
Loans and financing	(10,145)	TJLP	(617)	(76)	76	(152)	152
Accounts payable to selling shareholders	(612,121)	CDI	(56,009)	(4,591)	4,591	(9,182)	9,182
Accounts payable to selling shareholders	(41,581)	IPCA + 4,1%	(1,708)	(312)	312	(624)	624
Notes payable	(72,726)	IPCA	(531)	(545)	545	(1,091)	1,091

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to cash and cash equivalents denominated in U.S. dollars in the amount of R\$23,228 as of December 31, 2021 (December 31, 2020: R\$70,523).

Foreign currency sensitivity

The following table demonstrates the sensitivity in the Company's income before income taxes of a 10% change in the U.S. dollar exchange rate (R\$5.5799 to U.S. dollar 1.00) as of December 31, 2021, with all other variables held constant.

As of December 31, 2021	Exposure	+10%	-10%
Cash equivalents	23,228	2,323	(2,323)

13.4.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including cash and cash equivalents.

Customer credit risk is managed by the Company based on the established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. See Note 7 for additional information on the Company's trade receivables.

Credit risk from balances with banks and financial institutions is management by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within limits assigned to each counterparty.

The Company's maximum exposure to credit risk for the components of the statements of financial position at December 31, 2021 and 2020 is the carrying amounts of its financial assets.

13.4.3 Liquidity risk

The Company's Management has responsibility for monitor liquidity risk. In order to achieve the Company's objective, Management regularly reviews the risk and maintains appropriate reserves, including bank credit facilities with first tier financial institutions. Management also continuously monitors projected and actual cash flows and the combination of the maturity profiles of the financial assets and liabilities.

The main requirements for financial resources used by the Company arise from the need to make payments for suppliers, operating expenses, labor and social obligations, loans and financing and accounts payable to selling shareholders.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted amounts:

As of December 31, 2021	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Trade payables	59,098	-	-	-	59,098
Loans and financing	217,903	585,686	948,503	1,212	1,753,304
Lease liabilities	103,003	211,894	204,744	1,108,555	1,628,196
Accounts payable to selling shareholders	246,059	445,066	88,989	-	780,114
Notes payable	15,644	74,306	-	-	89,950
Advances from customers	114,585	-	-	-	114,585
	756,292	1,316,952	1,242,236	1,109,767	4,425,247

As of December 31, 2020	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Trade payables	35,743	-	-	-	35,743
Loans and financing	125,137	566,157	4,010	3,094	698,398
Lease liabilities	63,092	131,225	124,114	705,115	1,023,546
Accounts payable to selling shareholders	191,145	262,340	81,153	-	534,638
Notes payable	11,083	83,803	-	-	94,886
Advances from customers	63,839	-	-	-	63,839
	490,039	1,043,525	209,277	708,209	2,451,050

13.5 Changes in liabilities arising from financing activities

	January 1, 2021	Payments	Additions *	Interest	Foreign exchange movement	Business combinations	Other	December 31, 2021
Loans and financing	617,485	(158,076)	809,539	68,909	-	36,591	428	1,374,876
Lease liabilities	447,703	(87,751)	158,651	67,212	-	139,514	(11,244)	714,085
Dividends payable	-	(18,648)	18,648	-	-	-	-	-
Total	1,065,188	(264,475)	986,838	136,121	-	176,105	(10,816)	2,088,961

	January 1, 2020	Payments	Additions	Interest	Foreign exchange movement	Business combinations	Other	December 31, 2020
Loans and financing	60,357	(155,090)	605,041	10,031	21,279	75,815	52	617,485
Lease liabilities	284,515	(55,455)	98,904	44,458	-	76,855	(1,574)	447,703
Dividends payable	-	(12,984)	12,984	-	-	-	-	-
Total	344,872	(223,529)	716,929	54,489	21,279	152,670	(1,522)	1,065,188

	January 1, 2019	Payments	Additions	Interest	Foreign exchange movement	Business combinations	Other	December 31, 2019
Loans and financing	77,829	(75,093)	7,383	6,025	1,126	43,087	-	60,357
Lease liabilities	212,360	(39,779)	19,100	31,469	-	61,365	-	284,515
Dividends payable	4,107	(51,812)	51,812	-	-	-	(4,107)	-
Total	294,296	(166,684)	78,295	37,494	1,126	104,452	(4,107)	344,872

* The additions of loans and financing include proceeds from the SoftBank transaction of R\$822,569, net of the transaction costs of R\$13,030.

14 Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as of December 31, 2021 and 2020.

	Fair value measurement			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	
December 31, 2021				
Assets for which fair values are disclosed				
Trade receivables (non-current)	27,442	-	27,442	-
Liabilities for which fair values are disclosed				
Loans and financing	(1,387,136)	-	(1,387,136)	-
Lease liabilities	(714,085)	-	(714,085)	-
Accounts payable to selling shareholders	(679,826)	-	(679,826)	-
Notes payable	(72,726)	-	(72,726)	-
December 31, 2020				
Assets for which fair values are disclosed				
Trade receivables (non-current)	7,627	-	7,627	-
Restricted Cash	2,053	-	2,053	-
Liabilities for which fair values are disclosed				
Loans and financing	(637,723)	-	(637,723)	-
Lease liabilities	(447,703)	-	(447,703)	-
Accounts payable to selling shareholders	(518,240)	-	(518,240)	-
Notes payable	(76,181)	-	(76,181)	-

There were no transfers between Levels during 2021 and 2020.

15 Capital management

For the purposes of the Company's capital management, capital considers total equity. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and to maintain and adjust the capital structure, the Company may adjust the dividend payment to shareholders, repurchase programs, return capital to shareholders or issue new shares. The Company monitors capital using net debt and total equity. The Company includes within net debt, loans and financing, lease liabilities, accounts payable to selling shareholders and notes payable less cash and cash equivalents and restricted cash.

	2021	2020
Loans and financing	1,374,876	617,485
Lease liabilities	714,085	447,703
Accounts payable to selling shareholders	679,826	518,240
Notes payable	72,726	76,181
Less: cash and cash equivalents	(748,562)	(1,045,042)
Less: restricted cash	-	(2,053)
Net debt	2,092,951	612,514
Total equity	3,000,018	2,833,780
Total equity and net debt	5,092,969	3,446,294

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

16 Labor and social obligations

a) Variable compensation (bonuses)

The Company recorded bonuses related to variable compensation of employees and management in cost of services and general and administrative expenses of R\$ 25,587, R\$ 9,514 and R\$6,871 for the years ended December 31, 2021, 2020 and 2019, respectively.

b) Afya Limited share-based compensation plan

The stock options plan approved on August 30, 2019 as a result of the IPO will govern the issuance of equity incentive awards with respect to Company's Class A common shares. The fair value of the stock options was estimated at the grant date using the Binomial pricing model, taking into account the terms and conditions on which the stock options were granted. The Company accounts for the stock options plan as an equity-settled plan.

On July 29, 2020, the board of directors approved a change in the strike price of the current share-based compensation plan. The strike price is now measured in Brazilian Reais (where the Company's operations are located and valued) adjusted by CDI rate instead of U.S. dollar adjusted by T-Bond. Furthermore, the first tranche had its vesting period extended from May 2020 to May 2021, including one year lock-up period after the vesting period. This change was assessed as a modification by the Company and was accounted in accordance with IFRS 2.

As result, the expense related to the share-based payment of the Company reflects the cost of the original award at grant date over the vesting period plus the incremental fair value of the repriced options at modification date over the vesting period of the options.

The following table list the inputs to the model used to determine the incremental fair value of the stock options as result of the modification:

	Modified plan	Original plan (*)
Strike price at the measurement date	R\$ 74.38	R\$ 99.09
Dividend yield (%)	0.0%	0.0%
Expected volatility (%)	41% - 76%	42% - 76%
Risk-free interest rate (%)	2.0% - 4.9%	0.2% - 0.4%
Expected life of stock options (years)	1 - 4	1 - 4
Share price at the measurement date	R\$ 133.68	R\$ 133.68
Model used	Binomial	Binomial
Weighted average fair value at the measurement date	R\$ 69.54	R\$ 57.12

(*) The strike price of the original plan was based in U.S. dollars.

On January 25, 2021, March 25, 2021, April 26, 2021, June 1, 2021 and November 1, 2021, the Company granted 545,000, 65,000, 139,000, 180,000 and 241,000 additional stock options, respectively:

	January 2021	March 2021	April 2021	June 2021	November 2021
Strike price at the measurement date	R\$115	R\$105	R\$105	R\$105	R\$85
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility (%)	38% - 67%	42% - 65%	43% - 51%	43% - 63%	41% - 65%
Risk-free interest rate (%)	2.1% - 7.1%	5.2% - 8.5%	5.1% - 8.1%	5.8% - 8.3%	10.4% - 12.5%
Expected life of stock options (years)	1 - 5	1 - 5	1 - 5	1 - 5	1 - 5
Share price at the measurement date	R\$ 129	R\$ 108	R\$ 119	R\$ 121	R\$ 8
Model used	Binomial	Binomial	Binomial	Binomial	Binomial
Weighted average fair value at the measurement date	R\$ 46.81	R\$ 40.20	R\$ 46.04	R\$ 49.10	R\$46.28

The following table illustrates the number and movements in stock options during the period:

	Weighted average exercise price (in Reais)	Number of stock options	
		2021	2020
Outstanding at January 1	78.22	2,510,983	2,364,214
Granted	109.18	1,170,000	477,220
Forfeited	112.89	(60,000)	(274,359)
Exercised	78.15	(442,669)	(56,092)
Expired	78.21	(91,586)	-
Outstanding at December 31	92.33	3,086,728	2,510,983

The share-based compensation expense, including the incremental fair value as result of the modification in 2020, recognized in general and administrative expenses in the statement of income for the year ended December 31, 2021 was R\$ 43,377 (December 31, 2020: R\$ 32,610 and December 31, 2019: R\$ 18,114).

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

Stock options exercised during the year ended December 31, 2021 have been settled using the treasury shares of the Company. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any difference of the cash received from employees upon exercise of the options in relation to treasury shares weighted average cost is recorded in paid-in-capital.

17 Equity

a) Share capital

As of December 31, 2021, the Company's share capital was R\$ 17 (R\$ 17 as of December 31, 2020) represented by 93,722,831 shares comprised by 47,920,068 class A common shares and 45,802,763 class B common shares (93,146,731 shares comprised by 45,112,416 class A common shares and 48,034,315 class B common shares as of December 31, 2020).

b) Afya Brazil

Prior to the completion of Afya's IPO in July 2019, Afya Brazil was the predecessor of Afya. As such, the consolidated financial statements reflect the operating results of Afya Brazil prior to the reorganization. As of December 31, 2018, Afya Brazil's share capital was R\$ 315,000 represented by 1,443,541 shares, comprised of 1,411,895 common shares, 26,523 Class A preferred shares and 5,123 Class B preferred shares.

Common shares were the only class of shares with voting rights.

Class A preferred shares had the following characteristics: (i) do not grant voting rights at the shareholders meetings; (ii) the right to receive an amount, as dividend, per share equal to 17.7 times the amount received per common share; and (iii) were convertible into common shares at the ratio of 1 preferred share for 17.7 common shares in the situations described in the Shareholders Agreement.

Class B preferred shares had no voting rights and had priority in capital reimbursement in case of liquidation of the Company, with no premium. Class B preferred shares were convertible into common shares at the ratio of 1 Class B preferred share for 1 common share, in certain situations.

On April 26, 2018, the shareholders approved a capital increase of (i) R\$55,000 through the issuance of 124,994 common shares; and (ii) R\$ 11,670 through the issuance of 26,523 Class A preferred shares.

On August 31, 2018, the Board of Directors approved a capital increase of R\$1,304 through the issuance of 5,123 Class B preferred shares.

On December 4, 2018, the shareholders approved a capital increase of R\$99,999 through the issuance of 137,298 common shares.

On December 31, 2018, the shareholders approved a capital increase of R\$ 80,541 with earnings reserves and retained earnings without an issuance of new shares.

On March 8, 2019, the shareholders of Afya Brazil approved a renounce of dividends for the year ended December 31, 2016 of R\$4,107; and an increase of capital through the issuance of 37,200 common shares, in the amount of R\$ 0.01, subscribed entirely by the shareholders BR Health and certain members of the Esteves Family.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

On March 12, 2019, the shareholders of Afya Brazil approved amongst other matters: (i) the change in its legal name to Afya Participações S.A.; (ii) a capital increase through the issuance of 156,337 common shares, in the amount of R\$ 150,000, subscribed entirely by BR Health; and (iii) the propose to repurchase 160,000 common shares issued by the Company, at the acquisition price of R\$ 206.25 per share, in the total amount of R\$33,001, all held by the shareholder Nicolau Carvalho Esteves. The Company's common shares object of the repurchase approved were immediately canceled by the Company, without reduction of its share capital.

On March 29, 2019, Afya Brazil issued 378,696 common shares to the shareholders of BR Health and Guardaya, and had a capital increase of R\$ 122,062 and an additional paid-in capital of R\$ 137,051.

In June 2019, Afya Brazil's shareholders approved an increase of capital through the issuance of 157,202 common shares in exchange of the acquisitions of FASA, IESP and Univaço minority interests, in the total amount of R\$ 24,310.

On June 18, 2019, the shareholders of Afya Brazil approved an increase of capital through the issuance of 27,211 common shares in exchange of the acquisition of an addition 15% interest at UEPC, in the total amount of R\$ 24,458, subscribed entirely by the shareholder Bozano Educacional II Fundo de Investimento em Participações Multiestratégia.

In addition to the capital increase related to the acquisition of the non-controlling interests of FASA, IESP and Univaço and the interest in UEPC, the Company had an additional paid-in capital of R\$ 36,358.

c) Additional paid in capital

At the year ended December 31, 2021, Afya had capital increases regarding business combinations purchase price paid in shares totaling R\$74,500.

Afya also had additional paid in capital regarding capital reserves on transferring treasury shares from the exercise of stock options and contribution of Afya Brazil shares paid to RX PRO selling shareholders, totaling R\$21,861 and R\$783 respectively.

d) Dividends

On March 8, 2019, the shareholders of Afya Brazil approved the cancellation of dividends for the year ended December 31, 2016 of R\$4,107.

On June 13, 2019, Afya Brazil approved the payment of interim dividends totaling R\$ 38,000 to Afya Brazil shareholders of record on June 13, 2019. The dividend amount was determined based on the Afya Brazil's net income for the five months ended May 31, 2019 and were paid on September 26, 2019. Afya and its public shareholders were not entitled to receive such dividends.

At the year ended December 31, 2021, CCSI and IESVAP approved the payment of interim dividends of R\$ 65,521, which R\$46,873 was distributed to Afya Brazil and R\$ 18,648 to non-controlling shareholders.

e) Buy-back program

On December 23, 2020, the Company announced that its Board of Directors has approved a share buy-back program. Under the share buyback program, Afya may repurchase up to 1,015,844 of its outstanding Class A common shares in the open market, based on prevailing market prices, or in privately negotiated transactions, over a period beginning on December 24, 2020 continuing until the earlier of the completion of the repurchase or December 31, 2021, depending upon market conditions.

On October 27, 2021, the Company's board of directors approved a new share repurchase program. Afya may repurchase up to 1,383,108 of its outstanding Class A common shares in the open market, based on prevailing market prices, or in privately negotiated transactions, beginning on October 28, 2021 until the earlier of the completion of the repurchase or December 31, 2022, depending upon market conditions.

The share buy-back program takes place in accordance with the conditions established by the Board of Directors. Afya intends to repurchase the shares to execute the Stock Option Program for the executives of the Company. This program was concluded on October 21, 2021.

During 2021, the Company repurchased 2,142,051 shares at the weighted average price of R\$ 99.76 (in Brazilian Reais) or US\$ 18.00, amounting to R\$ 213,722. During year ended December 31, 2021, 442,669 of these shares were used by the Company any to settle the share-based program, totaling R\$55,197.

The following table illustrates the number and movements in treasury shares during the period:

	Number of shares	Average price (in Brazilian Reais)
Outstanding at January 1, 2021	-	
Repurchased	2,142,051	99.76
Transferred from exercise of options	(442,669)	124.08
Transferred from shares contribution	(44,455)	111.94
Outstanding at December 31, 2021	1,654,927	92.23

18 Earnings per share (EPS)

Basic EPS is calculated by dividing net income attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by dividing net income attributable to the equity holders of the parent by the weighted average number of common shares outstanding during the period plus the weighted average number of shares that would be issued on conversion of all potential shares with dilutive effects.

Diluted earnings per share are computed including stock options granted to key management using the treasury shares method when the effect is dilutive. The Company has the stock option plan in the category of potentially dilutive shares.

The following table reflects the net income and share data used in the basic and diluted EPS calculations:

	2021	2020	2019
Numerator			
Net income attributable to equity holders of the parent	223,326	292,075	153,916
Denominator			
Weighted average number of outstanding shares	93,291,480	92,683,848	75,969,797
Effects of dilution from stock options	811,818	951,920	221,846
Weighted average number of outstanding shares adjusted for the effect of dilution	94,103,298	93,635,768	76,191,643
Basic earnings per share (R\$)	2.39	3.15	2.03
Diluted earnings per share (R\$)	2.37	3.12	2.02

19 Revenue

	2021	2020	2019
Tuition fees (*)	2,124,589	1,388,735	856,561
Other	167,441	99,817	43,116
Deductions			
Granted discounts	(229,254)	(89,017)	(43,767)
Early payment discounts	(49,879)	(29,299)	(8,523)
Returns	(42,373)	(11,437)	(7,462)
Taxes	(74,232)	(49,629)	(28,157)
PROUNI	(176,921)	(107,979)	(61,138)
Net revenue from contracts with customers	1,719,371	1,201,191	750,630
Timing of revenue recognition of net revenue from contracts with customers			
Tuition, digital content and app subscription fees - Transferred over time	1,640,889	1,128,558	713,827
Other - Transferred at a point in time	78,482	72,633	36,803

(*) As mentioned in Note 1, the Company assessed, in connection with the social distancing requirements, whether it has satisfied all performance obligations of its contracts with customers, according to IFRS15, and concluded it was necessary to defer a portion of its net revenues in the second semester of 2020. As result, R\$2,361 of net revenue were deferred to the first semester of 2021 and recorded in advances from customers.

The Company's revenue from contracts with customers are all in Brazil. The Company is not subject to the payment of the social integration program tax (Programa de Integração Social, or PIS) and the social contribution on revenues tax (Contribuição para o Financiamento da Seguridade Social, or COFINS) on the revenue from under graduation degrees under the PROUNI program.

Afyra Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

The following table presents statements of income for the Company's operating segments for the years ended December 31, 2021, 2020 and 2019:
Schedule of revenue by segment

Revenue by segment	Undergrad	Continuing Education	Digital Services	Elimination (inter-segment transactions)	2021
Types of services or goods	1,498,408	72,983	151,958	(3,978)	1,719,371
Tuition fees	1,486,111	72,983	-	-	1,559,094
Other	12,297	-	151,958	(3,978)	160,277
Timing of revenue recognition	1,498,408	72,983	151,958	(3,978)	1,719,371
Transferred over time	1,486,111	72,983	81,795	-	1,640,889
Transferred at a point in time	12,297	-	70,163	(3,978)	78,482

Revenue by segment	Undergrad	Continuing Education	Digital Services	Elimination (inter-segment transactions)	2020
Types of services or goods	1,002,461	107,197	93,152	(1,619)	1,201,191
Tuition fees	997,055	107,197	-	-	1,104,252
Other	5,406	-	93,152	(1,619)	96,939
Timing of revenue recognition	1,002,461	107,197	93,152	(1,619)	1,201,191
Transferred over time	997,055	107,197	24,306	-	1,128,558
Transferred at a point in time	5,406	-	68,846	(1,619)	72,633

Revenue by segment	Undergrad	Continuing Education	Digital Services	Elimination (inter-segment transactions)	2019
Types of services or goods	653,760	64,870	35,880	(3,880)	750,630
Tuition fees	648,957	60,195	-	-	709,152
Other	4,803	4,675	35,880	(3,880)	41,478
Timing of revenue recognition	653,760	64,870	35,880	(3,880)	750,630
Transferred over time	648,957	64,870	-	-	713,827
Transferred at a point in time	4,803	-	35,880	(3,880)	36,803

20 Expenses and costs by nature

	2021	2020	2019
Cost of services	(652,300)	(434,654)	(308,853)
General and administrative expenses	(622,615)	(402,855)	(239,120)
Total	(1,274,915)	(837,509)	(547,973)
Payroll	(677,564)	(446,473)	(324,252)
Hospital and medical agreements	(37,449)	(37,988)	(16,429)
Depreciation and amortization	(154,220)	(108,744)	(73,152)
Lease expenses	(11,229)	(2,555)	(4,494)
Utilities	(10,643)	(5,892)	(6,628)
Maintenance	(47,141)	(20,746)	(8,658)
Share-based compensation	(43,377)	(32,610)	(18,114)
Tax expenses	(7,997)	(5,326)	(2,696)
Pedagogical services	(47,881)	(24,037)	(6,271)
Sales and marketing	(39,506)	(18,361)	(12,966)
Allowance for doubtful accounts	(47,819)	(32,081)	(15,040)
Travel expenses	(7,542)	(4,550)	(7,054)
Consulting fees	(38,818)	(31,276)	(13,060)
Other	(103,729)	(66,870)	(39,159)
Total	(1,274,915)	(837,509)	(547,973)

21 Finance result

	2021	2020	2019
Income from financial investments	35,773	24,479	25,965
Changes in fair value of derivative instruments	-	20,739	-
Interest received	23,040	11,876	9,680
Foreign exchange differences	-	-	13,321
Other	5,753	5,196	2,723
Finance income	64,566	62,290	51,689
Change in fair value of derivative instruments	-	-	(1,780)
Interest expense	(108,437)	(25,543)	(24,002)
Interest expense on lease liabilities	(67,212)	(44,458)	(31,469)
Financial discounts granted	(23,193)	(8,081)	(923)
Bank fees	(7,878)	(6,333)	(2,876)
Foreign exchange differences	(17,973)	(4,613)	-
IOF taxes (taxes on financial transactions)	(3,306)	(1,661)	(6,801)
Other	(15,797)	(7,580)	(4,514)
Finance expenses	(243,796)	(98,269)	(72,365)
Finance result	(179,230)	(35,979)	(20,676)

22 Income taxes

Income taxes are comprised of taxation over operations in Brazil, related to Corporate Income Tax ("IRPJ") and Social Contribution on Net Profit ("CSLL"). According to Brazilian tax legislation, income taxes and social contribution are assessed and paid by legal entity and not on a consolidated basis.

Reconciliation of income taxes expense

The following is a reconciliation of income tax expense to profit (loss) for the year, calculated by applying the combined Brazilian statutory rates at 34% for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Income before income taxes	273,462	335,054	186,937
Combined statutory income taxes rate - %	34%	34%	34%
Income taxes at statutory rates	(92,977)	(113,918)	(63,559)
Reconciliation adjustments:			
Tax effect on loss from entities not subject to taxation	(37,794)	(8,474)	(1,265)
PROUNI - Fiscal Incentive ^(a)	194,830	120,851	73,397
Unrecognized deferred tax assets	(86,233)	(41,319)	(19,342)
Presumed profit income tax regime effect ^(b)	(7,066)	(2,640)	351
Permanent adjustments	(6,232)	2,567	-
Other	4,293	15,866	(3,757)
Income taxes expense – current	(31,179)	(27,067)	(14,175)
Effective rate	11.40%	8.08%	7.58%

(a) The Company adhered to PROUNI, established by Law 11,096 / 2005, which is a federal program that exempt companies of paying income taxes and social contribution.

(b) Brazilian tax law establishes that companies that generate gross revenues of up to R\$ 78,000 in the prior fiscal year may calculate income taxes as a percentage of gross revenue, using the presumed profit income tax regime. The effect of the presumed profit of certain subsidiaries represents the difference between the taxation based on this method and the amount that would be due based on the statutory rate applied to the taxable profit of the subsidiaries.

Deferred income taxes

As of December 31, 2021, the Company had unrecognized deferred income tax assets on temporary differences and tax losses in the amount of R\$ 432,226 (tax-basis) (R\$ 214,387 (tax-basis) as of December 31, 2020) which does not have any tax planning opportunities available that could support the recognition of these temporary differences as deferred tax assets. Accordingly, the Company did not recognize deferred tax assets.

23 Insurance contracts and contingencies

a) Insurance contracts

The Company and its subsidiaries have a risk management program with the purpose of delimiting the risks, seeking in the market coverage compatible with its size and operations.

b) Legal proceedings and contingencies

The provisions related to labor, civil and taxes proceedings whose likelihood of loss is assessed as probable are as follows:

	Labor	Civil	Taxes	Total
Balances as of December 31, 2018	2,233	1,232	-	3,465
Business combinations	3,301	1,071	-	4,372
Additions	737	1,508	-	2,245
Reversals	(3,770)	(1,043)	-	(4,813)
Balances as of December 31, 2019	2,501	2,768	-	5,269
Business combinations	2,741	2,348	27,487	32,576
Additions	562	10,869	7,853	19,284
Reversals	(1,285)	(2,705)	-	(3,990)
Balances as of December 31, 2020	4,519	13,280	35,340	53,139
Business combinations	16,597	6,017	57,638	80,252
Additions *	5,418	5,101	14,225	24,744
Reversals	(1,044)	(1,470)	(7,334)	(9,848)
Balances as of December 31, 2021	25,490	22,928	99,869	148,287

* The amount of R\$ 4,232 is related to tax legal proceedings attributed to the selling shareholders (R\$ 9,940 for the year ended December 31, 2020). The same amount was recorded as indemnification assets in the statement of financial position in other assets.

There are other civil, labor, taxes and social security proceedings assessed by Management and its legal counsels as possible risk of loss, for which no provisions are recognized, as follows:

	2021	2020	2019
Labor	5,098	2,318	3,570
Civil	56,501	59,969	39,135
Taxes and social security	4,459	4,375	7,583
Total	66,058	66,662	50,288

The Company has judicial deposits recorded in other assets (non-current) in the amount of R\$ 18,825 as of December 31, 2021 (December 31, 2020: R\$ 1,451).

Under the terms of the Share Purchase and Sale Agreements ("Agreements") between the Company and the selling shareholders of the subsidiaries acquired, the Company assesses that the selling shareholders are exclusively responsible for any provisions (including labor, tax and civil), which are or will be the subject of a claim by any third party, arising from the act or fact occurred, by action or omission, prior to or on the closing dates of the acquisitions.

Accordingly, and considering that the provisions for legal proceedings recorded by the Company that result from causes arising from events occurring prior to the closing dates of the acquisitions, any liability for the amounts to be disbursed, in case of their effective materialization in loss, belongs exclusively to the selling shareholders. In this context, the Agreements state that the Company and its subsidiaries are indemnified and therefore exempt from any liability related to said contingent liabilities and, therefore, the provision amounts related to such contingencies are presented in the non-current liabilities and the correspondent amount of R\$ 135,355 (December 31, 2020: R\$ 53,499) is presented in non-current other assets.

24 Non-cash transactions

During the years ended December 31, 2021, 2020 and 2019, the Company carried out non-cash transactions which are not reflected in the statement of cash flows. The main non-cash transactions in 2021 were the issuance of shares for the acquisitions of iClinic, Cliquefarma, and RXPRO, addition of the provision for legal proceedings with corresponding indemnification assets, additions and remeasurements of right-of-use assets and lease liabilities.

25 Subsequent events

a) Repurchase shares program

On January 27, 2022, the Company's board of directors approved a new share repurchase program. Afya may repurchase up to 1,874,457 of its outstanding Class A common shares in the open market, based on prevailing market prices, or in privately negotiated transactions, beginning on January 27, 2022 until the earlier of the completion of the repurchase or December 31, 2022, depending upon market conditions.

b) Medical schools authorizations

On February 23, 2022, Afya announced that the Secretary of Regulation and Supervision of Higher Education of the Ministry of Education ("MEC") authorized the operations of the medical schools in Abaetetuba, in the State of Pará, and Itacoatiara, in the State of Amazonas, both under Mais Médicos II program. With the authorizations, Afya reaches its third and fourth authorized schools to start operating under the Mais Medicos II program. Each medical school will contribute with 50 seats.

On March 16, 2022, MEC authorized the operations of the medical schools in Bragança, in the State of Pará, and Manacapuru, in the State of Amazonas, both under Mais Médicos II program. With the authorizations, Afya reaches its third and fourth authorized schools to start operating under the Mais Medicos II program. Each medical school will contribute with 50 seats.

c) Acquisition of Além da Medicina

On February 24, 2022, Afya Brazil announced the acquisition of 100% of the total share capital of Além da Medicina. The deal was closed March 4, 2022.

Além da Medicina is a medical content online platform for physicians and medical students that provides educational tools besides technical medical content that can assist them throughout their careers. Its robust content includes mentoring for residency, soft skills, finance, accounting, and investment basics for physicians.

The aggregate purchase price was R\$16.000 paid in cash. An earn-out of up to R\$19.200 can be paid related to gross revenue achievements for 2023 and 2024.

The acquisition date fair value of each major class of consideration, including the allocation of the purchase price has not been completed by the Company as of the issuance date of these annual financial statements. The impact on revenue and profit or loss of the combined entity for the current reporting period as if the acquisition date had been as of the beginning of the annual reporting period is not available as the Company did not conclude this acquisition by December 31, 2021. Therefore, these financial statements do not include this information. The transaction costs to date amounted to R\$ 211. Any goodwill generated in the transaction is not expected to be deductible for tax purposes.

Afya Limited

Notes to the consolidated financial statements

Expressed in thousands of Brazilian reais, unless otherwise stated

d) Bertelsmann Explores Increasing Stake in Afya

On March 7, 2022, Afya announced that it was notified that Nicolau Carvalho Esteves and Rosângela de Oliveira Tavares Esteves, or the Esteves family, have made a binding offer to sell 6,000,000 Class B common shares of Afya at the purchase price of US\$26.90 per share to an affiliate of Bertelsmann SE& Co. KGaA, or "Bertelsmann". Bertelsmann's acceptance of the offer remains subject to due diligence and Bertelsmann board approval.

e) Medical Seats Increase in Centro Universitário São Lucas

On March 18, 2022, Afya announced that MEC authorized the increase of 28 seats of Centro Universitário São Lucas, in Ji-Parana located in the state of Rondônia.

The earn-out related to the seats approval is R\$800 per seat, adjusted by the CDI rate from the closing until the payment date, of which: (i) 50% is payable in 30 days, and (ii) 50% is payable in cash in two equal installments through 2024.

THE COMPANIES ACT (AS REVISED)
EXEMPTED COMPANY LIMITED BY SHARES

AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION

OF

AFYA LIMITED

(ADOPTED BY SPECIAL RESOLUTION PASSED ON JULY 23, 2021)

THE COMPANIES ACT (AS REVISED)
EXEMPTED COMPANY LIMITED BY SHARES

AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION

OF

AFYA LIMITED

(ADOPTED BY SPECIAL RESOLUTION PASSED ON JULY 23, 2021)

- 1 The name of the Company is **Afy Limited**
- 2 The registered office of the Company shall be at the offices of of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place within the Cayman Islands as the Directors may decide.
- 3 Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted.
- 4 Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Act (as revised).
- 5 Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
- 6 The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
- 7 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.
- 8 The share capital of the Company is US\$50,000 divided into 1,000,000,000 shares of a nominal or par value of US\$0.00005 each which, at the date on which this Memorandum becomes effective, comprise (i) 500,000,000 Class A Common Shares; (ii) 250,000,000 Class B Common Shares (which Class B Common Shares may be converted into Class A Common Shares in the manner contemplated in these Articles of Association of the Company); and (iii) 250,000,000 shares of such class or classes (howsoever designated) and having the rights as the Board may determine from time to time in accordance with Article 4 of the Articles of Association of the Company, PROVIDED THAT, subject to the Law and the Articles of Association, the Company shall have the power to issue all or any part of its capital, whether original, redeemed, increased or reduced, with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any condition or restriction whatsoever and so that, unless the conditions of issue shall otherwise expressly provide, every issue of shares, whether stated to be common, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.

2

- 9 The Company may exercise the power contained in the Law to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.
- 10 Capitalised terms that are not defined in this Memorandum of Association bear the meaning given in the Articles of Association of the Company.

3

THE COMPANIES ACT (AS REVISED)
EXEMPTED COMPANY LIMITED BY SHARES

AMENDED AND RESTATED
ARTICLES OF ASSOCIATION

OF

AFYA LIMITED

(ADOPTED BY SPECIAL RESOLUTION PASSED ON JULY 23, 2021)

- 1 **Preliminary**
- 1.1 The regulations contained in Table A in the First Schedule of the Law shall not apply to the Company and the following regulations shall be the Articles of Association of the Company.
- 1.2 In these Articles:
- (a) the following terms shall have the meanings set opposite if not inconsistent with the subject or context:

"Allotment" shares are taken to be allotted when a person acquires the unconditional right to be included in the Register of Members in respect of those shares;

"Affiliate" in respect of a Person, means any other Person that, directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is Under Common Control with, such Person, and (i) in the case of a natural person, shall include, without limitation, such person's spouse, parents and children, a trust for the benefit of any of the foregoing, a company, partnership or any natural person or entity wholly or jointly owned by any of the foregoing, and (ii) in the case of an entity, shall include a partnership, a corporation or any natural person or entity which directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is Under Common Control with, such entity;

4

"Anti-Corruption Law" means the Anti-Corruption Act (as revised) of the Cayman Islands, the United States of America Foreign Corrupt Practices Act and any Brazilian law, in each case as amended from time to time, that inhibits or prohibits corruption or the practice of any offer, payment, promise of payment or authorization of payment of any value or other form of property, gift, promise of offer, or authorization to donate anything of value to any governmental agent or any political party or member of a political party or candidate for public office;

"Articles" these articles of association of the Company as from time to time amended in accordance with applicable Law and these Articles;

"Audit Committee" the audit committee of the Company formed by the Board pursuant to Article 24 hereof, or any successor of the audit committee;

"Authorised Auditor" means any of the following audit firms, or international entities of the same group, as the case may be: (i) Deloitte Touche Tohmatsu; (ii) KPMG; (iii) Ernst & Young Terco; or (iv) PriceWaterhouseCoopers;

"Bertelsmann" Bertelsmann SE & Co. KGaA, a company headquartered in the City of Gütersloh, Germany and/or its Affiliates;

"Bertelsmann Director" a director appointed by Bertelsmann in accordance with Article 21.1;

"Board or Board of Directors" or "Directors" the board of directors of the Company;

"Business Combination" a statutory amalgamation, merger, consolidation, arrangement or other reorganisation requiring the approval of the members of one or more of the participating companies, as well as a short-form merger or consolidation that does not require a resolution of members;

5

"Business Day" any day on which banks are not required or authorised by law to close in the City of New York/NY, USA and/or in the following cities in Brazil: in the City of São Paulo, State of São Paulo, in the City of Nova Lima, State of Minas Gerais, in the City of Brasilia, Federal District, or in the City of Rio de Janeiro, State of Rio de Janeiro;

"Chairman" the chairman of the Board of Directors appointed in accordance with Article 20.2;

"Class A Common Shares" class A common shares of a nominal or par value of US\$0.00005 each in the capital of the Company having the rights provided for in these Articles;

"Class B Common Shares" class B common shares of a nominal or par value of US\$0.00005 each in the capital of the Company having the rights provided for in these Articles;

"Clear Days" in relation to a period of notice means that period excluding both the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

"Clearing House" a clearing house recognised by the laws of the jurisdiction in which shares in the capital of the Company (or depository receipts thereof) are listed or quoted on a stock exchange or interdealer quotation system in such jurisdiction;

"Common Shares" Class A Common Shares, Class B Common Shares and shares of such other classes as may from time to time be designated by the Board pursuant to these Articles as being common shares for the purposes of Article 5.2;

"Company" the above named company;

"Company's Website" the website of the Company and/or its web-address or domain name;

"Compensation Committee" the compensation committee of the Company formed by the Board pursuant to Article 24.7 hereof, or any successor of the compensation committee;

6

"Control" (including the terms "Controls," "Controlled by" and "Under Common Control with") means, with respect to any Person or group of Persons ("Controlling Person"), directly or indirectly: (a) the ability of the Controlling Person, whether through the ownership of voting securities of another Person ("Controlled Person") or by contract or otherwise to: (i) elect the majority of the board of directors or other similar managing body of such Controlled Person, or (ii) direct the management policies of such Controlled Person, or (b) the ownership of rights that entitle the Controlling Person to have the majority of the votes in such Controlled Person's general meeting;

"Corruption Act" means any act involving the gift, offer, receipt or agreement to receive (solely or jointly with other Persons) any payment, gratuity or other advantage in business with the public or private sector that: (i) violates or is intended to violate any Anti-Corruption Laws; (ii) influences or is intended to influence any Person to act; (iii) improperly rewards any Person for acting in disagreement with expected good faith, impartiality or trust; or (iv) influences (or is intended to influence) a governmental authority to grant or maintain an advantage in the conduct of business;

"Designated Stock Exchange" the Nasdaq Global Market and any other stock exchange or interdealer quotation system listed in Schedule 4 of the Law on which shares in the capital of the Company are listed or quoted;

"Directors"	the Directors for the time being of the Company or, as the case may be, those Directors assembled as a Board or as a committee of the Board;
"Dividend"	includes a distribution or interim dividend or interim distribution;
"Electronic"	has the same meaning as in the Electronic Transactions Act (as revised);
"Electronic Communication"	a communication sent by Electronic means, including Electronic posting to the Company's Website, transmission to any number, address or internet website (including the SEC's website) or other Electronic delivery methods as otherwise decided and approved by the Board;
"Electronic Record"	has the same meaning as in the Electronic Transactions Act (as revised);

7

"Electronic Signature"	has the same meaning as in the Electronic Transactions Act (as revised);
"Esteves Family"	means, jointly, Nicolau Carvalho Esteves (enrolled before the Brazilian Individual Taxpayers' Register CPF/ME under No. 119.441.616-00) and Rosangela de Oliveira Tavares Esteves (enrolled before the Brazilian Individual Taxpayers' Register CPF/ME under No 279.226.266-49);
"Esteves Family Director"	a director appointed by the Esteves Family in accordance with Article 21.2;
"Exchange Act"	the Securities Exchange Act of 1934, as amended of the United States of America;
"Executed"	includes any mode of execution;
"Founder Shares"	(i.e. <i>partes beneficiárias</i>) means any securities that grant a percentage of the Company's annual profits to its holder, with no corresponding interest in the share capital of the Company and no par value;
"Holder"	in relation to any share, the Member whose name is entered in the Register of Members as the holder of the share;
"Incentive Plan"	any incentive plan established or implemented by the Company pursuant to which any Person who provides services of any kind to the Company or any of its direct or indirect subsidiaries (including, without limitation, any employee, executive, officer, director, consultant, secondee or other provider of services) may receive and/or acquire newly-issued shares of the Company or any interest therein;
"Incriminating Event"	means (i) the definitive, evidenced, involvement of any Member in a Corruption Act or in money laundering; and/or (ii) any act of improbity involving any Member, confirmed by a duly published Appeal Court decision (decisão de 2ª instância), and which necessarily affects the ability or prevents the Company and/or its Subsidiaries from transacting with public entities or from being granted tax incentives/benefits;

8

"Indemnified Person"	every Director, alternate Director, Secretary or other Officer for the time being or from time to time of the Company;
"Independent Director"	a Director who is an independent director as defined in the rules of any Designated Stock Exchange or in Rule 10A-3 under the Exchange Act, as the case may be;
"Islands"	the British Overseas Territory of the Cayman Islands;
"Law"	the Companies Act (as revised);
"Lease Agreements"	means any lease agreements (including free lease agreement) entered into by the Company or any of the Company's Subsidiaries, at any time, with respect to the main place of business of the Company and/or its Subsidiaries and/or their respective branches;
"Major Shareholders"	means Bertelsmann and the Esteves Family;
"Member"	has the same meaning as in the Law;
"Memorandum"	the memorandum of association of the Company as from time to time amended in accordance with applicable Law and these Articles;
"Month"	a calendar month;
"Nominating and Corporate Governance Committee"	the nominating and corporate governance committee of the Company formed by the Board pursuant to Article 24 hereof, or any successor of the nominating and corporate governance committee;
"Officer"	means any officer of the Company appointed by the Board in accordance with these Articles and includes any Secretary;

9

"Ordinary Resolution"	a resolution (i) of a duly constituted general meeting of the Company passed by a simple majority of the votes cast by, or on behalf of, the Members entitled to vote present in person or by proxy and voting at the meeting, or (ii) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which
-----------------------	---

the instrument, or the last of such instruments, if more than one, is executed;

"Other Indemnitors"	persons or entities other than the Company that may provide indemnification, advancement of expenses and/or insurance to the Indemnified Persons in connection with such Indemnified Persons' involvement in the management of the Company;
"Ownership Threshold"	a number of Class B Common Shares representing 10% of the total outstanding number of Class B Common Shares.
"Paid up"	paid up as to the par value of the shares and includes credited as paid up;
"Permitted Transfer"	has the meaning set forth in Article 5.4(3);
"Permitted Transferee"	has the meaning set forth in Article 5.4(3);
"Person"	any individual, corporation, general or limited partnership, limited liability company, joint stock company, joint venture, estate, trust, association, organisation or any other entity or governmental entity;
"Related Party"	means: (i) with respect to a Person other than an individual, any of the Controlled Persons, Controlling Persons and/or any other Person under common Control with, and/or shareholders and/or quotaholders, directly or indirectly holding more than ten percent (10%) of the shares of the total voting capital or capital stock or undivided interest (in relation to an investment fund established as a condominium) of such Person, and its employees and/or administrators; and (ii) in relation to an individual: (a) all ascending or descending family members in direct degree, spouse and/or relatives from the 1 st to the 4 th degree; and (b) any of the Controlled Companies or its shareholders and/or quotaholders holding directly or indirectly more than ten percent (10%) of the shares or quotas representing the total voting or capital stock of the referred Person, as well as its employees and/or administrators;

10

"Register of Members"	the register of Members required to be kept pursuant to the Law;
"Seal"	the common seal of the Company including every duplicate seal;
"SEC"	the Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;
"Secretary"	any person appointed by the Directors to perform any of the duties of the secretary of the Company, including a joint, assistant or deputy secretary;
"Securities Act"	the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time;
"Share"	a share in the share capital of the Company and includes a fraction of a share;
"Signed"	includes an Electronic Signature or a representation of a signature affixed by mechanical means;
"Special Resolution"	has the same meaning as in the Law;
"Subsidiary"	means, with respect to any Person, any company or other organisation, whether incorporated or unincorporated, that, at the time of determination, is directly or indirectly wholly-owned or Controlled by such Person and/or any one or more of its Subsidiaries;
"Treasury Share"	a share held in the name of the Company as a treasury share in accordance with the Law;
"U.S. Person"	a Person who is a citizen or resident of the United States of America; and

11

"Written and in Writing"	includes all modes of representing or reproducing words in visible form including in the form of an Electronic Record.
(b)	unless the context otherwise requires, words or expressions defined in the Law shall have the same meanings herein, but excluding any statutory modification thereof not in force when these Articles become binding on the Company;
(c)	unless the context otherwise requires: (i) words importing the singular number shall include the plural number and vice-versa, and (ii) words importing the masculine gender only shall include the feminine or neutral gender;
(d)	the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
(e)	the headings herein are for convenience only and shall not affect the construction of these Articles;
(f)	references to statutes are, unless otherwise specified, references to statutes of the Islands and, subject to paragraph (b) above, include any statutory modification or re-enactment thereof for the time being in force;
(g)	the terms "hereof," "herein," "hereto" and "hereunder," as well as words of a similar meaning, when used in these Articles, shall refer to these Articles as a whole and not to any specific provision of these Articles;
(h)	whenever the words "include," "includes," "including" and similar expressions are used under the terms of these Articles, they shall mean "include, among others," "includes, without limitation" and "including, without limitation," respectively or a similar expression indicating a non-restrictive enumeration; and
(i)	where an Ordinary Resolution is expressed to be required for any purpose, a Special Resolution is also effective for that purpose.

2 Formation Expenses

The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

3 Situation of Offices of the Company

3.1 The registered office of the Company shall be at such address in the Islands as the Board shall from time to time determine.

12

3.2 The Company, in addition to its registered office, may establish and maintain such other offices, places of business and agencies in the Islands and elsewhere as the Board may from time to time determine.

4 Shares

4.1 (a) Subject to the rules of any Designated Stock Exchange and to the provisions, if any, in the Memorandum and these Articles, the Board has general and unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any unissued shares in the capital of the Company without the approval of Members (whether forming part of the original or any increased share capital), either at a premium or at par, with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, on such terms and conditions, and at such times as the Board may decide, but so that: (i) no share shall be issued at a discount, except in accordance with the provisions of the Law and these Articles; and (ii) no Founder Shares shall be issued by the Company.

(b) Subject to the rules of any Designated Stock Exchange and to the provisions, if any, in the Memorandum and these Articles (including, without limitation, Article 23.4), in particular and without prejudice to the generality of paragraph (a) above, the Board is hereby empowered to authorise by resolution or resolutions from time to time and without the approval of Members:

(i) the creation of one or more classes or series of preferred shares, to cause to be issued such preferred shares and to fix the designations, powers, preferences and relative participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting rights and powers (including full or limited or no voting rights or powers) and liquidation preferences, and to increase or decrease the number of shares comprising any such class or series (but not below the number of shares of any class or series of preferred shares then outstanding) to the extent permitted by law. Without limiting the generality of the foregoing, the resolution or resolutions providing for the establishment of any class or series of preferred shares may, to the extent permitted by law, provide that such class or series shall be superior to, rank equally with or be junior to the preferred shares of any other class or series;

(ii) to designate for issuance as Class A Common Shares or Class B Common Shares from time to time any or all of the authorised but unissued shares of the Company which have not at that time been designated by the Memorandum or by the Directors as being shares of a particular class;

(iii) to create one or more further classes of shares which represent common shares for the purposes of Article 5.2; and

13

(iv) to re-designate authorised but unissued Class B Common Shares from time to time as shares of another class.

(c) The Company shall not issue shares or warrants to bearer.

(d) Subject to the rules of any Designated Stock Exchange, the Memorandum and these Articles (including, without limitation, Article 23.4), the Board shall have general and unconditional authority to issue options, warrants or convertible securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of shares or securities in the capital of the Company to such persons, on such terms and conditions and at such times as the Board may decide.

4.2 Notwithstanding Article 4.1, at any time when there are Class A Common Shares in issue, Class B Common Shares may only be issued pursuant to:

(a) a share-split, subdivision or similar transaction or as contemplated in Articles 5.6 or 34(b) below;

(b) a Business Combination; or

(c) an issuance of shares (including, without limitation, Class A Common Shares, any other class of share designated as a Common Share as per these Articles, and/or preferred shares), whereby each holder of Class B Common Shares is entitled to purchase a number of Class B Common Shares that would allow such holder to maintain its proportional ownership interest in the Company pursuant to Article 4.3.

4.3 With effect from the date on which any shares of the Company are first admitted to trading on a Designated Stock Exchange, subject to Articles 4.4, 4.5 and 4.6, the Company shall not issue Common Shares and/or preferred shares to a person on any terms unless:

(a) it has made an offer to each person who holds Class B Common Shares to issue to him on the same economic terms such number of Class B Common Shares as would allow each holder of Class B Common Shares to maintain its proportional ownership interest in the Company; and

(b) the period during which any such offer set forth in Article 4.3(a) may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made in accordance with Article 4.3(a).

An offer made pursuant to this Article 4.3 may be made in either hard copy or by Electronic Communication, must state a period during which it may be accepted and the offer shall not be withdrawn before the end of that period. The period referred to must be at least fifteen (15) Business Days beginning with the date on which the offer is deemed to be delivered in accordance with Article 36.

14

4.4 An offer shall not be regarded as being made contrary to the requirements of Article 4.3 by reason only that:

(a) fractional entitlements are rounded or otherwise settled or sold at the discretion of the Board, as long as it does not materially negatively impact the proportional ownership interest of the Class B Common Shares; or

(b) no offer of Class B Common Shares is made to a shareholder where the making of such an offer would in the view of the Board pose legal or practical problems in or under the laws or securities rules of any territory or the requirements of any regulatory body or stock exchange such that the Board considers it is necessary or expedient in the interests of the Company to exclude such shareholder from the offer; or

(c) the offer is conditional upon the said issue of Common Shares and/or preferred shares proceeding.

4.5 The provisions of Article 4.3 do not apply in relation to the issue of:

(a) Class A Common Shares if these are, or are to be, wholly or partly paid up otherwise than in cash; and

(b) Class A Common Shares which would, apart from any renunciation or assignment of the right to their allotment, be held under or issued pursuant to an Incentive Plan.

4.6 Holders of Class B Common Shares may from time to time by consent in writing (in one or more counterparts) approved by the holder or holders of all issued and outstanding Class B Common Shares, referring to this Article 4.6, authorise the Board to issue Common Shares for cash and, on the granting of such an authority, the Board shall have the power to issue (pursuant to that authority) Common Shares for cash as if Article 4.3 above did not apply to:

(a) one or more issuances of Class A Common Shares to be made pursuant to that authority; and/or

- (b) such issuances with such modifications as may be specified in that authority.

Unless previously revoked, the authority granted in accordance with this Article 4.6 shall expire on the date (if any) specified in the authority or, if no date is specified, twelve (12) months after the date on which the authority is granted, but the Company may before the power expires make an offer or agreement which would or might require Class A Common Shares to be issued after it expires.

- 4.7 Notwithstanding Article 4.1 and subject to Article 23.4, no non-voting Common Shares shall be issued without such issuance first being approved by an Ordinary Resolution of Members which resolution is also passed with the affirmative vote of a majority of the then issued and outstanding Class A Common Shares.

15

- 4.8 The Company may issue fractions of a share of any class and a fraction of a share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contribution, calls or otherwise howsoever), limitations, preferences, privileges, qualifications, restrictions, rights and other attributes of a whole share of that class of shares.

- 4.9 The Company may, in so far as the Law permits, pay a commission to any person who is not a Related Party in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the capital of the Company. Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid up shares or partly in one way and partly in the other. The Company may also, on any issue of shares, pay such brokerage fees as may be lawful.

- 4.10 Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share (except only as by these Articles or by law otherwise provided) or any other rights in respect of any share except an absolute right to the entirety thereof in the holder.

- 4.11 (a) If at any time the share capital is divided into different classes of shares, the rights attached to any class of shares (unless otherwise provided by these Articles or the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class, in any case subject to Article 19.3. To every such separate general meeting, the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be any one or more persons holding or representing by proxy not less than one-third of the issued shares of the class;

- (b) For the purposes of this Article 4.11, the Directors may treat all classes of shares or any two or more classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration.

- (c) The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by:

- (i) the creation or issue of further shares ranking *pari passu* therewith;
- (ii) by the redemption or purchase of any shares of any class by the Company;
- (iii) the cancellation of authorised but unissued shares of that class; or

16

- (iv) the creation or issue of shares with preferred or other rights including, without limitation, the creation of any class or issue of shares with enhanced or weighted voting rights.

- (d) The rights conferred upon holders of Class A Common Shares shall not be deemed to be varied by the creation or issue from time to time of further Class B Common Shares and the rights conferred upon holders of Class B Common Shares shall not be deemed to be varied by the creation or issue from time to time of further Class A Common Shares.

- 4.12 The Directors may accept contributions to the capital of the Company otherwise than in consideration of the issue of shares and the amount of any such contribution may, unless otherwise agreed at the time such contribution is made, be treated by the Company as a distributable reserve, subject to the provisions of the Law and these Articles.

5 Class A Common Shares and Class B Common Shares

- 5.1 Holders of Class A Common Shares and Class B Common Shares have the right to receive notice of, attend, speak and vote at general meetings of the Company. Holders of Class A Common Shares and Class B Common Shares shall at all times vote together as one class on all resolutions submitted to a vote by the Members in general meetings. Each Class A Common Share shall entitle the holder to one (1) vote on all matters subject to a vote at general meetings of the Company, and each Class B Common Share shall entitle the holder to ten (10) votes on all matters subject to a vote at general meetings of the Company.

- 5.2 Without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares established pursuant to the Memorandum and/or these Articles from time to time, holders of Common Shares shall:

- (a) Be entitled to such dividends as the Board may from time to time declare;
- (b) In the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purposes of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (c) Generally be entitled to enjoy all of the rights attaching to shares.

- 5.3 In no event shall Class A Common Shares be convertible into Class B Common Shares.

- 5.4 Class B Common Shares shall be convertible into Class A Common Shares as follows:

- (a) **Right of Conversion.** Class B Common Shares shall be convertible into the same number of Class A Common Shares, on a share-to-share basis, in the following manner:

- (1) a holder of Class B Common Shares has the right to call upon the Company to effect a conversion of all or any of his Class B Common Shares which right shall be exercised, at any time after issue and without payment of any additional sum, by notice in writing given to the Company at its registered office (and which conversion shall be effected by the Company promptly upon delivery of the said notice);

17

- (2) the holder(s) of all of the then issued and outstanding Class B Common Shares have the right to require that all outstanding Class B Common Shares be converted, which right shall be exercised, at any time after issue and without payment of any additional sum, by notice in writing (which may be in one or more counterparts) signed by each of such holders given to the Company at its registered office (and which conversion shall be effected by the Company promptly upon delivery of the said notice);

- (3) a Class B Common Share shall automatically convert into a Class A Common Share immediately and without further action by the holder upon the registration of any transfer of a Class B Common Share (whether or not for value and whether or not the certificate(s) (if any) representing such Class B Common Share are surrendered to the Company) in the Register of Members, other than the following permitted transfers ("**Permitted Transfer**" and the transferee, a "**Permitted Transferee**");

- (i) a transfer (i) to the holder of Class B Common Shares, and/or (ii) to their children, heirs and successors of the holder of Class B Common Shares, and/or (iii) to an Affiliate of a holder of the Class B Common Share;
- (ii) a transfer to one or more trustees of a trust established for the benefit of the holder or an Affiliate of the holder of the Class B Common Share;
- (iii) a transfer to a partnership, corporation or other entity exclusively owned or controlled by the holder of the Class B Common Share or an Affiliate of the holder of the Class B Common Share;
- (iv) transfers to organisations that are exempt from taxation under Section 501(3)(c) of the United States Internal Revenue Code of 1986, as amended (or any successor thereto).

For the avoidance of doubt, the creation of any pledge, charge, encumbrance or other security interest or third party right of whatever description on any Class B Common Shares to secure a holder's contractual or legal obligations shall not be deemed to be a transfer unless and until any such pledge, charge, encumbrance or other third party right is enforced and results in such third party (or its nominee) holding legal title to the related Class B Common Shares, in which case all the related Class B Common Shares shall be automatically and immediately converted into the same number of Class A Common Shares.

18

- (4) In the event a Major Shareholder should cease to hold Class B Common Shares, all rights afforded to such Major Shareholder in these Articles shall be automatically transferred to its respective Permitted Transferee.
- (5) if at any time, the total number of the issued and outstanding Class B Common Shares is less than 10% of the total number of shares in the capital of the Company outstanding, the Class B Common Shares then in issue shall automatically and immediately convert into Class A Common Shares and no Class B Common Shares shall be issued by the Company thereafter.

(b) **Mechanics of Conversion.**

- (1) Before any holder of Class B Common Shares shall be entitled to convert such Class B Common Shares into Class A Common Shares pursuant to subparagraph (a) (1) above, the holder shall, if available, surrender the certificate or certificates therefor, duly endorsed (where applicable), at the registered office of the Company.
- (2) Upon the occurrence of one of the bases of conversion provided for in paragraph (a) above, the Company shall enter or procure the entry of the name of the relevant holder of Class B Common Shares as the holder of the relevant number of Class A Common Shares resulting from the conversion of the Class B Common Shares in, and make any other necessary and consequential changes to, the Register of Members and shall procure that certificate(s) in respect of the relevant Class A Common Shares, together with a new certificate for any unconverted Class B Common Shares comprised in the certificate(s) surrendered by the holder of the Class B Common Shares, are issued to the holders of the Class A Common Shares and Class B Common Shares, as the case may be, if so requested.
- (3) Any conversion of Class B Common Shares into Class A Common Shares pursuant to this Article 5 shall be effected by means of the re-designation and re-classification of the relevant Class B Common Share as a Class A Common Share together with such rights and restrictions for the time being attached thereto and shall rank *pari passu* in all respects with the Class A Common Shares then in issue. Such conversion shall become effective forthwith upon entries being made in the Register of Members to record the re-designation and re-classification of the relevant Class B Common Shares as Class A Common Shares.
- (4) If the conversion is in connection with an underwritten public offering of securities, the conversion may, at the option of any holder tendering such Class B Common Shares for conversion, be conditional upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event any persons entitled to receive Class A Common Shares upon conversion of such Class B Common Shares shall not be deemed to have converted such Class B Common Shares until immediately prior to the closing of such sale of securities.

19

- (5) Upon conversion of any Class B Common Shares, the composition of the authorised share capital of the Company shall automatically be varied and amended by a reduction in the relevant number of authorised Class B Common Shares and a corresponding increase in the relevant number of authorised Class A Common Shares.

- (c) Effective upon and with effect from the conversion of a Class B Common Share into a Class A Common Share in accordance with this Article 5.4, the converted share shall be re-designated as and be treated for all purposes as a Class A Common Share and shall carry the rights and be subject to the restrictions attaching to Class A Common Shares including, without limitation, the right to one vote on matters subject to a vote at general meetings of the Company

5.5 No subdivision of Class A Common Shares into shares of an amount smaller than the nominal or par value of such shares at the relevant time shall be effected unless Class B Common Shares are concurrently and similarly subdivided in the same proportion and the same manner, and no subdivision of Class B Common Shares into shares of an amount smaller than the nominal or par value of such shares at the relevant time shall be effected unless Class A Common Shares are concurrently and similarly subdivided in the same proportion and the same manner.

5.6 No consolidation of Class A Common Shares into shares of an amount larger than the nominal or par value of such shares at the relevant time shall be effected unless Class B Common Shares are concurrently and similarly consolidated in the same proportion and the same manner, and no consolidation of Class B Common Shares into shares of an amount larger than the nominal or par value of such shares at the relevant time may be effected unless Class A Common Shares are concurrently and similarly consolidated in the same proportion and the same manner.

5.7 In the event that a dividend or other distribution is paid by the issue of Class A Common Shares or Class B Common Shares or rights to acquire Class A Common Shares or Class B Common Shares (i) holders of Class A Common Shares shall receive Class A Common Shares or rights to acquire Class A Common Shares, as the case may be; and (ii) holders of Class B Common Shares shall receive Class B Common Shares or rights to acquire Class B Common Shares, as the case may be.

5.8 No Business Combination (whether or not the Company is the surviving entity) shall proceed unless by the terms of such transaction: (i) the holders of Class A Common Shares have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B Common Shares, and (ii) the holders of Class A Common Shares have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B Common Shares. The Directors shall not approve such a transaction unless the requirements of this Article are satisfied.

5.9 No tender or exchange offer to acquire any Class A Common Shares or Class B Common Shares by any third party pursuant to an agreement to which the Company is to be a party, nor any tender or exchange offer by the Company to acquire any Class A Common Shares or Class B Common Shares shall be approved by the Company unless, by the terms of such transaction: (i) the holders of Class A Common Shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B Common Shares, and (ii) the holders of Class A Common Shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B Common Shares. The Directors shall not approve such a transaction unless the requirements of this Article are satisfied.

20

5.10 Save and except for voting rights and conversion rights and as otherwise set out in Article 4.3 and in this Article 5, Class A Common Shares and the Class B Common Shares shall rank *pari passu* and shall have the same rights, preferences, privileges and restrictions and share ratably and otherwise be identical in all respects as to all matters.

6 Share Certificates

6.1 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Directors. The Directors may

authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer or conversion shall be cancelled and subject to these Articles and, save as provided in Articles 6.3, 7 and 8 below and in the case of a conversion of shares pursuant to Article (2), no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.

- 6.2 Every share certificate of the Company shall bear legends required under applicable laws, including the Securities Act.
- 6.3 If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the Company in investigating evidence as the Directors may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery to the Company of the old certificate.

7 Lien

- 7.1 The Company shall have a first and paramount lien on every share (not being a share which is fully paid as to its par value and share premium) for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that share (including any premium payable). The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a share shall extend to any amount in respect of it.

21

- 7.2 The Company may sell in such manner as the Directors determine any shares on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen (14) Clear Days after notice has been given to the holder of the share or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold.
- 7.3 To give effect to a sale, the Directors may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser. The title of the transferee to the shares shall not be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- 7.4 The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the Company for cancellation of the certificate for the shares sold, if any, and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

8 Calls on Shares and Forfeiture

- 8.1 Subject to the terms of allotment, the Directors may make calls upon the Members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each Member shall (subject to receiving at least fourteen (14) Clear Days' notice specifying when and where payment is to be made) pay to the Company as required by the notice the amount called on his shares. A call may be required to be paid by instalments. A call may, before receipt by the Company of any sum due thereunder, be revoked in whole or in part and payment of a call may be postponed in whole or in part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.
- 8.2 A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.
- 8.3 The joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share.
- 8.4 If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or, if no rate is fixed, at an annual rate of ten percent (10%), but the Directors may waive payment of the interest wholly or in part.
- 8.5 An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call, and if it is not paid when due, all the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call.

22

- 8.6 Subject to the terms of allotment, the Directors may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares.
- 8.7 If a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than fourteen (14) Clear Days' notice requiring payment of the amount unpaid, together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.
- 8.8 If the notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.
- 8.9 Subject to the provisions of the Law, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors determine either to the person who was before the forfeiture the holder or to any other person, and at any time before a sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the Directors think fit. Where, for the purposes of its disposal a forfeited share is to be transferred to any person, the Directors may authorise any person to execute an instrument of transfer of the share to that person.
- 8.10 A person any of whose shares have been forfeited shall cease to be a Member in respect of them and shall surrender to the Company for cancellation the certificate for the shares forfeited, if any, but shall remain liable to the Company for all moneys which at the date of forfeiture were presently payable by him to the Company in respect of those shares with interest at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable, at an annual rate of ten percent (10%), from the date of forfeiture until payment but the Directors may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.
- 8.11 A statutory declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share.

9 Transfer of Shares

- 9.1 Subject to these Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by any Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a Clearing House, by hand or by Electronic Signature or by such other manner of execution as the Board may approve from time to time. Without prejudice to the generality of the foregoing, title to listed shares of the Company may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Designated Stock Exchange on which such shares are listed.

23

- 9.2 The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to Article 9.1, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers including, where applicable, in accordance with the laws and rules applicable to the Designated Stock Exchange. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
- 9.3 The Board may in its absolute discretion and without giving any reason therefor, refuse to register a transfer of any share:

- (a) that is not fully paid up (as to both par value and any premium) to a Person of whom it does not approve;
- (b) issued under any share incentive plan for employees upon which a restriction on transfer imposed thereby still subsists;
- (c) to more than four joint holders; or
- (d) on which the Company has a lien.

9.4 Without limiting the generality of Article 9.3, the Board may also decline to recognise any instrument of transfer unless:

- (a) the instrument of transfer is in respect of only one class of shares;
- (b) the Shares are fully paid (as to both par value and any premium) and free of any lien;
- (c) the instrument of transfer is lodged at the registered office or such other place at which the Register of Members is kept in accordance with the Law accompanied by any relevant share certificate(s), if any, and/or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

24

9.5 If the Directors refuse to register a transfer of a share, they shall within fifteen (15) Business Days after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

9.6 The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of any Designated Stock Exchange, be suspended and the Register of Members be closed at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.

9.7 The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.

10 Transmission of Shares

10.1 If a Member dies, the survivor, or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders shall be the only persons recognised by the Company as having any title to his interest; but nothing in these Articles shall release the estate of a deceased Member from any liability in respect of any share which had been jointly held by him.

10.2 A person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as the Directors may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the Company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All these Articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the Member and the death or bankruptcy of the Member had not occurred.

10.3 A person becoming entitled to a share by reason of the death or bankruptcy of a Member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be entitled in respect of such share to attend or vote at any meeting of the Company or at any separate meeting of the holders of any class of shares in the Company.

11 Changes of Capital

11.1 (a) Subject to and in so far as permitted by the provisions of the Law and these Articles (including, without limitation, Article 19.3), the Company may from time to time by Ordinary Resolution alter or amend the Memorandum to:

- (i) increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;

25

- (ii) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;

- (iii) convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;

- (iv) sub-divide its existing shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum provided that in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and

- (v) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

- (b) Except so far as otherwise provided by the conditions of issue, the new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

11.2 Whenever as a result of a consolidation of shares any Members would become entitled to fractions of a share, the Directors may, on behalf of those Members, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Law, the Company) and distribute the net proceeds of sale in due proportion among those Members, and the Directors may authorise some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

11.3 The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner and with and subject to any incident, consent, order or other matter required by law.

12 Redemption and Purchase of Own Shares

12.1 Subject to the provisions of the Law and these Articles, the Company may:

- (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Member on such terms and in such manner as the Directors may, before the issue of shares, determine;

- (b) purchase its own shares (including any redeemable shares) in such manner and on such terms as the Directors may determine and agree with the relevant Member; and

26

- (c) make a payment in respect of the redemption or purchase of its own shares in any manner authorised by the Law, including out of capital.

12.2 The Directors may, when making a payment in respect of the redemption or purchase of shares, if so authorised by the terms of issue of the shares (or otherwise by agreement with the holder of such shares) make such payment in cash or in specie (or partly in one and partly in the other).

12.3 Upon the date of redemption or purchase of a share, the holder shall cease to be entitled to any rights in respect thereof (excepting always the right to receive (i) the price therefor and (ii) any dividend which had been declared in respect thereof prior to such redemption or purchase being effected) and accordingly his name shall be removed from the Register of Members with respect thereto and the share shall be cancelled.

13 Treasury Shares

13.1 The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.

13.2 The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

14 Register of Members

14.1 The Company shall maintain or cause to be maintained an overseas or local Register of Members in accordance with the Law.

14.2 The Directors may determine that the Company shall maintain one or more branch registers of Members in accordance with the Law. The Directors may also determine which Register of Members shall constitute the principal register and which shall constitute the branch register or registers, and to vary such determination from time to time.

15 Closing Register of Members or Fixing Record Date

15.1 For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend or other distribution, or in order to make a determination of Members for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed thirty (30) days. If the Register shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members, the Register shall be so closed for at least ten (10) Clear Days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register.

15.2 In lieu of, or apart from, closing the Register of Members, the Directors may fix, in advance or in arrears, a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any dividend or other distribution, or in order to make a determination of Members for any other purpose, provided that such a record date shall not exceed forty (40) Clear Days prior to the date where the determination will be made.

27

15.3 If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a dividend or other distribution, the date on which notice of the meeting is sent or posted or the date on which the resolution of the Directors resolving to pay such dividend or other distribution is passed, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

16 General Meetings

16.1 An annual general meeting of the Company may at the discretion of the Board be held in the year in which these Articles were adopted and shall be held in each year thereafter at such time as determined by the Board and the Company may, but shall not (unless required by the Law) be obliged to, in each year hold any other general meeting.

16.2 The agenda of the annual general meeting shall be set by the Board and shall include the presentation of the Company's annual accounts and the report of the Directors (if any).

16.3 Annual general meetings shall be held in the City of Nova Lima, State of Minas Gerais, Brazil or in such other places as the Directors may determine.

16.4 All general meetings other than annual general meetings shall be called extraordinary general meetings and the Company shall specify the meeting as such in the notices calling it.

16.5 The Directors may, whenever they think fit, convene an extraordinary general meeting of the Company, and they shall on a Members' requisition in accordance with these Articles forthwith proceed to convene an extraordinary general meeting of the Company.

16.6 A Members' requisition is a requisition of one or more Members holding at the date of deposit of the requisition shares representing in the aggregate not less than one-third of the votes entitled to be cast at general meetings of the Company.

16.7 The Members' requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

16.8 If there are no Directors as at the date of the deposit of the Members' requisition or if the Directors do not within fourteen (14) Clear Days from the date of the deposit of the Members' requisition duly proceed to convene a general meeting to be held within a further fourteen (14) days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three (3) months after the expiration of the first said fourteen (14) Clear Day period.

28

16.9 A general meeting convened as aforesaid by requisitionists shall be convened in as close to the same manner as possible as that in which general meetings are to be convened by Directors.

16.10 Except as set forth in Articles 16.1 to 16.9, the Members have no right to propose resolutions to be considered or voted upon at annual general meetings or extraordinary general meetings of the Company.

17 Notice of General Meetings

17.1 At least ten (10) Clear Days' notice specifying the place, the day and the hour of each general meeting and the agenda of the meeting shall be given in the manner hereinafter provided, including, but not limited to, as described in Article 36, to such persons as are entitled to vote or may otherwise be entitled under these Articles to receive such notices from the Company; provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all of the Members entitled to attend and vote thereat; and

(b) in the case of an extraordinary general meeting, by a majority in number of the Members (which shall include the Major Shareholders) having a right to attend and vote at the meeting, together holding not less than 95%, in par value of the Shares giving that right.

17.2 The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a meeting by, any Person entitled to receive notice that is not a Major Shareholder shall not invalidate the proceedings at that general meeting.

18 Proceedings at General Meetings

18.1 No business shall be transacted at any meeting unless a quorum is present at the time when the meeting proceeds to business. One or more Members holding not less than one-third in aggregate of the voting power of all Shares in issue and entitled to vote, present in person or by proxy or, if a corporation or other non-natural Person, by its duly authorised representative, shall represent a quorum provided, however, that such a quorum must also include (i) Bertelsmann, for so long as it holds Class B

- 18.2 If a quorum is not present within half an hour from the time appointed for the meeting to commence or if during such a meeting a quorum ceases to be present, the meeting, if convened upon a Members' requisition, shall be dissolved and in any other case it shall stand adjourned and shall reconvene on the same day in the next week at the same time and/or place or to such other day, time and/or place as the Directors may determine, and if at the reconvened meeting a quorum is not present within half an hour from the time appointed for the meeting to commence, the Members present shall be a quorum; provided, however, that such a quorum must also include (i) Bertelsmann, for so long as it holds Class B Common Shares in excess of the Ownership Threshold, and (ii) the Esteves Family, for so long as it holds Class B Common Shares in excess of the Ownership Threshold.
- 18.3 A person may participate in a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a Member in a meeting in this manner is treated as presence in person at that meeting and is counted in a quorum and entitled to vote.
- 18.4 The Chairman or in his absence the vice-chairman of the Board (if any) shall preside as chairman of the meeting, but if neither the Chairman nor such vice-chairman (if any) is present within fifteen (15) minutes after the time appointed for holding the meeting and willing to act, the Directors present shall elect one of their number to be chairman and, if there is only one Director present and willing to act, he shall be chairman. If no Director is willing to act as chairman, or if no Director is present within fifteen (15) minutes after the time appointed for holding the meeting, the Members present in person or by proxy and entitled to vote shall choose one of their number to be chairman.
- 18.5 The order of business at each such meeting shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Company, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls. The chairman of the meeting shall announce at each such meeting the date and time of the opening and the closing of the polls for each matter upon which the Members will vote at such meeting.
- 18.6 A Director shall, notwithstanding that he is not a Member and that he has no right to vote, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company.
- 18.7 The chairman of the meeting may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time, but no business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) Clear Days' notice shall be given in the manner herein provided, including, but not limited to, as described in Article 36, specifying the time, place and agenda of the adjourned meeting. Otherwise it shall not be necessary to give any such notice.

- 18.8 At each meeting of the Members, all corporate actions, including the election of Directors, to be taken by vote of the Members (except as otherwise required by applicable law and except as otherwise provided in these Articles) shall be authorised by Ordinary Resolution. Where a separate vote by a class or classes or series is required, save as provided in Article 4.11, the affirmative vote of the majority of Shares of such class or classes or series present in person or represented by proxy at the meeting and voting shall be the act of such class or series (unless provided otherwise in the resolutions providing for the issuance of such class or series).
- 18.9 At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.
- 18.10 A poll shall be taken in such manner as the chairman of the meeting directs and he may appoint scrutineers (who need not be Members) and fix a place and time for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken.
- 18.11 The chairman of the meeting shall not be entitled to a casting vote.
- 18.12 If for so long as the Company has only one Member:
- (a) in relation to a general meeting, the sole Member or a proxy for that Member or (if the Member is a corporation) a duly authorised representative of that Member is a quorum and Article 18.1 is modified accordingly;
 - (b) the sole Member may agree that any general meeting be called by shorter notice than that provided for by these Articles; and
 - (c) all other provisions of these Articles apply with any necessary modification (unless the provision expressly provides otherwise).

19 Votes of Members

- 19.1 Subject to any rights or restrictions attached to any shares (including without limitation the enhanced voting rights attaching to Class B Common Shares provided for in Article 5), every Member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative (not being himself a Member entitled to vote) or by proxy, shall on a poll have one vote for every share of which he is the holder (or, in the case of a Class B Common Share, ten (10) votes for every Class B Common Share of which he is the holder).
- 19.2 In the case of joint holders, the vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

- 19.3 The Members shall not, without the prior written consent of (i) Bertelsmann, for so long as it holds Class B Common Shares in excess of the Ownership Threshold and (ii) the Esteves Family, for so long as it holds Class B Common Shares in excess of the Ownership Threshold:
- (a) change the number of Directors;
 - (b) change the structure, function, and/or number of the Board of Executive Officers;
 - (c) amend these Articles and/or the Memorandum;
 - (d) vary the rights attaching to any Shares;
 - (e) approve any merger or consolidation of the Company with one or more constituent companies (as defined in the Statute), the contribution by the Company of any assets to any Subsidiary and/or the creation of joint ventures by the Company;
 - (f) approve any Business Combination;
 - (g) approve the winding-up, liquidation and dissolution of the Company;
 - (h) take any action set out in Article 11.1(a);
 - (i) register the Company as an exempted limited duration Company; or
 - (j) approve the transfer by way of continuation of the Company to a jurisdiction outside the Islands.

- 19.4 A Member in respect of whom an order has been made by any court having jurisdiction (whether in the Islands or elsewhere) in matters concerning mental disorder may vote, by his receiver, curator bonis or other person authorised in that behalf appointed by that court, and any such receiver, curator bonis or other person may vote by proxy. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be received at the registered office of the Company, or at such other place as is specified in accordance with these Articles for the deposit or delivery of forms of appointment of a proxy, or in any other manner specified in these Articles for the appointment of a proxy, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.
- 19.5 No Member shall, unless the Directors otherwise determine, be entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy or by a corporate representative, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid.

32

- 19.6 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
- 19.7 Votes may be given either personally or by proxy. Deposit or delivery of a form of appointment of a proxy does not preclude a Member from attending and voting at the meeting or at any adjournment of it, save that only the Member or his proxy may cast a vote.
- 19.8 A Member entitled to more than one vote need not, if he votes, use all his votes or cast all votes he uses the same way.
- 19.9 Subject as set out herein, an instrument appointing a proxy shall be in writing in any usual form or in any other form which the Directors may approve and shall be executed by or on behalf of the appointor save that, subject to the Law, the Directors may accept the appointment of a proxy received in an Electronic Communication at an address specified for such purpose, on such terms and subject to such conditions as they consider fit. The Directors may require the production of any evidence which they consider necessary to determine the validity of any appointment pursuant to this Article.
- 19.10 Subject to Article 19.10 below, the form of appointment of a proxy and any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the Directors may:
- (a) in the case of an instrument in writing, be left at or sent by post to the registered office of the Company or such other place within the Islands or elsewhere as is specified in the notice convening the meeting or in any form of appointment of proxy sent out by the Company in relation to the meeting at any time before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote;
 - (b) in the case of an appointment of a proxy contained in an Electronic Communication, where an address has been specified by or on behalf of the Company for the purpose of receiving Electronic Communications:
 - (i) in the notice convening the meeting; or
 - (ii) in any form of appointment of a proxy sent out by the Company in relation to the meeting; or
 - (iii) in any invitation contained in an Electronic Communication to appoint a proxy issued by the Company in relation to the meeting;

33

be received at such address at any time before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote;

- (c) in the case of a poll taken more than forty-eight (48) hours after it is demanded, be deposited or delivered as required by paragraphs (a) or (b) of this Article after the poll has been demanded and at any time before the time appointed for the taking of the poll; or
- (d) where the poll is taken immediately but is taken not more than forty-eight (48) hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman of the meeting or to the secretary or to any Director;

and a form of appointment of proxy which is not deposited or delivered in accordance with this Article 19.10 or Article 19.11 is invalid.

- 19.11 Notwithstanding Article 19.10 above, the Directors may by way of note to or in any document accompanying the notice of a general meeting (or adjourned meeting) fix the latest time by which the appointment of a proxy must be communicated to or received by the Company (being not more than 48 hours before the relevant meeting).
- 19.12 A vote or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the Company at the registered office of the Company or, in the case of a proxy, any other place specified for delivery or receipt of the form of appointment of proxy or, where the appointment of a proxy was contained in an Electronic Communication, at the address at which the form of appointment was received, before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.
- 19.13 Any corporation or other non-natural person which is a Member of the Company may in accordance with its constitutional documents, or, in the absence of such provision, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.
- 19.14 If a Clearing House (or its nominee(s)) or depositary (or its nominee(s)) is a Member of the Company, it may, by resolution of its directors or other governing body or by power or attorney, authorise such Person(s) as it thinks fit to act as its representative(s) at any general meeting of the Company or of any class of shareholders of the Company, provided that, if more than one Person is so authorised, the authorisation shall specify the number and class of shares in respect of which such Person is so authorised. A Person so authorised pursuant to this Article shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) could exercise if it were an individual Member holding the number and class of shares specified in such authorisation.

34

20 Number of Directors and Chairman

- 20.1 Subject to Article 19.3, the Board shall consist of such number of Directors as a majority of the Directors then in office may determine from time to time, provided that, unless otherwise determined by the Members acting by Special Resolution, the Board shall consist of not less than four (4) Directors and not more than eleven (11) Directors.
- 20.2 **Chairman**
- (a) The Board of Directors shall have a Chairman appointed in a rotation procedure by (i) Bertelsmann, for so long as it holds Class B Common Shares in excess of the Ownership Threshold, and (ii) the Esteves Family, for so long as it holds Class B Common Shares in excess of the Ownership Threshold; thereafter, the Chairman shall be appointed by a majority of the Directors then in office. Such appointment rights shall continue indefinitely and shall alternate on a yearly basis.
 - (b) The Esteves Family shall have the right to appoint the first Chairman and, at the expiration of the term of such Chairman, Bertelsmann shall have the right to appoint the next Chairman for the following term, and so on, in each case only for so long as it holds Class B Common Shares in excess of the Ownership Threshold.
 - (c) The Directors may also elect a vice-chairman of the Board of Directors.

- (d) The Chairman shall preside as chairman at every meeting of the Board of Directors at which he is present. Where the Chairman is not present at a meeting of the Board of Directors, the vice-chairman of the Board of Directors (if any) shall act as chairman, or in his absence, the attending Directors may choose one Director to be the chairman of the meeting.

21 Appointment, Disqualification and Removal of Directors

21.1 Appointment

- (a) Bertelsmann, for so long as it holds Class B Common Shares in excess of the Ownership Threshold, shall be entitled to appoint, at its sole discretion, up to three (3) Directors, and shall be entitled at any time to remove, substitute or replace any of its appointed Directors for any reason in its sole discretion. Any such appointment, removal, substitution or replacement shall be effected by way of notice in writing to the Company signed by (or on behalf of) Bertelsmann.
- (b) The Esteves Family, for so long as it holds Class B Common Shares in excess of the Ownership Threshold, shall be entitled to appoint, at its sole discretion, up to three (3) Directors, and shall be entitled at any time to remove, substitute or replace any of its appointed Directors for any reason in its sole discretion. Any such appointment, removal, substitution or replacement shall be effected by way of notice in writing to the Company signed by (or on behalf of) the Esteves Family.

35

- (c) Bertelsmann and the Esteves Family, for so long as they hold Class B Common Shares in excess of the Ownership Threshold, shall be entitled to appoint, at their sole discretion, up to one (1) Director and shall be entitled at any time to remove, substitute or replace their appointed Director for any reason in their sole discretion (provided that if only one of Bertelsmann and the Esteves Family holds Class B Common Shares in excess of the Ownership Threshold, then only Bertelsmann or the Esteves Family, as applicable, shall have the rights pursuant to this Article 21.1(c)). Any such appointment, removal, substitution or replacement shall be effected by way of notice in writing to the Company signed by (or on behalf of) them.
- (d) Directors not appointed as set out in Articles 21.1(a), 21.1(b) and 21(c) shall be elected by an Ordinary Resolution.

21.2 Persons proposed by the Board for election by Ordinary Resolution of Members at a general meeting of the Company shall be nominated only and after consultation with the Nominating and Corporate Governance Committee (if such committee is established).

21.3 Each Director shall hold office for a two (2) year term, notwithstanding any agreement between the Company and such Director. Directors are eligible for re-election.

21.4 Any vacancies on the Board arising other than upon the removal of a Director by resolution passed at a general meeting can be filled by the remaining Director(s) (notwithstanding that the remaining Director(s) may constitute fewer than the number of Directors required by Article 20.1 or fewer than is required for a quorum pursuant to Article 28.1), except for vacancies resulted from the removal, dismissal and/or withdraw of a Bertelsmann Director or an Esteves Family Director, which shall be filled as set out in Articles 21.1(a) and 21.1(b). Any such appointment shall be as an interim Director to fill such vacancy until the next annual general meeting of Members (and such appointment shall terminate at the commencement of the annual general meeting).

21.5 Additions to the existing Board (subject to the maximum provided for in Article 20.1 above) may be made by Ordinary Resolution.

21.6 There is no age limit for Directors of the Company.

21.7 No shareholding qualification shall be required for a Director. A Director who is not a Member shall nevertheless be entitled to receive notice of and to attend and speak at general meetings of the Company.

36

21.8 While any shares of the Company are admitted to trading on a Designated Stock Exchange, the Board must at all times comply with the residency and citizenship requirements of securities laws of the United States applicable to foreign private issuers and shall at no time have a majority of Directors who are U.S. Persons. Notwithstanding any other provision in these Articles, no appointment or election of a U.S. Person as a Director shall be permitted if such appointment or election would have the effect of creating a majority of Directors who are U.S. Persons, and any such appointment or election shall be disregarded for all purposes.

21.9 Directors that are not a Bertelsmann Director or an Esteves Family Director may be removed (with or without cause) by Ordinary Resolution of Members. The notice of general meeting must contain a statement of the intention to remove the Director and must be served on the Director not less than ten (10) days before the meeting. The Director is entitled to attend the meeting and be heard on the motion for his removal.

21.10 The office of a Director shall be vacated automatically if:

- (a) he or she becomes prohibited by law from being a Director;
- (b) he or she becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) he or she dies or is, in the opinion of all his co-Directors, incapable by reason of mental disorder of discharging his duties as Director;
- (d) he or she resigns his or her office by notice to the Company; or
- (e) he or she has for more than six (6) months been absent without permission of the Directors from meetings of Directors held during that period and the remaining Directors resolve that his or her office be vacated.

22 Alternate Directors

22.1 Any Director (but not an alternate Director) may by writing appoint any other Director, or any other person willing to act, to be an alternate Director and by writing may remove from office an alternate Director so appointed by him.

22.2 An alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at every such meeting at which the Director appointing him is not personally present, to sign any written resolution of the Directors (in place of his appointor) and generally to perform all the functions of his appointor as a Director in his absence.

22.3 An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.

37

22.4 Any appointment or removal of an alternate Director shall be by written notice to the Company at its registered office, signed by the Director making or revoking the appointment, or in any other manner approved by the Directors.

22.5 Subject to the provisions of these Articles, an alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

23 Powers of Directors

23.1 Subject to the provisions of the Law, the Memorandum and these Articles (including Article 23.4 below), to any directions given by Ordinary Resolution and to the listing rules of any Designated Stock Exchange, the business of the Company shall be managed by the Directors and the delegated Officers who may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Article shall not be limited by any special power given to the Directors by these Articles and a meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors, subject to the limitations set forth in these Articles and in applicable Law.

- 23.2 Subject to Article 23.4 below, the Board may exercise all the powers of the Company to raise capital or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- 23.3 Subject to Article 23.4 below, upon any Incriminating Event, the Directors shall convene a board meeting to consider the Incriminating Event and its impact on the Company and, at that meeting, shall take one of the following actions: (i) resolve that the Member in question be suspended from their duties as Director, officer and/or employee, unpaid, for a period of no more than 6 months; (ii) resolve that the Member in question be terminated from any positions he or she holds with the Company (e.g. as Director, officer and/or employee); (iii) direct (which direction the Member in question shall be obliged to follow) that the Member in question transfer all of his or her Shares to his or her heirs and/or children; or (iv) in the event the direction in (iii) is not possible of unsuccessful, resolve that any Shares held by the Member in question be compulsorily repurchased by the Company at the mean market price per share at market close daily for the 30 days preceding the Incriminating Event. The Member in question shall be entitled to attend the relevant board meeting and to make representations on his or her behalf at that meeting. In the event the Member in question is a Director, he shall not be entitled to vote on any of the actions set out in (i) through (iv) above, notwithstanding Article 27.
- 23.4 The Directors shall not, without the prior written consent of: (i) at least one (1) Esteves Family Director, for so long as there is at least one (1) Esteves Family Director; and (ii) at least one (1) Bertelsmann Director, for so long as there is at least one (1) Bertelsmann Director:

38

- (a) create new classes of Shares, issue new Shares or any options, warrants or convertible securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of shares or securities in the capital of the Company;
- (b) repurchase or redeem any Shares;
- (c) approve the payment of any remuneration to a Director or executive Officer;
- (d) approve any Incentive Plan;
- (e) change the Company's accounting practices (including, without limitation, write-off of receivables or any amount in any other balance sheet account or income statement), except as required by applicable law;
- (f) execute and/or terminate any shareholders' agreement, quotaholders' agreement, or any other agreements related to the Company's interest in any Subsidiary;
- (g) approve the financial statements of the Company;
- (h) effect an initial public offering and/or follow-on offerings of the Company, or hire any investment banks or service providers inherent to the initial public offering;
- (i) approve the listing and/or the delisting of securities of the Company with any Designated Stock Exchange;
- (j) change the dividend policy of the Company and/or approve any Dividend, create and/or use of reserves of the Company;
- (k) approve any budget of the Company, as well as any amendment and/or change to such budget;
- (l) take any action set out in Article 23.2;
- (m) conduct, negotiate, terminate and/or amend any business, agreement, or transaction between the Company and any Related Party;
- (n) acquire, sell or encumber any permanent assets of the Company, in one transaction or in a series of transactions, which value exceeds the equivalent of two hundred and fifty thousand Brazilian Reais (R\$250,000.00);
- (o) approve any sale or encumbrance, for the benefit of a Person(s), of shares issued by any Subsidiary, or the admission of any new partner or shareholder in such Subsidiaries;
- (p) create or dissolve any committees of the Directors;

39

- (q) carry out any investments outside the scope of the core business of the Company or its Controlled Persons. For the purpose of this Article, "core business" means any activity related to the offer of higher education courses (undergraduate degrees, master's degrees, Doctor's degrees and MBAs) and does not include real estate investments and/or investments related to basic education courses (nursery, elementary and high schools);
- (r) incorporate any entity on behalf of the Company;
- (s) acquire, sell or encumber the capital stock of entities in which the Company has an interest;
- (t) appoint or terminate the engagement of any independent auditor that is not an Authorised Auditor;
- (u) provide any guarantee in respect of any Person or Related Parties of any Member of the Company and/or shareholder, director and/or Officer and/or its Subsidiaries;
- (v) negotiate, amend, renew, change, and/or terminate any Lease Agreement, or enter into any new Lease Agreement, or enter into any legal proceedings in respect of any Lease Agreement, or take any action that may affect the right to use and/or the payment of any obligation undertaken in any Lease Agreement;
- (w) appoint any executive Officer of the Company;
- (x) approve the delegation of any powers by the Board as set out in Article 24.1; or
- (y) determine what action should be taken by the Directors pursuant to Article 23.3 in case of an Incriminating Event, provided that in the event either of Bertelsmann or the Esteves Family are in any way interested in or associated with the Incriminating Event, the written consent of: (i) at least one (1) Esteves Family Director, for so long as there is at least one (1) Esteves Family Director; and/or (ii) at least one (1) Bertelsmann Director, for so long as there is at least one (1) Bertelsmann Director, as applicable and that would otherwise be required by this Article 23.4, shall not be required.

23.5 The values contemplated in Article 23.4 shall be updated annually in June by the Extended Consumer Price Index (IPCA) or any similar index that acts as a substitute.

23.5 The exercise of voting rights by the Company in relation to any of its Subsidiaries or exercise of voting rights by any member of the board of directors of any such Subsidiaries appointed by the Company, with respect to the matters listed in Article 23.4 shall always be subject to the prior written consent of: (i) at least one (1) Esteves Family Director, for so long as there is at least one (1) Esteves Family Director; and (ii) at least one (1) Bertelsmann Director, for so long as there is at least one (1) Bertelsmann Director.

40

24 Delegation of Directors' Powers, Service Providers and Acts of Improbability

24.1 Subject to these Articles, the Directors may from time to time appoint any Person, whether or not a Director, to hold such office in the Company as the Directors may think necessary for the administration of the Company, including without prejudice to the foregoing generality, the offices of chief executive officer, chief operating officer and chief financial officer ("**Board of Executive Officers**"), one or more vice presidents, managers or controllers, at such remuneration (whether by way of salary or

commission or participation in profits or partly in one way and partly in another) and with such powers and duties as the Directors may think fit. The executive Officers of the Company elected shall have an unified term of two (2) years.

- 24.2 Subject to the overall authority of the Board of Directors to manage the affairs of the Company, the day-to-day operations and activities of the Company shall be exercised by the Board of Executive Officers formed by at least two (2) and no more than seven (7) Officers, namely: (i) one (1) Chief Executive Officer; (ii) one (1) Chief Financial Officer; and (iii) the other Officers without a specific designation. Bertelsmann Directors will have the right to appoint the Chief Financial Officer of the Company, for so long as there is at least one (1) Bertelsmann Director. Bertelsmann Directors and the Esteves Family Directors will have the right to appoint the Chief Executive Officer of the Company, for so long as there is at least one (1) Bertelsmann Director and/or (1) Esteves Family Director.
- 24.3 The Board may, subject to Article 23.4, change the structure, composition and/or function of the executive officers of the Subsidiaries of the Company.
- 24.4 Without limiting the generality of Article 24.1, the Directors may appoint one or more of their body to the office of managing Director or to any other executive office under the Company, and the Company may enter into an agreement or arrangement with any Director for his/her employment, subject to applicable law and any listing rules of the SEC or any Designated Stock Exchange, or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms as the Directors determine and they may remunerate any such Director for his services as they think fit. Any appointment of a Director to an executive office shall terminate automatically if he ceases to be a Director but without prejudice to any claim to damages for breach of the contract of service between the Director and the Company.
- 24.5 The Directors and/or the executive Officers (minimum of two (2) Officers, acting jointly, being one the Company's chief executive officer) may, by power of attorney or otherwise, appoint any person to be the agent of the Company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers.
- 24.6 Subject to applicable law and the listing rules of any Designated Stock Exchange, the Directors may delegate any of their powers to any committee (including, without limitation, an Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee), consisting of one or more Directors. They may also delegate to any executive Officer or committee of executive Officers such of their powers as they consider desirable to be exercised by him or them. Any such delegation may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of its own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee with two or more members shall be governed by the provisions of these Articles regulating the proceedings of Directors so far as they are capable of applying. Where a provision of these Articles refers to the exercise of a power, authority or discretion by the Directors and that power, authority or discretion has been delegated by the Directors to a committee, the provision shall be construed as permitting the exercise of the power, authority or discretion by the committee.

41

- 24.7 Without limiting the generality of Article 24.6, the Board shall establish a permanent Audit Committee and may establish a Compensation Committee and a Nominating and Corporate Governance Committee and, where such committees are established, the Board may adopt formal written charters for such committees and, if so, shall review and assess the adequacy of such formal written charters on an annual basis. Each of these committees shall be empowered to do all things necessary to exercise the rights of such committee set forth in these Articles and shall have such powers as the Board may delegate pursuant to Article 24.6 and as required by the rules of the Designated Stock Exchange or applicable law. Each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, if established, shall consist of such number of directors as the Board shall from time to time determine (or such minimum number as may be required from time to time by any Designated Stock Exchange). For so long as any class of Shares is listed on a Designated Stock Exchange, the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee shall be made up of such number of Independent Directors as is required from time to time by the rules of the Designated Stock Exchange or otherwise required by applicable law.
- 24.8 At least one (1) member of the Audit Committee will be an audit committee financial expert as determined by the rules adopted by the Designated Stock Exchange. Such financial expert shall have a special past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication.
- 24.9 The Company shall not use any agent, representative, or sales consultant, unless such agent, representative, or sales consultant has been properly vetted by the Company to ensure they maintain good business practices and operate in compliance with Anti-Corruption Laws.
- 24.10 The Company and its Members shall not violate any Brazilian Anti-Corruption Laws or laws related to acts of improbity.

25 Remuneration and Expenses of Directors

- 25.1 The Directors shall be entitled to such remuneration as the Board may determine and, unless otherwise determined, the remuneration shall be deemed to accrue from day to day. If established, the Compensation Committee will assist the Board in reviewing and approving compensation decisions.

42

- 25.2 Members of the Audit Committee may be paid annual compensation in the form of a fixed salary in such amount as the Board may determine.
- 25.3 A Director who, at the request of the Directors, goes or resides outside of their place of residence at the time of appointment due to a request of the Company, makes a special journey or performs a special service on behalf of the Company may be paid such reasonable additional remuneration (whether by way of salary, percentage of profits or otherwise) and expenses as the Directors may decide.
- 25.4 The Directors may be paid all traveling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

26 Directors' Gratuities and Pensions

The Directors may cause the Company to provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any existing Director or any Director who has held but no longer holds any executive office or employment with the Company or with any body corporate which is or has been a Subsidiary of the Company or a predecessor in business of the Company or of any such subsidiary, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

27 Directors' Interests

- 27.1 Subject to the Law, the listing rules of any Designated Stock Exchange and Article 23.3, if a Director has disclosed to the other Directors the nature and extent of any direct or indirect interest which the Director has in any transaction or arrangement with the Company, a Director notwithstanding his office:
- (a) may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
 - (b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and
 - (c) shall not by reason of his office be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

- 27.2 For the purposes of Article 27.1:

43

(a) a general notice given to the Directors to the effect that (1) a Director is a member or officer of a specified company or firm and is to be regarded as having an interest in any transaction or arrangement which may after the date of the notice be made with that company or firm; or (2) a Director is to be regarded as interested in any transaction or arrangement which may after the date of the notice be made with a specified person who is connected with him or her shall be deemed to be a sufficient disclosure that the Director has an interest of the nature and extent so specified; and

(b) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

27.3 A Director must disclose any direct or indirect interest in any transaction or arrangement with the Company, and following a declaration being made pursuant to these Articles, subject to any separate requirement for Audit Committee approval under applicable law or the listing rules of any Designated Stock Exchange, and unless disqualified by the chairman of the relevant meeting, a Director may vote in respect of any such transaction or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

27.4 Notwithstanding the foregoing, no "Independent Director" (as defined herein) and with respect of whom the Board has determined constitutes an "Independent Director" for purposes of compliance with applicable law or the Company's listing requirements, shall without the consent of the Audit Committee take any of the foregoing actions or any other action that would reasonably be likely to affect such Director's status as an "Independent Director" of the Company.

28 Proceedings of Directors

28.1 The quorum for the transaction of the business of the Directors shall be a simple majority of the Directors then in office (subject to there being a minimum of two (2) Directors present), provided, however, that such a quorum must also include at least one (1) Esteves Family Director for so long as there is at least one (1) Esteves Family Director and one (1) Bertelsmann Director for so long as there is at least one (1) Bertelsmann Director. A person who holds office as an alternate Director shall, if his appointor is not present, be counted in the quorum. A Director who also acts as an alternate Director shall, if his appointor is not present, count twice towards the quorum, but one such Director shall not constitute a quorum on his own.

28.2 Subject to the provisions of these Articles, the Directors may regulate their proceedings as they determine is appropriate. Unless otherwise required by these Articles or by applicable Law, questions subject to the approval of the Board and/or questions arising at any meeting of the Board shall be decided by a majority of votes provided, however, that any such majority must also include at least one (1) Esteves Family Director for so long as there is at least one (1) Esteves Family Director and one (1) Bertelsmann Director for so long as there is at least one (1) Bertelsmann Director. Neither the Chairman of the Board, nor the chairman of the meeting will have a second or casting vote. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

44

28.3 Meetings of the Directors shall be held on a bimonthly basis and shall take place either in the City of Nova Lima, in the State of Minas Gerais, Brazil or at such other place as the Directors may determine.

28.4 A Person may participate in a meeting of the Directors or any committee of Directors by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a person in a meeting in this manner is treated as presence in person at that meeting and is counted in a quorum and entitled to vote.

28.5 A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of the Directors (an alternate Director being entitled to sign such a resolution on behalf of his appointor and if such alternate Director is also a Director, being entitled to sign such resolution both on behalf of his appointor and in his capacity as a Director) shall be as valid and effective as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held. Unless otherwise provided by its terms, such a resolution shall be effective from the date and time of the last signature.

28.6 A Director or alternate Director may, and another Officer on the direction of a Director or alternate Director shall, call a meeting of the Directors by at least five (5) Business Days' notice in writing to every Director and alternate Director which notice shall set forth time, place and agenda for the respective meeting unless notice is waived by all the Directors (or their alternates) either at, before or after the meeting is held. To any such notice of a meeting of the Directors all the provisions of these Articles relating to the giving of notices by the Company to the Members shall apply mutatis mutandis.

28.7 Notwithstanding Article 28.6, if all Directors so agree to the meeting, a Director or alternate Director may, or other Officer on the direction of a Director or alternate Director may, call a meeting of the Directors on shorter notice than is provided for in Article 28.6 by notice in writing to every Director and alternate Director, which notice shall set forth the general nature of the business to be considered.

28.8 Subject to these Articles, the continuing Directors (or a sole continuing Director, as the case may be) may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to be equal to such fixed number, or of summoning a general meeting of the Company, but for no other purpose.

28.9 All acts done by any meeting of the Directors or of a committee of the Directors (including any person acting as an alternate Director) shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director or alternate Director, and/or that they or any of them were disqualified, and/or had vacated their office and/or were not entitled to vote, be as valid as if every such person had been duly appointed and/or not disqualified to be a Director or alternate Director and/or had not vacated their office and/or had been entitled to vote, as the case may be.

45

28.10 A Director who is present at a meeting of the Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Company immediately after the conclusion of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

29 Secretary and Other Officers

The Directors may by resolution appoint a Secretary and may by resolution also appoint such other Officers as may from time to time be required upon such terms as to the duration of office, remuneration and otherwise as they may think fit PROVIDED THAT, the Directors may only appoint persons as directors of the Company in accordance with Article 21.3. Such Secretary or other Officers need not be Directors and in the case of the other Officers may be ascribed such titles as the Directors may decide. The Directors may by resolution remove from that position any Secretary or other Officer appointed pursuant to this Article.

30 Minutes

The Directors shall cause minutes to be made in books kept for the purposes of recording:

(a) all appointments of Officers made by the Directors; and

(b) all resolutions and proceedings of meetings of the Company, of the holders of any class of shares in the Company and of the Directors and of committees of Directors, including the names of the Directors present at each such meeting.

31 Seal

31.1 The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of Directors authorised by the Directors. The Directors may determine who shall sign any instrument to which the Seal is affixed, and unless otherwise so determined every such instrument shall be signed by a Director or by such other person as the Directors may authorise.

31.2 The Company may have for use in any place or places outside the Islands a duplicate Seal or Seals, each of which shall be a reproduction of the Seal of the Company and, if the Directors so determine, shall have added on its face the name of every place where it is to be used.

31.3 The Directors may by resolution determine (i) that any signature required by this Article need not be manual but may be affixed by some other method or system of

31.4 No document or deed otherwise duly executed and delivered by or on behalf of the Company shall be regarded as invalid merely because at the date of the delivery of the deed or document, the Director, Secretary or other Officer or person who shall have executed the same or affixed the Seal thereto, as the case may be, for and on behalf of the Company shall have ceased to hold such office and authority on behalf of the Company.

32 Dividends

32.1 Subject to the provisions of the Law, the Company may by Ordinary Resolution declare dividends (including interim dividends) in accordance with the respective rights of the Members, but no dividend shall exceed the amount recommended by the Directors.

32.2 Subject to the provisions of the Law, the Directors may declare dividends in accordance with the respective rights of the Members and authorise payment of the same out of the funds of the Company lawfully available therefor. If at any time the share capital is divided into different classes of shares, the Directors may pay dividends on shares which confer deferred or non-preferred rights with regard to dividends as well as on shares which confer preferential rights with regard to dividends, but no dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears that there are sufficient funds of the Company lawfully available for distribution to justify the payment. Provided the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of a dividend on any shares having deferred or non-preferred rights.

32.3 The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares in the capital of the Company) as the Directors may from time to time think fit.

32.4 Except as otherwise provided by the rights attached to shares and subject to Article 15, all dividends shall be paid in proportion to the number of shares a Member holds as of the date the dividend is declared; save that (a) if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly; and (b) where the Company has shares in issue which are not fully paid up (as to par value) the Company may pay dividends in proportion to the amount paid up on each share.

32.5 The Directors may deduct from a dividend or other amounts payable to a person in respect of a share any amounts due from him to the Company on account of a call or otherwise in relation to a share.

32.6 Any Ordinary Resolution or Directors' resolution declaring a dividend may direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to such distribution, the Directors may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any Member upon the footing of the value so fixed in order to adjust the rights of Members and may vest any assets in trustees.

32.7 Any dividend or other moneys payable on or in respect of a share may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the Register of Members or to such person and to such address as the person or persons entitled may in writing direct. Subject to any applicable law or regulations, every cheque shall be made payable to the order of the person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the Company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share.

32.8 No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

32.9 Any dividend which has remained unclaimed for six years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

33 Financial Year, Accounting Records and Audit

33.1 Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31 December in each year and, following the year of incorporation, shall begin on 1 January each year.

33.2 The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors. The books of account shall be kept at the registered office or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

33.3 No Member shall be entitled to require discovery of or any information with respect to any detail of the Company's trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interests of the Members of the Company to communicate to the public.

33.4 The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books and corporate records of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by applicable law, the listing rules of any Designated Stock Exchange or authorised by the Directors.

33.5 Subject to Articles 33.4, and 33.6 a printed copy of the Directors' report, if any, accompanied by the consolidated statements of financial position, profit or loss, comprehensive income (loss), cash flows and changes in shareholders' equity, including every document required by the Law to be annexed thereto, made up to the end of applicable financial year, shall be sent to the Members at least ten (10) Business Days before the date of the general meeting and laid before the Company at the annual general meeting held in accordance with Article 16.2, provided that this Article 33.5 shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares.

33.6 The requirement to send to a Person referred to in Article 33.5 the documents referred to in that Article shall be deemed satisfied where, in accordance with all applicable laws, rules and regulations, including, without limitation, the rules of any Designated Stock Exchange, the Company publishes copies of the documents referred to in Article 33.5 on the Company's Website, transmits it to SEC's website or in any other permitted manner (including by sending any other form of Electronic Communication), and that person has agreed or is deemed by the Company to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.

33.7 Subject to applicable law and to the rules of any Designated Stock Exchange, the accounts relating to the Company's affairs shall, on an annual basis, be audited by an Authorised Auditor chosen by the Directors.

33.8 The Directors, having considered the recommendations of the Audit Committee, shall appoint an auditor of the Company who shall hold office until removed from office by a resolution of the Board, and shall fix his or their remuneration.

33.9 Every auditor of the Company shall have a right of access at all times to the books and accounts of the Company and shall be entitled to require from the Directors and Officers such information and explanation as may be necessary for the performance of the duties of the auditors.

34 Capitalisation of Profits

The Directors may:

- (a) subject as provided in this Article, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the Company's share premium account or capital redemption reserve;

49

- (b) appropriate the sum resolved to be capitalised to the Members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to such sum, and allot the shares or debentures credited as fully paid to those Members, or as they may direct, in those proportions, or partly in one way and partly in the other, provided that on any such capitalisation holders of Class A Common Shares shall receive Class A Common Shares (or rights to acquire Class A Common Shares, as the case may be) and holders of Class B Common Shares shall receive Class B Common Shares (or rights to acquire Class B Common Shares, as the case may be);
- (c) resolve that any shares so allotted to any Member in respect of a holding by him of any partly-paid shares rank for dividend, so long as such shares remain partly paid, only to the extent that such partly paid shares rank for dividend;
- (d) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this Article in fractions; and
- (e) authorise any person to enter on behalf of all the Members concerned into an agreement with the Company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they may be entitled upon such capitalisation, any agreement made under such authority being binding on all such Members.

35 Share Premium Account

35.1 The Directors shall in accordance with Section 34 of the Law establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed as described in Article 4.12.

35.2 There shall be debited to any share premium account:

- (a) on the redemption or purchase of a share the difference between the nominal value of such share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by Section 37 of the Law, out of capital; and
- (b) any other amounts paid out of any share premium account as permitted by Section 34 of the Law.

36 Notices

36.1 Except as otherwise provided in these Articles and subject to the rules of any Designated Stock Exchange, any notice or document may be served by the Company or by the Person entitled to give notice to any Member either personally or by posting it airmail or by air courier service in a prepaid letter addressed to such Member at his address as appearing in the Register of Members, or by electronic mail to any electronic mail address such Member may have specified in writing for the purpose of such service of notices, or by advertisement in appropriate newspapers in accordance with the requirements of any Designated Stock Exchange or by placing it on the Company's Website. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

50

36.2 Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.

36.3 Any notice or other document, if served by:

- (a) post, shall be deemed to have been served five days after the time when the letter containing the same is posted;
- (b) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service;
- (c) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail; or
- (d) placing it on the Company's Website, shall be deemed to have been served one (1) hour after the notice or document is placed on the Company's Website.

36.3.1 In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

36.4 A Member present, either in person or by proxy, at any meeting of the Company or of the holders of any class of shares in the Company shall be deemed to have received notice of the meeting, and, where requisite, of the purpose for which it was called.

36.5 Any notice or document delivered or sent by post to or left at the registered address of any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.

36.6 Notice of every general meeting of the Company shall be given to:

51

- (a) all Members holding Shares with the right to receive notice and who have supplied to the Company an address, facsimile number or email address for the giving of notices to them; and
- (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

36.7 The Company shall make available to any Member, upon request, any agreements executed between the Company and its Related Parties, any shareholder agreements to which the Company is a party and the details of any Incentive Plan.

37 Winding Up

Subject to Article 19.3:

37.1 The Board shall have the power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

37.2 If the Company is wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Law, divide among the Members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the

benefit of the Members as he with the like sanction determines, but no Member shall be compelled to accept any assets upon which there is a liability.

- 37.3 If the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst the Members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

38 Indemnity

- 38.1 Every Indemnified Person for the time being and from time to time of the Company and the personal representatives of the same shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages, liabilities, judgments, fines, settlements and other amounts (including reasonable attorneys' fees and expenses and amounts paid in settlement and costs of investigation (collectively "**Losses**") incurred or sustained by him otherwise than by reason of his own dishonesty, wilful default or fraud in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any Losses incurred by him in defending or investigating (whether successfully or otherwise) any civil, criminal, investigative and administrative proceedings concerning or in any way related to the Company or its affairs in any court whether in the Islands or elsewhere. Such Losses incurred in defending or investigating any such proceeding shall be paid by the Company as they are incurred upon receipt, in each case, of an undertaking by or on behalf of the Indemnified Person to repay such amounts if it is ultimately determined by a non-appealable order of a court of competent jurisdiction that such Indemnified Person is not entitled to indemnification hereunder with respect thereto.

52

- 38.2 No such Indemnified Person of the Company and the personal representatives of the same shall be liable (i) for the acts, receipts, neglects, defaults or omissions of any other Director or Officer or agent of the Company or (ii) by reason of his having joined in any receipt for money not received by him personally or in any other act to which he was not a direct party for conformity or (iii) for any loss on account of defect of title to any property of the Company or (iv) on account of the insufficiency of any security in or upon which any money of the Company shall be invested or (v) for any loss incurred through any bank, broker or other agent or any other party with whom any of the Company's property may be deposited or (vi) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities or discretions of his office or in relation thereto or (vii) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on such Person's part, unless he has acted dishonestly, with wilful default or through fraud.

- 38.3 The Company hereby acknowledges that certain Indemnified Persons may have certain rights to indemnification, advancement of expenses and/or insurance from or against (other than directors' and officers' or similar insurance obtained or maintained by or on behalf of the Company or any of its subsidiaries, including any such insurance obtained or maintained pursuant to Article 38.4 hereof) Other Indemnitors. The Company hereby agrees that: (i) it is the indemnitor of first resort (i.e., its obligations to an Indemnified Person are primary and any obligation of any Other Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Indemnified Person are secondary); (ii) it shall be required to advance the full amount of expenses incurred by an Indemnified Person and shall be liable for the full amount of all Losses to the extent legally permitted and as required by the terms of these Articles (or any other agreement between the Company and an Indemnified Person) without regard to any rights an Indemnified Person may have against any Other Indemnitors; and (iii) it irrevocably waives, relinquishes and releases any Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by any Other Indemnitors on behalf of an Indemnified Person with respect to any claim for which such Indemnified Person has sought indemnification from the Company shall affect the foregoing, and without prejudice to Article 39 below, Other Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Indemnified Person against the Company. For the avoidance of doubt, no Person or entity providing directors' or officers' or similar insurance obtained or maintained by or on behalf of the Company or any of its subsidiaries, including any Person providing such insurance obtained or maintained pursuant to Article 38.4 hereof, shall be an Other Indemnitor.

53

- 38.4 The Directors may exercise all the powers of the Company to purchase and maintain insurance for the benefit of a Person who is or was (whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Article 38 or under applicable law): (a) a Director, alternate Director, Secretary or auditor of the Company or of a company which is or was a subsidiary of the Company or in which the Company has or had an interest (whether direct or indirect); or (b) the trustee of a retirement benefits scheme or other trust in which a person referred to in Article 38.1 is or has been interested, indemnifying him against any liability which may lawfully be insured against by the Company.

39 Claims Against the Company

Notwithstanding Article 38.3, unless otherwise determined by a majority of the Board, in the event that (i) any Member (the "**Claiming Party**") initiates or asserts any claim or counterclaim ("**Claim**") or joins, offers substantial assistance to or has a direct financial interest in any Claim against the Company and (ii) the Claiming Party (or the third party that received substantial assistance from the Claiming Party or in whose Claim the Claiming Party had a direct financial interest) does not obtain a judgment on the merits in which the Claiming Party prevails, then each Claiming Party shall, to the fullest extent permissible by law, be obligated jointly and severally to reimburse the Company for all fees, costs and expenses (including, but not limited to, all reasonable attorneys' fees and other litigation expenses) that the Company may incur in connection with such Claim.

40 Untraceable Members

- 40.1 Without prejudice to the rights of the Company under Article 40.2, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two (2) consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

- 40.2 The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:

- (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three (3) in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Articles of the Company have remained uncashed;

54

- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and

- (c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers to be made in accordance with the requirements of, the Designated Stock Exchange of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

40.2.1 For the purposes of the foregoing, the "relevant period" means the period commencing twelve (12) years before the date of publication of the advertisement referred to in this Article 40.2 and ending at the expiry of the period referred to in that paragraph.

- 40.3 To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such persons shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

41 Amendment of Memorandum of Articles

- 41.1 Subject to the Law and these Articles, the Company may by Special Resolution change its name or change the provisions of the Memorandum with respect to its objects, powers or any other matter specified therein.
- 41.2 Subject to the Law and as provided in these Articles, the Company may at any time and from time to time by Special Resolution, alter or amend these Articles in whole or in part.

42 Transfer by Way of Continuation

The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

The following is a description of our outstanding securities registered under Section 12 of the Exchange Act as required pursuant to the relevant Items under Form 20-F. As of December 31, 2021, Afya Limited (“we,” “us,” and “our”) had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common shares, par value US\$0.00005 per share	AFYA	Nasdaq Global Select Market

We were incorporated on March 22, 2019 as a Cayman Islands exempted company with limited liability duly registered with the Cayman Islands Registrar of Companies. Our corporate purposes are unrestricted and we have the authority to carry out any object not prohibited by law as provided by Section 7(4) of the Companies Act (as revised) of the Cayman Islands, or the Companies Act.

Our affairs are governed principally by (i) our Amended and Restated Memorandum and Articles of Association; (ii) the Companies Act; and (iii) the common law of the Cayman Islands. As provided in our Amended and Restated Memorandum and Articles of Association, subject to Cayman Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, and, for such purposes, full rights, powers and privileges. Our registered office is c/o Maples Corporate Services Limited, P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

CLASS A COMMON SHARES

Item 9. General**9.A.3 Preemptive rights**

See “—Item 10.B Memorandum and articles of association—Preemptive or Similar Rights” below.

9.A.5 Type and class of securities

As of December 31, 2021, Afya had a total issued share capital of RS17 thousand, represented by 93,722,831 common shares comprised by 46,265,141 Class A common shares, and 45,802,763 Class B common shares and 1,654,927 common shares held in treasury and 150,000 Series A perpetual convertible preferred shares.

As of December 31, 2021, our total authorized share capital was US\$50,000, divided into 1,000,000,000 shares par value US\$0.00005 each, of which: (i) 500,000,000 shares are designated as Class A common shares; (ii) 250,000,000 shares are designated as Class B common shares; and (iii) 250,000,000 shares of such class or classes (howsoever designated) and having the rights as the Board may determine.

The Amended and Restated Memorandum and Articles of Association currently authorize two classes of common shares: Class A common shares, which are entitled to one vote per share, and Class B common shares, which are entitled to 10 votes per share and to maintain a proportional ownership interest in the event that additional Class A common shares are issued. Any holder of Class B common shares may convert his or her shares at any time into Class A common shares on a share-for-share basis. The rights of the two classes of common shares are otherwise identical, except as described in our Amended and Restated Memorandum and Articles of Association. The implementation of this dual class equity structure was required by the Esteves Family and Crescera, our principal shareholders in the year of 2019, as a condition of undertaking the initial public offering of our common shares. See “—Anti-Takeover Provisions in Our Articles of Association—Two Classes of Common Shares.”

Item 9.A.6. Limitations or qualifications

Not applicable.

Item 9.A.7. Other rights

Not applicable.

1

Item 10.B Memorandum and articles of association

The following information describes our Class A common shares and provisions set forth by our Amended and Restated Memorandum and Articles of Association, the Companies Act; and the common law of the Cayman Islands. This description is only a summary. You should read and refer to our Amended and Restated Memorandum and Articles of Association included as Exhibit 1.2 to our annual report on Form 20-F for the fiscal year ended December 31, 2021.

Description of Our Amended and Restated Memorandum and Articles of Association**History of Share Capital**

On July 19, 2019, our registration statement on Form F-1 (File No 333-232309), as amended, was declared effective by the SEC for to our initial public offering of our Class A common shares, pursuant to which we sold a total of 15,805,841 Class A common shares, par value \$0.00005 per share, at a public offering price of US\$19.00 per share.

On February 6, 2020, our registration statement on Form F-1 (File No 333-236246), as amended, was declared effective by the SEC for a public offering of our Class A common shares, pursuant to which we sold a total of 3,260,480 Class A common shares, par value \$0.00005 per share, at a public offering price of US\$27.50 per share.

On April 26, 2021, we announced that the SoftBank Latin America Fund, or SoftBank, agreed to purchase RS\$822 million, equivalent to US\$150 million, of Afya’s Series A perpetual convertible preferred shares, subject to customary closing conditions. In addition, Crescera Educacional II Fundo de Investimento em Participações Multiestratégia and the Esteves Family agreed to sell 2,270,208 Class A common shares to SoftBank. In connection with such sale, at the time, Paulo Passoni from SoftBank was appointed as a board member of Afya, being replaced by Maria Tereza Azevedo in 2022. The key terms of the Series A perpetual convertible preferred shares, as set forth under the relevant certificate of designations, are: (i) 6.5% per annum cumulative dividend payable quarterly and in Brazilian reais (payable in U.S. dollars in Brazilian reais equivalent); (ii) SoftBank shall have the right at any time, to convert its Series A perpetual convertible preferred shares into 5,917,888 common shares, at an initial conversion price established at US\$25.35; (iii) SoftBank shall have the right to redeem any time after the 5th year anniversary at 105% premium; and (iv) Afya will have the right to force conversion after the 3rd year anniversary if forced conversion trigger conditions are satisfied. The Series A perpetual convertible preferred share will be entitled to the same voting rights as the common shares only when converted into common shares. For further information, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness—Financing—Series A Perpetual Convertible Shares” in our annual report on Form 20-F for the fiscal year ended December 31, 2021 and note 13.2.1(f) to our audited consolidated financial statements included elsewhere in our annual report on Form 20-F for the fiscal year ended December 31, 2021. SoftBank and its affiliates will beneficially own approximately 8.4% of the total shares of the Company (on an as-converted basis for the Series A perpetual convertible preferred shares).

As of December 31, 2021, Afya had 1,654,927 shares in treasury.

General

Our shareholders adopted our Amended and Restated Memorandum and Articles of Association, effective as of August 5, 2021, included as Exhibit 1.2 to our annual report on Form 20-F for the fiscal year ended December 31, 2021. The following summary is subject to and qualified in its entirety by Afya Limited’s Amended and Restated Memorandum and Articles of Association. This is not a summary of all the significant provisions of our Amended and Restated Memorandum and Articles of Association, of the Companies Act or of the common law of the Cayman Islands and does not purport to be complete. Capitalized terms used but not defined herein have the meanings given to them in our annual report on Form 20-F for the fiscal year ended December 31, 2021.

Corporate Purposes

Our corporate purposes are unrestricted and we have the authority to carry out any object not prohibited by law as provided by Section 7(4) of the Companies Act.

2

Issuance of Shares

Except as expressly provided in our Articles of Association, our board of directors has general and unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any unissued shares in the company’s capital without the approval of our shareholders (whether forming part of the original or any increased share capital), either at a premium or at par, with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, on such terms and conditions, and at such times as the directors may decide, but so that no share shall be issued at a discount, except in accordance with the provisions of the Companies Act. In accordance with its Articles of Association, Afya shall not issue bearer shares.

Our Articles of Association provide that at any time that there are Class A common shares in issue, additional Class B common shares may only be issued pursuant to (i) a share split, subdivision of shares or similar transaction or where a dividend or other distribution is paid by the issue of shares or rights to acquire shares or following capitalization of profits, (ii) a merger, consolidation, or other business combination, or (iii) an issuance of shares including Class A common shares or any other class of share designated as a common share pursuant to the Articles of Association, whereby each holder of the Class B common shares is entitled to purchase a number of Class B common shares that would allow it to maintain its proportional ownership interests in Afya (following an offer by Afya to each holder of Class B common shares to issue to such holder, upon the same economic terms and at the same price, such number of Class B common shares as would ensure such holder may maintain a proportional ownership

interest in Afya pursuant to our Articles of Association). In light of: (a) the above provisions; (b) the fact that future transfers by holders of Class B common shares will generally result in those shares converting to Class A common shares, subject to limited exceptions as provided in the Articles of Association; and (c) the ten-to-one voting ratio between our Class B common shares and Class A common shares, means that holders of our Class B common shares will in many situations continue to maintain control of all matters requiring shareholder approval. This concentration of ownership and voting power will limit or preclude your ability to influence corporate matters for the foreseeable future. For more information see “—Preemptive or Similar Rights.”

Our Articles of Association also provide that the issuance of non-voting common shares requires the affirmative vote of a majority of the then-outstanding Class A common shares and the prior written consent of a Bertelsmann Director and Esteves Family Director as set out below in “—Proceedings of the Board of Directors.”

Fiscal Year

Our fiscal year begins on January 1 of each year and ends on December 31 of the same year.

Voting Rights

The holders of the Class A common shares and Class B common shares have identical rights, except that (i) the holder of Class B common shares is entitled to 10 votes per share, whereas holders of Class A common shares are entitled to one vote per share, (ii) Class B common shares have certain conversion rights and (iii) the holders of Class B common shares are entitled to maintain their proportional ownership interest in the event that common shares and/or preferred shares are proposed to be issued. For more information see below “—Preemptive or Similar Rights” and “—Conversion.” The holders of Class A common shares and Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, except as provided below and as otherwise required by law.

Our Articles of Association provide as follows regarding the respective rights of holders of Class A common shares and Class B common shares:

- (i) Class consents from the holders of Class A common shares or Class B common shares, as applicable, shall be required for any variation to the rights attached to their respective class of shares, however, the directors may treat any two or more classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposal;
- (ii) the rights conferred on holders of Class A common shares shall not be deemed to be varied by the creation or issue of further Class B common shares and vice versa; and

3

(iii) the rights attaching to the Class A common shares and the Class B common shares shall not be deemed to be varied by the creation or issue of shares with preferred or other rights, including, without limitation, shares with enhanced or weighted voting rights.

As set forth in the Articles of Association, the holders of Class A common shares and Class B common shares, respectively, do not have the right to vote separately if the number of authorized shares of such class is increased or decreased. Rather, the number of authorized Class A common shares and Class B common shares may be increased or decreased (but not below the number of shares of such class then outstanding) by the affirmative vote of the holders of a majority of the voting power of the issued and outstanding Class A common shares and Class B common shares, voting together in a general meeting.

Preemptive or Similar Rights

The Class A common shares and Class B common shares are not entitled to preemptive rights upon transfer and are not subject to conversion (except as described below under “—Conversion”), redemption or sinking fund provisions.

The Class B common shares are entitled to maintain a proportional ownership interest in the event that additional common and/or preferred shares are issued. As such, if Afya issues common and/or preferred shares, it must first make an offer to each holder of Class B common shares to issue to such holder on the same economic terms such number of Class B common shares as would ensure such holder may maintain a proportional ownership interest in Afya. This right to maintain a proportional ownership interest may be waived by all of the holders of Class B common shares, such waiver to remain effective until the date specified therein or 12 months from the date of the waiver.

Conversion

The outstanding Class B common shares are convertible at any time as follows: (i) at the option of the holder, a Class B common share may be converted at any time into one Class A common share or (ii) upon the election of the holders of all the then issued and outstanding Class B common shares, all outstanding Class B common shares may be converted into a like number of Class A common shares. In addition, each Class B common share will convert automatically into one Class A common share upon any transfer, whether or not for value, except for certain transfers described in the Articles of Association, including transfers to holders of Class B common shares, to affiliates, transfers to Bertelsmann SE & Co. KGaA and any of its affiliates, to and between the Esteves Family, Bertelsmann, their family members and their respective children, heirs and successors, trusts solely for the benefit of the shareholder or their affiliates, and to partnerships, corporations and other entities exclusively owned or controlled by the Class B shareholder or their affiliates and certain transfers to organizations that are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Furthermore, each Class B common share will convert automatically into one Class A common share and no Class B common shares will be issued thereafter if, at any time, the total number of the issued and outstanding Class B common shares is less than 10% of the total number of shares outstanding. To the extent that Bertelsmann or the Esteves Family cease to be a Class B common shareholder, the rights nominally vested to each shall vest in their permitted transferee within the meaning of our Articles of Association.

No class of our common shares may be subdivided or combined unless the other class of common shares is concurrently subdivided or combined in the same proportion and in the same manner.

Equal Status

Except as expressly provided in our Articles of Association, Class A common shares and Class B common shares have the same rights and privileges and rank equally, share ratably and are identical in all respects as to all matters.

In the event of any merger, consolidation, scheme, arrangement or other business combination requiring the approval of our shareholders entitled to vote thereon (whether or not Afya is the surviving entity), the holders of Class A common shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B common shares, and the holders of Class A common shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B common shares. In the event of any (i) tender or exchange offer to acquire any Class A common shares or Class B common shares by any third-party pursuant to an agreement to which Afya is a party, or (ii) any tender or exchange offer by Afya to acquire any Class A common shares or Class B common shares, the holders of Class A common shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B common shares, and the holders of Class A common shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B common shares.

4

Record Dates

For the purpose of determining shareholders entitled to notice of, or to vote at any general meeting of shareholders or any adjournment thereof, or shareholders entitled to receive dividend or other distribution payments, or in order to make a determination of shareholders for any other purpose, Our board of directors may set a record date which shall not exceed 40 clear days prior to the date where the determination will be made.

General Meetings of Shareholders

As a condition of admission to a shareholders' meeting, a shareholder must be duly registered as a shareholder of Afya at the applicable record date for that meeting and, in order to vote, all calls or installments then payable by such shareholder to Afya in respect of the shares that such shareholder holds must have been paid.

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative not being himself or herself a shareholder entitled to vote) shall have one vote per Class A common share and 10 votes per Class B common share.

As a Cayman Islands exempted company, Afya is not obliged by the Companies Act to call annual general meetings; however, the Articles of Association provide that in each year the company will hold an annual general meeting of shareholders, at a time determined by the board of directors, provided that the board of directors of Afya has the discretion whether or not to hold an annual general meeting. For the annual general meeting of shareholders the agenda will include, among other things, the presentation of the annual accounts and the report of the directors. In addition, the agenda for an annual general meeting of shareholders will only include such items as have been included therein by the board of directors.

Also, Afya may, but is not required to (unless required by the laws of the Cayman Islands), hold other extraordinary general meetings during the year. General meetings of shareholders are generally expected to take place in Nova Lima, Brazil, but may be held elsewhere if the directors so decide.

The Companies Act provides shareholders a limited right to request a general meeting and does not provide shareholders with any right to put any proposal before a general meeting in default of a company's Articles of Association. However, these rights may be provided in a company's Articles of Association. Our Articles of Association provide that upon the requisition of one or more shareholders representing not less than one-third of the voting rights entitled to vote at general meetings, the board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. The Articles of Association provide no other right to put any proposals before annual general meetings or extraordinary general meetings.

Subject to regulatory requirements, the annual general meeting and any extraordinary general meetings must be called by not less than 10 clear calendar days' notice prior to the relevant shareholders meeting and convened by a notice discussed below. Alternatively, upon the prior consent of all holders entitled to receive notice, with regards to the annual general meeting, and the holders of 95% in par value of the shares entitled to attend and vote at an extraordinary general meeting, that meeting may be convened by a shorter notice and in a manner deemed appropriate by those holders.

Afya will give notice of each general meeting of shareholders by publication on its website and in any other manner that it may be required to follow in order to comply with Cayman Islands law, Nasdaq and SEC requirements. The holders of registered shares may be given notice of a shareholders' meeting by means of letters sent to the addresses of those shareholders as registered in our shareholders' register, or, subject to certain statutory requirements, by electronic means.

5

Holders whose shares are registered in the name of DTC or its nominee, which we expect will be the case for all holders of Class A common shares, will not be a shareholder or member of the company and must rely on the procedures of DTC regarding notice of shareholders' meetings and the exercise of rights of a holder of the Class A common shares.

A quorum for a general meeting consists of any one or more persons holding or representing by proxy not less than one-third of the aggregate voting power of all shares in issue and entitled to vote upon the business to be transacted, provided that such a quorum must also include (i) Bertelsmann for so long as it holds Class B common shares in excess of 10% of the total number of outstanding Class B common shares (referred to herein as the "Ownership Threshold"), and (ii) the Esteves Family for so long as it holds Class B common shares in excess of the Ownership Threshold.

A resolution put to a vote at a general meeting shall be decided on a poll. An ordinary resolution to be passed by the shareholders at a general meeting requires the affirmative vote of a simple majority of the votes cast by, or on behalf of, the shareholders entitled to vote, present in person or by proxy and voting at the meeting. A special resolution requires the affirmative vote on a poll of no less than two-thirds of the votes cast by the shareholders entitled to vote who are present in person or by proxy at a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our Company, as permitted by the Companies Act and our Articles of Association.

Pursuant to our Articles of Association, general meetings of shareholders are to be chaired by the chairman of our board of directors or in his absence the vice-chairman of the board of directors. If the chairman or vice-chairman of our board of directors is absent, the directors present at the meeting shall appoint one of them to be chairman of the general meeting. If neither the chairman nor another director is present at the general meeting within 15 minutes after the time appointed for holding the meeting, the shareholders present in person or by proxy and entitled to vote may elect any one of the shareholders to be chairman. The order of business at each meeting shall be determined by the chairman of the meeting and he or she shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Company, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls. The chairman shall not have the right to vote in his capacity as chairman and shall not have a casting vote.

Liquidation Rights

If Afya is voluntarily wound up, the liquidator, after taking into account and giving effect to the rights of preferred and secured creditors and to any agreement between Afya and any creditors that the claims of such creditors shall be subordinated or otherwise deferred to the claims of any other creditors and to any contractual rights of set-off or netting of claims between Afya and any person or persons (including without limitation any bilateral or any multi-lateral set-off or netting arrangements between the company and any person or persons) and subject to any agreement between Afya and any person or persons to waive or limit the same, shall apply our property in satisfaction of its liabilities *pari passu* and subject thereto shall distribute the property amongst the shareholders according to their rights and interests in Afya.

Special Matters

Afya may not without the prior written consent of (i) Bertelsmann for so long as it holds Class B common shares and (ii) the Esteves Family for so long as it holds Class B common shares in excess of the Ownership Threshold: change the number of directors; change the structure, function, and/or number of the board of executive officers (which comprises the three senior executive officers that manage the day-to-day business activities of Afya, subject to the overall supervision of the board of directors); amend its Memorandum and Articles of Association; vary the rights attaching to shares; approve any merger or consolidation of Afya with one or more constituent companies (as defined in the Companies Act), the contribution by Afya of any assets to any subsidiary and/or the creation of any joint venture by Afya; approve any business combination; approve the winding-up, liquidation or dissolution of Afya; or take certain actions in respect of its share capital as set out in the Articles of Association; register as an exempted limited duration company; or approve the transfer by way of continuation of Afya to a jurisdiction outside the Cayman Islands.

6

Anti-Corruption and Anti-Money Laundering

Our Articles of Association contain stringent anti-corruption, anti-money laundering and certain other related measures applicable to us, our officers and directors, and its service providers. The Articles of Association provide that if one of our shareholders is found to have been involved in an act of corruption, money laundering or other related irregular act, the directors shall convene a meeting to consider the circumstances of such incident, and establish a course of action to be taken against such shareholder. The actions range from (i) suspending such shareholder from his/her duties as a director, officer and/or employee (if applicable) of the Company; (ii) terminating such duties; (iii) directing such shareholder to transfer the entirety of his/her shareholding in the Company to his/her children and/or heirs; or (iv) if such transfer is not possible, resolve that the shares in the Company owned by such shareholder be mandatorily redeemed by us. Further, our Articles of Association provide that we shall not engage the services of any provider that has been found to violate applicable anti-corruption laws, and further provide that we and our shareholders shall not violate applicable anti-corruption laws.

Changes to Capital

Subject to the restrictions contained in the Articles of Association and summarized above in "—Special Matters," Afya may from time to time by ordinary resolution:

- increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- convert all or any of its paid-up shares into stock and reconvert that stock into paid up shares of any denomination;
- subdivide its existing shares or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by the Company for an order confirming such reduction, reduce its share capital or any capital redemption reserve in any manner permitted by law.

In addition, subject to the provisions of the Companies Act and our Articles of Association, Afya may:

- issue shares on terms that they are to be redeemed or are liable to be redeemed;
- purchase its own shares (including any redeemable shares); and
- make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Companies Act, including out of its own capital.

Transfer of Shares

Subject to any applicable restrictions set forth in the Articles of Association, any shareholder of Afya may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or in the form prescribed by the Nasdaq or any other form approved by the Company's board of directors.

The Class A common shares are traded on the Nasdaq in book-entry form and may be transferred in accordance with our Articles of Association and Nasdaq's rules and regulations.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any common share which is either not fully paid up to a person of whom it does not approve or is issued under any share incentive scheme for employees which contains a transfer restriction that is still applicable to such common share. The board of directors may also decline to register any transfer of any common share unless:

7

- the instrument of transfer is lodged with Afya, accompanied by the certificate (if any) for the common shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;

- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the common shares transferred are free of any lien in favor of Afya; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If the directors refuse to register a transfer they are required, within 15 business days after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

Share Repurchases

The Companies Act and the Articles of Association permit Afya to purchase its own shares, subject to certain restrictions. The board of directors may only exercise this power on behalf of Afya, and subject to the Companies Act, the Articles of Association and to any applicable requirements imposed from time to time by the SEC, the Nasdaq, or by any recognized stock exchange on which our securities are listed. Set forth below is a description of our share repurchase programs.

1st Share Repurchase Program Our Board of Directors approved a share buyback program on December 23, 2020. Under the share buyback program, Afya may repurchase up to 1,015,844 of its outstanding Class A common shares in the open market, based on prevailing market prices, or in privately negotiated transactions, over a period beginning on December 24, 2020 continuing until the earlier of the completion of the repurchase or December 31, 2021, depending upon market conditions. We intend to repurchase the shares to execute the stock option program for the executives of the company and expect to utilize our existing funds to fund repurchases made under this program. Our Board of Directors also authorized management to appoint BofA Securities, Inc. as our agent to purchase Securities on its behalf in the open market. It is our intention such purchases benefit from the safe harbor provided by Rule 10b-18 (“Rule 10b-18”) promulgated by the SEC under the Exchange Act. Accordingly, we shall not take, nor permit any person or entity under its control to take, any action that could jeopardize the availability of Rule 10b-18 for purchases of our common shares under the program. The share buyback program was completed on October 21, 2021, upon the completion of the purchase of the full amount of Class A common shares permitted under the program.

2nd Share Repurchase Program After the completion of our first share repurchase program on October 21, 2021 that resulted in the purchase of 1,015,844 Class A common shares, our Board of Directors approved a new share repurchase program on October 27, 2021. Under the second share repurchase program, Afya may repurchase up to 1,383,108 of its outstanding Class A common shares in the open market, based on prevailing market prices, or in privately negotiated transactions, beginning on October 28, 2021 until the earlier of the completion of the repurchase or December 31, 2022, depending upon market conditions. We intend to repurchase the shares to execute the stock option program for the executives of the company and expect to utilize our existing funds to fund repurchases made under this program. The Board of Directors of Afya also authorized management to appoint BofA Securities, Inc. as its agent to purchase the shares on its behalf in the open market. It is Afya’s intention that such purchases benefit from the safe harbor provided by Rule 10b-18 promulgated by the SEC under the Exchange Act. Accordingly, Afya shall not take, nor permit any person or entity under its control to take, any action that could jeopardize the availability of Rule 10b-18 for purchases under the program. The second repurchase program was completed upon the purchase of the full amount of Class A common shares permitted under the second repurchase program.

3rd Share Repurchase Program After the completion of our second share repurchase program, which resulted in the purchase of 1,383,108 Class A common shares, our Board of Directors has approved a new share repurchase program on January 27, 2022. Under the third repurchase program, Afya may repurchase up to 1,874,457 of its outstanding Class A common shares which represents 4% of its free float, in the open market, based on prevailing market prices, or in privately negotiated transactions, beginning on January 27, 2022 until the earlier of the completion of the repurchase or December 31, 2022, depending upon market conditions.

8

The share repurchases may be made from time to time through open market transactions and are subject to market and business conditions, levels of available liquidity, cash requirements for other purposes, regulatory, and other relevant factors. Afya intends to repurchase the shares for use in its stock option program, as consideration in future business combination transactions and for general corporate purposes. Afya expects to utilize its existing funds and future dividends to be received from Afya Brazil to fund repurchases made under this program. Afya’s Board of Directors will review the share repurchase program periodically and may authorize adjustments to its terms and size or suspend or discontinue the program.

The Board of Directors of Afya also authorized management to appoint BofA Securities, Inc. as its agent to purchase the shares on its behalf in the open market. It is Afya’s intention that such purchases benefit from the safe harbor provided by Rule 10b-18 promulgated by the SEC under the Exchange Act. Accordingly, Afya shall not take, nor permit any person or entity under its control to take, any action that could jeopardize the availability of Rule 10b-18 for purchases under the program.

Dividends and Capitalization of Profits

We have not adopted a dividend policy with respect to payments of any future dividends by Afya. Subject to the Companies Act, our shareholders may, by resolution passed by a simple majority of the voting rights entitled to vote at a general meeting, declare dividends (including interim dividends) to be paid to shareholders but no dividend shall be declared in excess of the amount recommended by the board of directors. The board of directors may also declare dividends. Dividends may be declared and paid out of funds lawfully available to Afya. Except as otherwise provided by the rights attached to shares and the Articles of Association of Afya, all dividends shall be paid in proportion to the number of Class A common shares or Class B common shares a shareholder holds at the date the dividend is declared (or such other date as may be set as a record date); but, (i) if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly, and (ii) where we have shares in issue which are not fully paid up (as to par value) we may pay dividends in proportion to the amounts paid up on each share.

The holders of Class A common shares and Class B common shares shall be entitled to share equally in any dividends that may be declared in respect of our common shares from time to time. In the event that a dividend is paid in the form of Class A common shares or Class B common shares, or rights to acquire Class A common shares or Class B common shares, (i) the holders of Class A common shares shall receive Class A common shares, or rights to acquire Class A common shares, as the case may be; and (ii) the holders of Class B common shares shall receive Class B common shares, or rights to acquire Class B common shares, as the case may be.

Series A perpetual convertible preferred share rank senior to our common with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company. The holders of Series A perpetual convertible preferred share are entitled to a cumulative dividend at the rate of 6.5% per annum, payable quarterly in arrears. Dividends are payable in kind through the issuance of additional Series A perpetual convertible preferred share, in cash, or in any combination of both, at our discretion. In the year ended December 31, 2021, holders of the Series A perpetual convertible preferred shares received dividends in kind with a value in the aggregate of approximately R\$22.1 million and in cash amounting to US\$4.2 million. The holders of the Series A perpetual convertible preferred share are also entitled to participate in dividends declared or paid on our common stock on an as-converted basis.

Appointment, Disqualification and Removal of Directors

Afya is managed by its board of directors. The Articles of Association provide that, unless otherwise determined by a special resolution of shareholders, the board of directors will be composed of four to 11 directors, with the number being determined by a majority of the directors then in office. There are no provisions relating to retirement of directors upon reaching any age limit. The Articles of Association also provide that, while our shares are admitted to trading on Nasdaq, the board of directors must always comply with the residency and citizenship requirements of the U.S. securities laws applicable to foreign private issuers. Bertelsmann for so long as it holds Class B common shares may appoint up to three directors at its discretion (and is entitled at any time to remove substitute or replace such directors) (“Bertelsmann Directors”), and the Esteves Family for so long as it holds Class B common shares in excess of the Ownership Threshold may appoint up to three directors at its discretion (and is entitled at any time to remove substitute or replace such directors) (“Esteves Family Directors”), in addition for so long as both hold Class B common shares, they may appoint a further director (the “Joint Director”) and are entitled at any time to remove, substitute or replace the Joint Director. The board of directors shall have a chairman that for so long as both Bertelsmann and the Esteves Family hold Class B common shares in excess of the Ownership Threshold, which chairman is appointed in rotation for a term of a year by each of them as prescribed in the Articles of Association, such right to be exercised initially by Bertelsmann. Once neither Bertelsmann nor the Esteves Family hold Class B common shares in excess of the Ownership Threshold, the chairman is elected by the board of directors then in office instead. The directors may elect a vice chairman of the board of directors.

9

Subject to the foregoing, the Articles of Association provide that directors shall be elected by an ordinary resolution of our shareholders, which requires the affirmative vote of a simple majority of the votes cast on the resolution by the shareholders entitled to vote who are present, in person or by proxy, at the meeting. Each director shall be appointed and elected for a two-year term or until his or her death, resignation or removal, and is eligible for re-election.

For the names of our directors, see “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Board of Directors.”

Any vacancies on the board of directors that arise other than in respect of the Bertelsmann and/or Esteves Family director appointments set out above or upon the removal of a director by resolution passed at a general meeting can be filled by the remaining directors (notwithstanding that they may constitute less than a quorum). Any such appointment shall be as an interim director to fill such vacancy until the next annual general meeting of shareholders.

Subject to the foregoing, additions to the existing board (within the limits set pursuant to the Articles of Association) may be made by ordinary resolution of the shareholders.

Our board of directors has an audit committee in place. See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Audit Committee.”

Grounds for Removing a Director

A director may be removed with or without cause by ordinary resolution, save that each Bertelsmann Director may be removed by Bertelsmann at its discretion and each Esteves Family Director may be removed by the Esteves Family at its discretion.

The notice of general meeting must contain a statement of the intention to remove the director and must be served on the director not less than 10 calendar days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal.

The office of a director will be vacated automatically if he or she (i) becomes prohibited by law from being a director, (ii) becomes bankrupt or makes an arrangement or composition with his creditors, (iii) dies or is in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director, (iv) resigns his office by notice to us or (v) has for more than six months been absent without permission of the directors from meetings of the board of directors held during that period, and the remaining directors resolve that his or her office be vacated. Further, the Directors may remove a Director as set out above in “—Anti-Corruption.”

Proceedings of the Board of Directors

The Articles of Association provide that our business is to be managed and conducted by the board of directors, save that Afya may not without (i) the consent of a Bertelsmann Director while there is a Bertelsmann Director and (ii) the consent of an Esteves Family Director while there is an Esteves Family Director: create new classes of shares, issue new shares, options, warrants or convertible securities of similar nature conferring the right upon the holders thereof to subscribe for purchase or receive any class of shares or securities in the capital of Afya; repurchase or redeem any shares; approve the payment of any remuneration to a Director or executive Officer; approve any incentive plan (as set out in the Articles of Association); change our accounting practices except as required by applicable law; execute and/or terminate any shareholders’ agreement, quotaholders’ agreement, or any other agreements related to our interest in any subsidiary; approve our financial statements; effect an initial public offering and/or follow-on offerings of Afya, or hire any investment banks or service providers inherent to the initial public offering; approve the listing and/or the delisting of our securities with any designated stock exchange; change our dividend policy and/or approve any dividend, create and/or use our reserves; approve any budget, as well as any amendment and/or change to such budget; conduct, negotiate, terminate and/or amend any business, agreement, or transaction between Afya and any related party; acquire, sell or encumber any of our permanent assets, in one transaction or in a series of transactions, which value exceeds the equivalent of RS250 thousands; approve any sale or encumbrance, for the benefit of a person of shares issued by any subsidiary, or the admission of any new partner or shareholder in such subsidiaries; create or dissolve any committees of the Directors; carry out any investments outside the scope of the core business of Afya or its controlled persons (as set out in the Articles of Association); incorporate any entity; acquire, sell or encumber the capital stock of entities in which Afya has an interest; appoint or terminate the engagement of any auditor that is not an Authorized Auditor as set out in the Articles of Association; provide any guarantee in respect of any person or related person of any of our shareholders, director and/or officers inter alia; negotiate, amend, renew, change or terminate any lease agreement or enter into any new lease agreement; appoint any executive officer; approve the delegation of any powers by the board of directors; or take actions in connection with the Company’s Anti-Corruption measures.

10

The quorum necessary for the board meeting shall be a simple majority of the directors then in office (subject to there being a minimum of two directors present), provided that such a quorum must include at least one Bertelsmann Director for so long as there is at least one Bertelsmann Director and one Esteves Family Director for so long as there is one Esteves Family Director and business at any meeting shall be decided by a majority of votes, provided such a majority must include at least one Bertelsmann Director for so long as there is at least one Bertelsmann Director and one Esteves Family Director for so long as there is one Esteves Family Director. In the case of an equality of votes, neither the chairman of the board nor the chairman of the meeting shall have a casting vote.

Subject to the foregoing and the provisions of the Articles of Association, the board of directors may regulate its proceedings as they determine is appropriate. Board meetings shall be held at least once every calendar quarter and shall take place either in Nova Lima, Brazil, or at such other place as the directors may determine.

Subject to the provisions of the Articles of Association, to any directions given by ordinary resolution of the shareholders and the listing rules of the Nasdaq, the board of directors may from time to time at its discretion exercise all powers of Afya, including, subject to the Companies Act, the power to issue debentures, bonds and other securities of the company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third-party.

Inspection of Books and Records

Holders of Afya shares have no general right under Cayman Islands law to inspect or obtain copies of the list of shareholders or corporate records of the Company. However, the board of directors may determine from time to time whether and to what extent our accounting records and books shall be open to inspection by shareholders who are not members of the board of directors. Notwithstanding the above, the Articles of Association provide shareholders with the right to receive annual financial statements and upon request agreements executed by the Company and its Related Parties (as defined in the Articles of Association), shareholder agreements to which the Company is a party and details of any incentive plan). Such right to receive annual financial statements may be satisfied by publishing the same on the company’s website or filing such annual reports as we are required to file with the SEC.

Register of Shareholders

The Class A common shares are held through DTC, and DTC or Cede & Co., as nominee for DTC, and recorded in the shareholders’ register as the holder of our Class A common shares.

Under Cayman Islands law, Afya must keep a register of shareholders that includes:

- the names and addresses of the shareholders, a statement of the shares held by each member and of the amount paid or agreed to be considered as paid, on the shares of each member;
- whether voting rights attach to the shares in issue;

11

- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of shareholders of Afya is *prima facie* evidence of the matters set out therein (i.e., the register of shareholders will raise a presumption of fact on the matters referred to above unless rebutted) and a shareholder registered in the register of shareholders is deemed as a matter of Cayman Islands law to have *prima facie* legal title to the shares as set against his or her name in the register of shareholders.

However, there are certain limited circumstances where an application may be made to a Cayman Islands court for a determination on whether the register of members reflects the correct legal position. Further, the Cayman Islands court has the power to order that the register of members maintained by a company should be rectified where it considers that the register of members does not reflect the correct legal position. If an application for an order for rectification of the register of members were made in respect of our ordinary shares, then the validity of such shares may be subject to re-examination by a Cayman Islands court.

Exempted Company

Afya is an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company’s register of shareholders is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with no par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, we comply with the Nasdaq rules in lieu of following home country practice.

Anti-Takeover Provisions in Our Articles of Association

Some provisions of the Articles of Association may discourage, delay or prevent a change in control of Afya or management that shareholders may consider favorable. In particular, the capital structure of Afya concentrates ownership of voting rights in the hands of the Esteves Family and Bertelsmann. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of Afya to first negotiate with the board of directors. However, these provisions could also have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of the Class A common shares that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the management of Afya. It is possible that these provisions could make it more difficult to accomplish transactions that shareholders may otherwise deem to be in their best interests.

12

Two Classes of Common Shares

The Class B common shares of Afya are entitled to 10 votes per share, while the Class A common shares are entitled to one vote per share. Since they own all of the Class B common shares of Afya, the Esteves Family and Bertelsmann currently have the ability to elect all directors and to determine the outcome of most matters submitted for a vote of shareholders. This concentrated voting control could discourage others from initiating any potential merger, takeover, or other change of control transaction that other shareholders may view as beneficial.

So long as the Esteves Family and Bertelsmann have the ability to determine the outcome of most matters submitted to a vote of shareholders as well as the overall management and direction of Afya, third parties may be deterred in their willingness to make an unsolicited merger, takeover, or other change of control proposal, or to engage in a proxy contest for the election of directors. As a result, the fact that Afya has two classes of common shares may have the effect of depriving you as a holder of Class A common shares of an opportunity to sell your Class A common shares at a premium over prevailing market prices and make it more difficult to replace the directors and management of Afya.

Preferred Shares

Our board of directors is given wide powers to issue one or more classes or series of shares with preferred rights. Such preferences may include, for example, dividend rights, conversion rights, redemption privileges, enhanced voting powers and liquidation preferences.

Despite the anti-takeover provisions described above, under Cayman Islands law, our board of directors may only exercise the rights and powers granted to them under the Articles of Association, for what they believe in good faith to be in the best interests of Afya.

Series A Perpetual Convertible Preferred Shares

On April 26, 2021, we announced that the SoftBank Latin America Fund, or SoftBank, agreed to purchase R\$822 million, equivalent to US\$150 million, of Afya's Series A perpetual convertible preferred shares, subject to customary closing conditions. The key terms of the Series A perpetual convertible preferred shares, as set forth under the relevant certificate of designations, are: (i) 6.5% per annum cumulative dividend payable quarterly and in Brazilian reais (payable in U.S. dollars in Brazilian reais equivalent); (ii) SoftBank shall have the right at any time, to convert its Series A perpetual convertible preferred shares into 5,917,888 common shares, at an initial conversion price established at US\$25.35; (iii) SoftBank shall have the right to redeem any time after the 5th year anniversary at 105% premium; and (iv) Afya will have the right to force conversion after the 3rd year anniversary if forced conversion trigger conditions are satisfied. The Series A perpetual convertible preferred share will be entitled to the same voting rights as the common shares only when converted into common shares. Holders of the Series A perpetual convertible preferred share are also entitled to a separate class vote with respect to, among other things, amendments to the Company's organizational documents in a manner materially adverse to the rights, preferences, privileges or voting power of the Series A perpetual convertible preferred share, authorization or issuances by the Company of securities that are senior to, or equal in priority with, the Series A perpetual convertible preferred share, increases in the number of authorized shares of Series A perpetual convertible preferred share, and issuances of Series A perpetual convertible preferred share after the issuance date, other than shares issued as in-kind dividends with respect to the Series A perpetual convertible preferred share issued after the issuance date. Except for the right to participate in any issuance of new equity securities by the Company as set forth in the securities purchase agreement for the Series A perpetual convertible preferred share, the holders of Series A perpetual convertible preferred share shall not have any preemptive rights. For further information on our outstanding Series A perpetual convertible preferred shares, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness—Financing—Series A Perpetual Convertible Shares" in our annual report on Form 20-F for the fiscal year ended December 31, 2021 and note 13.2.1(f) to our audited consolidated financial statements included elsewhere in our annual report on Form 20-F for the fiscal year ended December 31, 2021.

13

Protection of Non-Controlling Shareholders

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of the shares of Afya in issue, appoint an inspector to examine the Company's affairs and report thereon in a manner as the Grand Court shall direct.

Subject to the provisions of the Companies Act, any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that this winding up is just and equitable.

Notwithstanding the U.S. securities laws and regulations that are applicable to Afya, general corporate claims against Afya by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Articles of Association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents, which permit a minority shareholder to commence a representative action against Afya, or derivative actions in our name, to challenge (i) an act which is ultra vires or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers themselves control Afya, and (iii) an irregularity in the passing of a resolution that requires a qualified (or special) majority.

14

LIST OF SUBSIDIARIES OF AFYA LIMITED

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Afya Participações S.A. (“Afya Brazil”)	Brazil
Instituto Tocantinense Presidente Antônio Carlos Porto S.A. – (“ITPAC Porto”)	Brazil
Instituto Tocantinense Presidente Antônio Carlos S.A. – (“ITPAC Araguaína”)	Brazil
União Educacional do Vale do Aço S.A. – (“UNIVAÇO”)	Brazil
IPTAN - Instituto de Ensino Superior Presidente Tancredo de Almeida Neves S.A. (“IPTAN”)	Brazil
Instituto de Educação Superior do Vale do Pamaíba S.A. (“IESVAP”)	Brazil
Centro de Ciências em Saúde de Itajubá S.A. (“CCSI”)	Brazil
Instituto de Ensino Superior do Piauí	Brazil
Centro Integrado de Saúde de Teresina	Brazil
FADEP – Faculdade Educacional de Pato Branco Ltda	Brazil
Medcel Editora e Eventos S.A. (“Medcel”)	Brazil
Instituto Educacional Santo Agostinho S.A. (“FASA”)	Brazil
ESMC Educação Superior Ltda. (“ESMC”)	Brazil
Instituto de Pesquisa e Ensino Médico do Estado de Minas Gerais Ltda (“IPEMED”)	Brazil
Instituto Paraense de Educação e Cultura Ltda	Brazil
Sociedade Universitária Redentor S.A. (“UniRedentor”)	Brazil
Centro Universitário São Lucas Ltda. (“UniSL”)	Brazil
PebMed Instituição de Pesquisa Médica e Serviços Tecnológicos da Área da Saúde	Brazil
Faculdade de Ensino Superior da Amazônia Reunida – (“FESAR”)	Brazil
Centro Superior de Ciências da Saúde S/S Ltda. (“FCMPB”)	Brazil
MedPhone Tecnologia em Saúde Ltda. (“MedPhone”)	Brazil
iClinic Desenvolvimento de Software Ltda	Brazil
Medicinae Solutions S.A. (“Medicinae”)	Brazil
Medical Harbour Aparelhos Médico Hospitalares e Serviços em Tecnologia Brazil	Brazil
Cliquefarma Drogarias Online Ltda.(“Cliquefarma”)	Brazil
Shosp Tecnologia da Informação Ltda. (“Shosp”)	Brazil
Sociedade Padrão de Educação Superior Ltda. (“UnifipMoc”)	Brazil
Companhia Nilza Cordeiro Herdy de Educação e Cultura. (“Unigranrio”)	Brazil
Policlínica e Centro de Estética Duque de Caxias Ltda. (“Policlínica”)	Brazil
Sociedade Educacional de Palhoça S/A Ltda. (“SOCIESP”)	Brazil
Instituto de Ensino Superior de Palhoça S/S Ltda. (“IESP PALHOÇA”)	Brazil
RX PRO Soluções de Tecnologia Ltda. (“RX PRO”)	Brazil
RX PRO LOG Transporte e Logística Ltda. (“RX PRO LOG”)	Brazil
União Educacional do Planalto Central S.A. (“UEPC”)	Brazil
BMV Atividades Médicas Ltda.	Brazil
NASPP – Núcleo de Atenção à Saúde e de Práticas Profissionalizantes Ltda.	Brazil
Cardiopapers Solucoes Digitais Ltda.	Brazil

CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER

I, Virgilio Deloy Capobianco Gibbon, certify that:

1. I have reviewed this annual report on Form 20-F for the year ended December 31, 2021 of Afya Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 29, 2022

/s/ Virgilio Deloy Capobianco Gibbon
Virgilio Deloy Capobianco Gibbon
Chief Executive Officer

CERTIFICATION BY THE PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Luis André Carpintero Blanco, certify that:

1. I have reviewed this annual report on Form 20-F for the year ended December 31, 2021 of Afya Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 29, 2022

/s/ Luis André Carpintero Blanco
Luis André Carpintero Blanco
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Afya Limited (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2021 of the Company (the "Report"), as filed with the U.S. Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2022

/s/ Virgilio Deloy Capobianco Gibbon
Virgilio Deloy Capobianco Gibbon
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Afya Limited (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2021 of the Company (the "Report"), as filed with the U.S. Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Luis André Carpintero Blanco
Luis André Carpintero Blanco
Chief Financial Officer

Date: April 29, 2022

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-251147) pertaining to the Long-term Incentive Plan of Afya Limited of our reports dated March 31, 2022, with respect to the consolidated financial statements of Afya Limited, and the effectiveness of internal control over financial reporting of Afya Limited, included in its Annual Report (Form 20-F) for the year ended December 31, 2021.

/s/ ERNST & YOUNG
Auditores Independentes S.S.

Belo Horizonte, Brazil
April 29, 2022