

Hapvida Participações e Investimentos S.A.

**Individual and consolidated
financial statements
June 30, 2019**

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Quarterly Results – 2nd Quarter 2019

- Net revenue of R\$ 1.3 billion (+ 14.9%)
- EBITDA of R\$ 268.0 million (+ 28.2%)
- EBITDA Margin of 21.0% (+ 2.2 pp)
- Net income of R\$ 227.1 million (+ 51.4%)
- Total MLR of 59.9% (improvement of 1.1 p.p.)
- Number of health and dental members grows 7.1% and exceeds 4 million lives

Hapvida Participações e Investimentos S.A.

B3: HAPV3 - "New Market"

Stock price: R\$ 44.26

Shares outstanding: 727,686,573

Market cap: R\$ 32.7 billion

Contacts: ri@hapvida.com.br

2Q19 Conference Call

August 14, 2019 (Wednesday)

Portuguese (with simultaneous translation into English)

11hs (Brasília time) | 10hs (US/DST)

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MESSAGE FROM MANAGEMENT

The last few months have been very intense and transformational for Hapvida. Our operation in Joinville (state of Santa Catarina), which inaugurated our entry into the southern region of Brazil, is already in full swing, with a fully-verticalized care delivery structure comprised of one high complexity general hospital, two clinics and two image diagnostic units. In May, we announced the acquisition of *Grupo São Francisco*, one of Brazil's leading supplementary healthcare companies, with a vertical business model and high operational performance. Also in May, we announced the acquisition of a hospital named *Hospital das Clínicas e Fraturas do Cariri* in Juazeiro do Norte (state of Ceará), in order to expand the Company's region of operation in the Northeast. In June, we announced the acquisition of Grupo América, in the metro region of Goiânia (state of Goiás), with a service structure that includes hospitals, clinics and diagnostic units. Following this, in July, we announced the acquisition of *RN Saúde*, headquartered in the city of Uberaba (state of Minas Gerais), in the *Triângulo Mineiro* region.

Those recent movements reinforce our geographic expansion strategy and put us on a national leadership position in number of members. Most importantly, all of these acquisitions complement each other and will be used as platforms for us to develop the Hapvida business model in other regions, generating not only synergies with our company but also with each other. All of those these acquisitions is subject to the approval of the National Supplementary Health Agency (*Agência Nacional de Saúde Suplementar*) ("ANS") and the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*).

In July, we concluded our first issuance of debentures, in the amount of R\$ 2.0 billion, in 2 (two) series with maturities of five and seven years, contributing to a better capital structure for the company. The issuance was rated investment grade (AAA) by Fitch Ratings, confirming Hapvida's financial and operational soundness. Also in July, we successfully concluded a subsequent shares offering (follow on) in a total amount of up to R\$ 2.6 billion. The proceeds from the two operations mentioned above will be used to strengthen our proprietary care delivery structures and those of the companies that were newly acquired companies or are in the process of acquisition. In line with our expansion strategy, the proceeds will also be used to fund future acquisitions as well as to strengthen our working capital.

In the second quarter of 2019, we maintained an important growth and profitability pace, always focusing on welcoming our customers, quality of services and discipline in cost efficiency. We surpassed the mark of 4 million health and dental clients and presented revenue growth in both collective and individual portfolios. The good operating performance in the period with a MLR of 59.9%, combined with appropriate management of general & administrative expenses with a ratio of 10.3%, led our net income to grow 51.4% in the quarter, reaching R\$ 227.1 million with a return on average equity (ROAE) of 71.6% in the last twelve months.

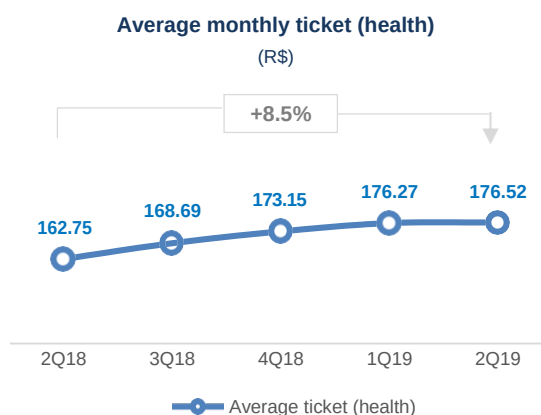
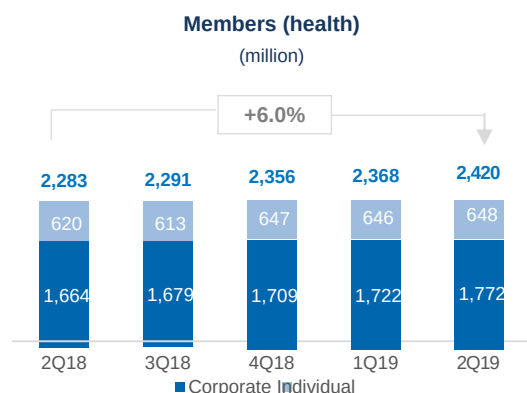
Vidahap, our program of initiatives in care coordination, is in full swing and continues to expand to new cities and public. In this quarter, for example, we expanded the *Medicina Preventiva* (preventive medicine) program to the state of Rio Grande do Norte, launched *Nascer Bem* in state of Amazonas and *Viver Bem* in the state of Bahia. *Vidahap*'s goal is to help all of our clients to live a full life, contributing to quality of life and better long-term MLR control.

We remain confident of the Company's financial and operating performance and are aware of the challenges and opportunities that growth through acquisitions offer us, while remaining in pursuit of our mission to be present in an ever-increasing number of Brazilian cities and to serve with welcome, quality and cost efficiency. Once again, we would like to thank the board of directors, our shareholders, and the trust, dedication, and fundamental contribution of our more than 22,000 employees, medical and dental providers, brokers, business partners, and other company stakeholders. More importantly, we would like to thank our customers which are the main reason for the existence of our company.

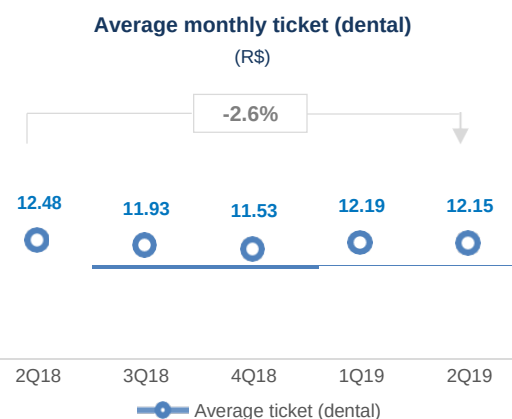
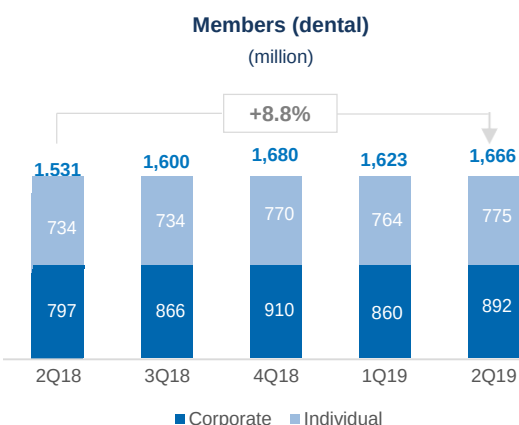
Jorge Pinheiro
CEO

1. Members and average ticket

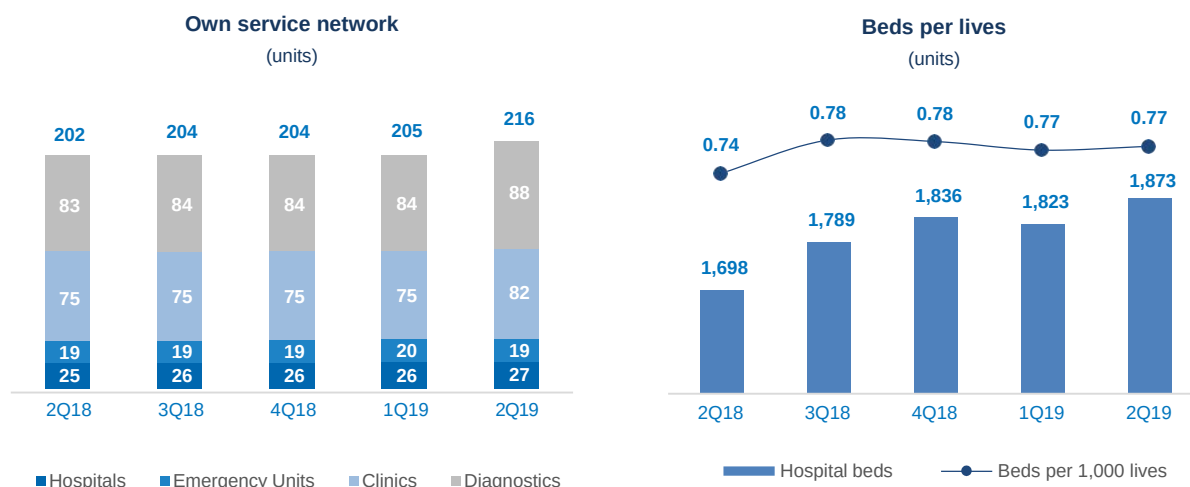
The number of beneficiaries increased by 6.0% when compared to 2Q18. Growth highlights in the period were in the states of Bahia, Ceará, Pernambuco, Piauí, Amazonas and Santa Catarina, with the beginning of operations in Joinville. The average ticket for the health segment grew 8.5% when compared to 2Q18.



The number of beneficiaries of dental plans grew 8.8% compared to 2Q18. Growth highlights were in the states of Bahia, Ceará and Amazonas. The average ticket for the dental segment decreased 2.6% compared to 2Q18, mainly due to a higher share of collective plans in the total portfolio mix and a higher sale of emergency products, with a lower average ticket.



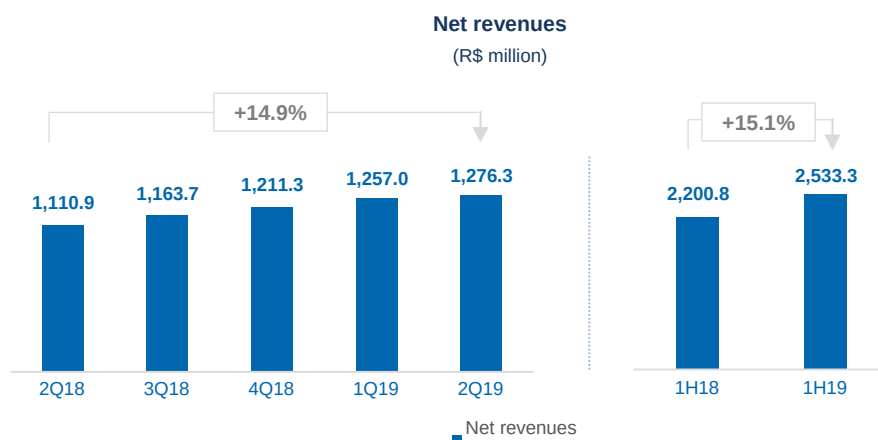
2. Own service network



The company continues to expand its own network through the inauguration of new units, expansion and reform of existing ones, strengthening our strategy of verticalization and cost efficiency to better control losses and frequency of utilization (usage).

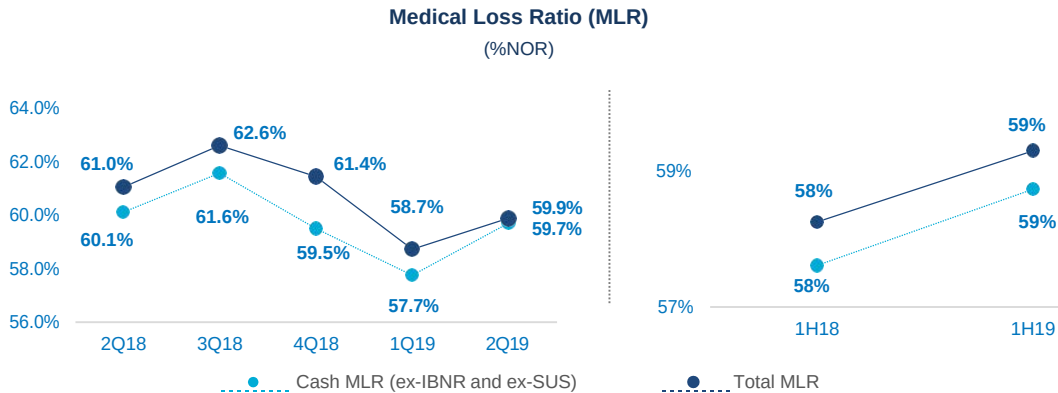
The company ended 2Q19 with 27 hospitals, 19 walk-in emergency units, 82 clinics and 88 diagnostic units, the largest service infrastructure in the country's North and Northeast regions. The company had 1,873 hospital beds at quarter end, which represents 0.77 beds per 1,000 lives. The increase in the number of hospital beds compared to 1Q19 is mainly due to the start of the 30-bed operation at Joinville General Hospital (with capacity to expand to around 140 hospital beds).

3. Net revenues



In 2Q19, net revenues increased by 14.9% when compared to 2Q18, mainly driven by a 6.0% increase in the number of beneficiaries of health care plans, with an 8.5% increase in average ticket and an 8.8% increase in the number of dental plan beneficiaries, which offset the 2.6% reduction in the average dental ticket, in addition to the price adjustments implemented, which are necessary for the economic balance of the contracts. In 1H19 net revenue totaled R\$2.5 billion, up 15.1% over the same period last year.

4. MLR, Medical Costs and Technical Reserves



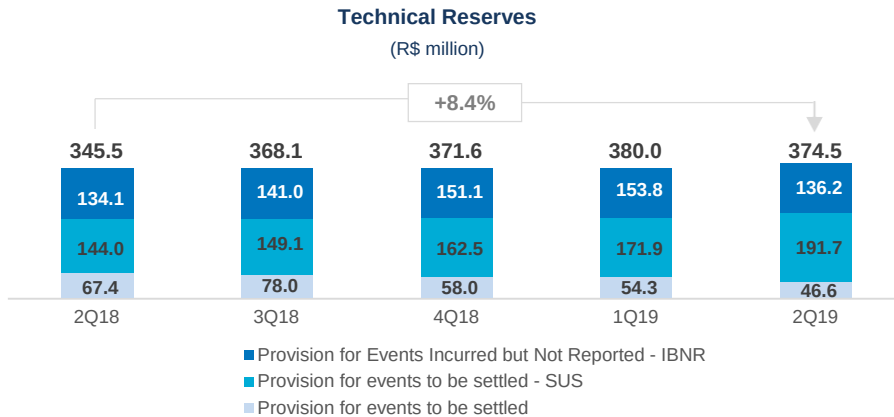
The total MLR (which includes changes in provision of events incurred but not reported – IBNR and provision for reimbursement to SUS) was 59.9%, an improvement of 1.1 p.p. compared to the same period of the previous year. The cash MLR (which excludes the impact variations in IBNR and reimbursement to SUS provisions) also improved by 0.4 p.p., ending the quarter at 59.7%. The MLR improvement between the comparative periods reflects the success of the constant work in claims management and investments in increasing the verticalization of our care delivery structures. It is important to point out that the MLR in the quarter improved even though it was impacted by: **(i)** the opening of new hospitals, clinics, emergency and diagnostic units (R\$ 19.7 million); **(ii)** the reclassification of expenses with employees of the subsidiary Ultra Som, which were recorded as administrative expenses and started to be accounted for as losses (R\$ 6.9 million); **(iii)** increase in rent payments with related parties (R\$ 5.1 million) that was not yet adjusted to market value in 2Q18; **(iv)** the typical virus season incidence, with a higher number of medical visits in the period compared to 2Q18, but with lower severity reflecting in a decrease in hospitalization rates; and **(v)** an increase in provisions for reimbursement to SUS (R\$ 19.8 million). As a positive impact, there was a net reversal of R\$ 17.6 million in IBNR for the quarter as a result of advances in the process of filing and processing medical bills of our own network. The improvement of this process is the result of improvements made in our operating systems to adapt them to the interfaces with the new corporate ERP (SAP), which is being implemented.

(R\$ million)	2Q19	2Q18	2Q19 x 2Q18	1Q19	2Q19 x 1Q19	1H19	1H18	1H19 x 1H18
Medical Costs – Cash	(761.9)	(667.7)	14.1%	(725.9)	5.0%	(1,487.8)	(1,267.9)	17.3%
Change in IBNR	17.6	(2.8)	NA	(2.7)	NA	14.9	(5.5)	NA
Change in SUS reimbursement provision	(19.8)	(7.5)	165.2%	(9.4)	110.1%	(29.3)	(8.5)	243.5%
Medical Costs – Total	(764.1)	(678.1)	12.7%	(738.0)	3.5%	(1,502.2)	(1,282.0)	17.2%
Cash MLR (ex-IBNR and ex-SUS)	59.7%	60.1%	-0.4 p.p.	57.7%	2.0 p.p.	58.7%	57.6%	1.1 p.p.
MLR (ex-IBNR, including SUS)	61.3%	60.8%	0.5 p.p.	58.5%	2.8 p.p.	59.9%	58.0%	1.9 p.p.
Total MLR	59.9%	61.0%	-1.1 p.p.	58.7%	1.2 p.p.	59.3%	58.3%	1.0 p.p.

Total medical costs amounted to R\$ 764.1 million, an increase of 12.7% over 2Q18, positively impacted by IBNR's net reduction of R\$ 17.6 million and negatively affected by a net increase of R\$19.8 million in the provision for reimbursement to SUS.

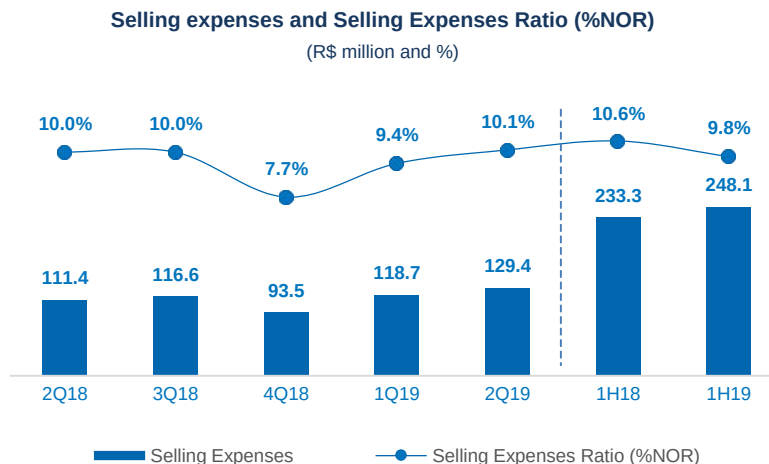
4. MLR, Medical Costs and Technical Reserves (cont.)

Total MLR in 1H19 compared to 1H18 increased by 1.0 p.p., mainly impacted by **(i)** opening of new units in the last 12 months (approximately R\$ 15.0 million); **(ii)** a difference related rent payments with related parties (R\$ 12.4 million); **(iii)** an increase in provisions for reimbursement to SUS (R\$ 20.8 million more in the period); and **(v)** the reclassification of expenses with employees (R\$ 6.9 million) in 2Q19, as a result of the general overhaul of the Company's cost center base, as a pre-implementation activity of the new corporate ERP (SAP). Included in the cost of the new units were both the expenses related to the implantation of new units in new locations (e.g. Joinville General Hospital) as well as expenses related to the renovation, expansion or replacement of smaller units to larger units (e.g. Manaus Hospital).



Total technical reserves for healthcare costs ended the quarter at R\$ 374.5 million, an increase of 8.4% over 2Q18. IBNR ended the quarter at R\$ 136.2 million, after a net reversal of R\$ 17.6 million for the reasons described above. The provision for reported claims SUS increased by R\$ 19.8 million, impacted by the acceleration in receiving bills in the period.

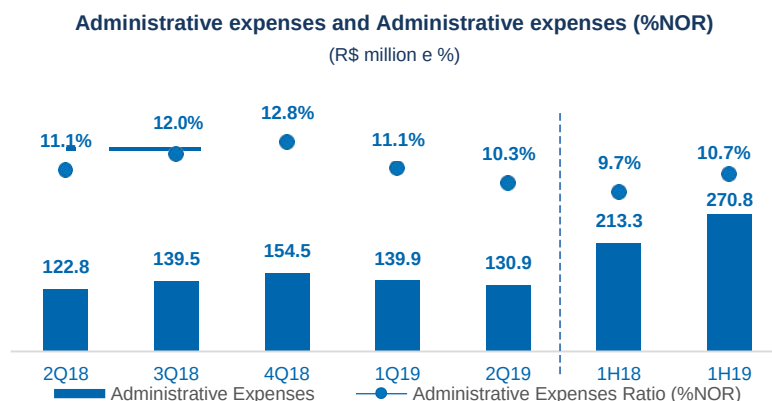
5. Selling expenses



Selling expenses ratio (measured by dividing total selling expenses by net revenues) was 10.1% in 2Q19, stable compared to 2Q18. In 1H19, the ratio was 9.8%, an improvement of 0.8 p.p. compared to 1H18, mainly due to (i) an increase in deferral of commissions (positive impact of R\$ 3.2 million in the first half), (ii) a reduction in the doubtful accounts provision of collective plans (positive impact of R\$ 3.5 million), and (iii) a higher provision for doubtful accounts related to the default of a single corporate client (negative impact of R\$ 12.6 million) occurred in 1H18 that did not repeat.

6. Administrative expenses

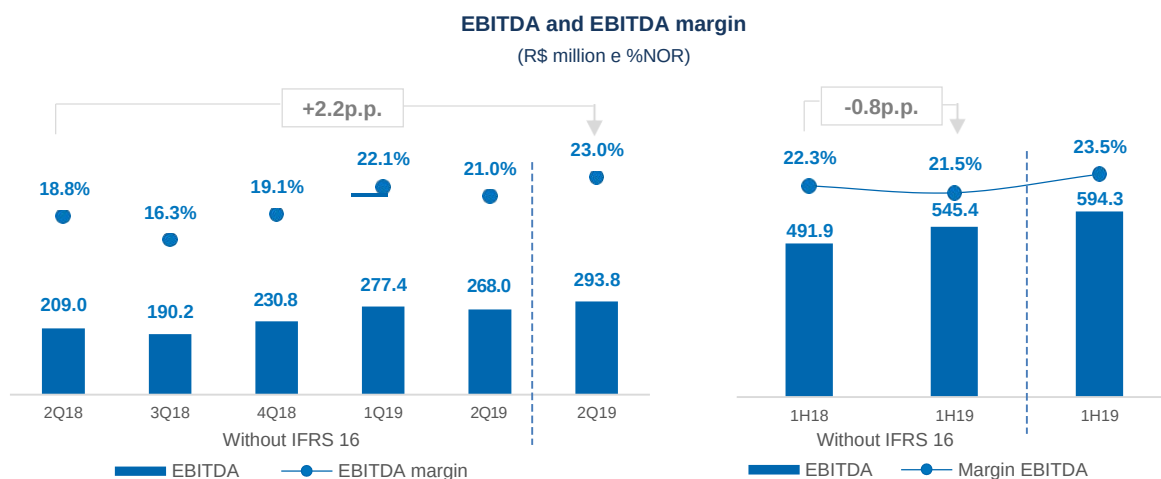
The administrative expenses ratio (measured by the ratio of total administrative expenses to net revenues) was 10.3% and 10.7%, a reduction of 0.8 p.p. and an increase of 1.0 p.p. compared to 2Q18 and 1H18, respectively. Administrative expenses totaled R\$ 130.9 million in 2Q19 and R\$ 270.8 million in 1H19, increases of 6.6% and 26.9%, respectively.



The main negative impacts on expenses between 2Q18 and 2Q19 were: **(i)** amortization of the portfolios acquired from Uniplam and Free Life in 2Q19 (R\$ 3.3 million); **(ii)** increase in legal provisions (R\$ 5.0 million); **(iii)** payment of court settlements (R\$ 3.7 million); **(iv)** reversal of expenses related to some insurance in 2Q18 (positive impact of R\$ 2.3 million) that did not repeat. The main positive effects were: **(i)** the reclassification of expenses with employees of the subsidiary Ultra Som, which were recorded as administrative expenses and started to be accounted for as medical costs (R\$ 6.9 million), **(ii)** tax reversal (R\$ 3.6 million) in 2Q19; **(iii)** tax regularization and reversal of tax contingencies (positive impact of R\$ 6.0 million) in 2Q18, which did not repeat; and **(iv)** IPO expenses in 2Q18 (R\$6.1 million).

When comparing 2Q19 with 1Q19, the ratio presents a reduction of 0.9 pp. (R\$ 9.0 million). The main negatives were the increase in legal provisions (-R\$ 5.0 million) and a payment of court settlements (-R\$ 3.7 million) in 2Q19 which more than offset **(i)** for the reclassification of the Ultra Som's employees in 2Q19 (R\$ 6.9 million); **(ii)** for the payment of short-term variable compensation in 1Q19 (R\$ 5.0 million) which did not repeat; and **(iii)** for tax expenses in 1Q19 (R\$ 3.1 million) that did not repeat.

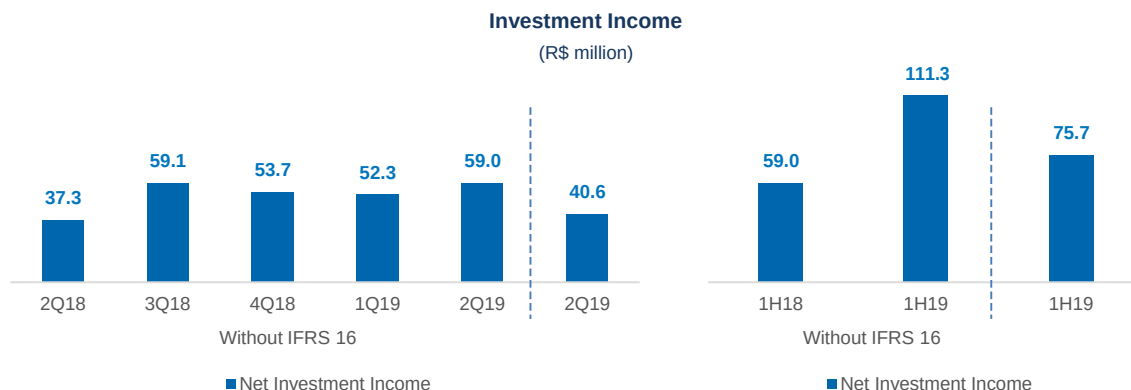
7. EBITDA



EBITDA (excluding IFRS 16 impact) reached R\$ 268.0 million and R\$ 545.4 million in 2Q19 and 1H19, respectively, with growth of 28.2% and 10.9% related to the same comparative periods of 2018 due to the factors already explained above. EBITDA Margin in 2Q19 was 21.0%, an increase of 2.2 p.p. compared to 2Q18, and 21.5% in 1H19, a reduction of 0.8 pp. versus 1H18.

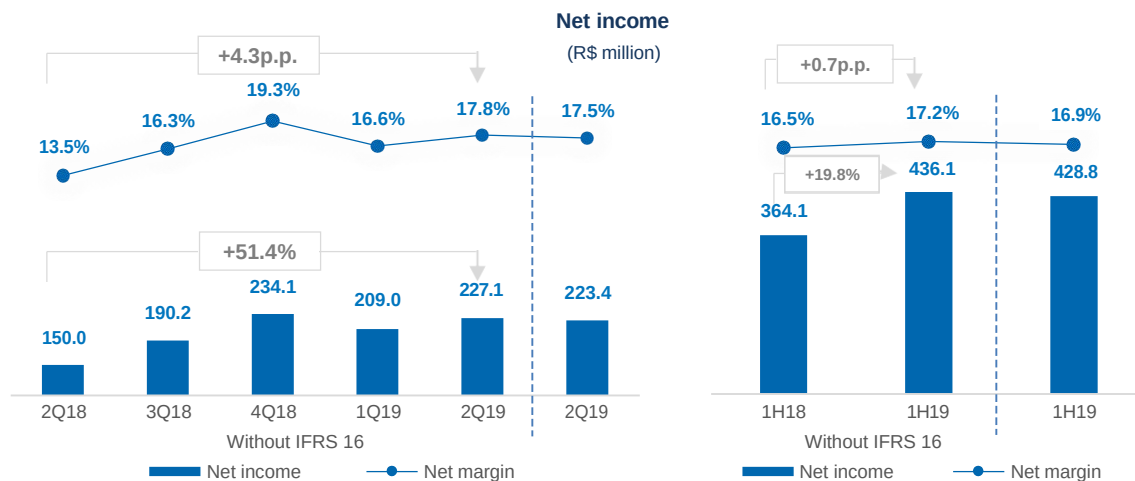
8. Investment Income

Net investment income was influenced by the net inflow of approximately R\$ 2.53 billion in funds from the primary public offering of shares (IPO) during 2Q18. With the significant increase in cash and cash equivalents from April 2018, investment income in 1H19 was significantly higher from 1H18.



9. Net income

Net income for 2Q19 increased by 51.4% compared to 2Q18, with an increase of 4.3 p.p. in the net margin, with strong impact of the distribution of interest on capital approved in June 2019. In 1H19, net income reached R\$ 436.1 million, an increase of 19.8% compared to the same period last year, with net margin of 17.2%, an increase of 0.7 p.p. in the same comparison. The effective tax rate for 2Q19 was 27.0%, 9.5 p.p. lower than the rate for 2Q18 due to the aforementioned distribution of interest on capital approved in June 2019.



10. IFRS16

The interim financial statements for 2Q19 were prepared with the effects of the adoption of IFRS 16, effective as of January 1st, 2019. Thus, lease agreements that meet the requirements of said standard are now accounted as lease liabilities, totaling R\$ 863 million at the end of this quarter. As a result, rental expenses incurred throughout 2018, such as costs of services or location and operation expenses, are accounted in the depreciation and financial expenses lines. We present below the effects on the income statement from the standard application in 2Q19.

Values in R\$ million

Item	2Q19 without IFRS 16	Rent Reversion	Depreciation and amortization	Financial expenses	2Q19 with IFRS 16
Cost of services provided (<i>ex-IBNR</i>)	(781.7)	23.8	(11.0)	-	(769.0)
Gross profit	512.1	23.8	(11.0)	-	524.9
Administrative expenses	(128.9)	1.9	(1.9)	-	(128.9)
Operational income	251.9	25.7	(12.9)	-	264.7
Financial result	59.0	-	-	(18.4)	40.6
IRPJ e CSLL	-	(8.8)	4.4	6.3	1.9
Net income	227.1	16.9	(8.5)	(12.1)	223.4
EBITDA	268.0	25.7	n/a	n/a	293.8

For comparability purposes, the result analysis in this earnings release are performed with and without the effects of the new standard adoption established in 2019, presented above.

11. Cash generation and Capex

Free cash flow reached R\$ 122.2 million in 2Q19, 105.4% higher than 2Q18 due to lower working capital variation in the period. Investments (Capex), net of depreciation and amortization arising from additions to property, plant and equipment and intangible assets totaled R\$ 58.1 million in 2Q19, an increase of 23.2% mainly due to the expansion of our own network of care delivery structures.

Values in R\$ million

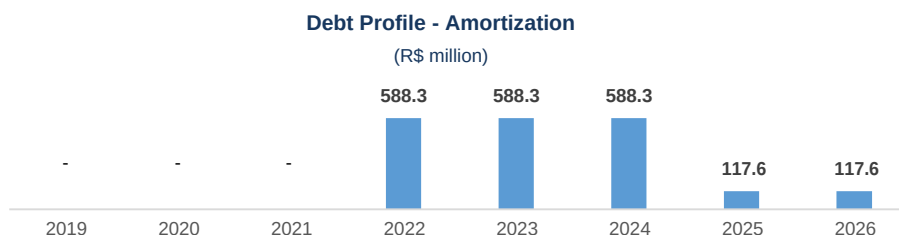
Item	2Q19	2Q18	2Q19 x 2Q18	1H19	1H18	1H19 x 1H18
EBIT	251.5	198.7	26.7%	512.2	472.2	8.5%
Effective tax rate	34.80%	36.40%	-1.6p.p	33.94%	31.46%	2.5p.p
NOPAT	164.2	126.4	29.9%	338.4	323.6	4.6%
(+) Depreciation and amortization	16.1	10.3	57.4%	33.2	19.6	69.3%
(+/-) Change in working capital ⁴	(0.1)	(30.0)	-99.8%	24.7	(34.0)	-172.2%
(-) Cash CAPEX	(58.1)	(47.1)	23.2%	(134.2)	(99.8)	34.4%
Free cash flow	122.2	59.5	105.4%	262.1	209.2	25.3%

(1) Effective rate of 2Q19 excluding credits on tax losses

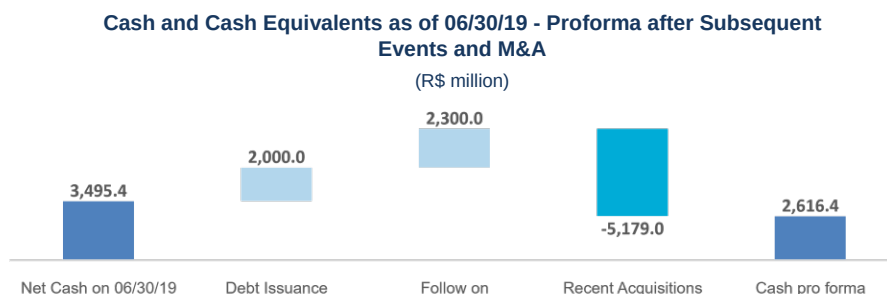
(2) Includes variations: (i) current assets: accounts receivable, inventories, other credits and advances to suppliers and (ii) current liabilities: loans, suppliers, technical provisions for health care operations net of PPCNG, debts of health care operations net of prepayments, other payables and social obligations.

12. Subsequent Events

On July 10, 2019, the Company concluded its first issue of debentures in the amount of R\$ 2.0 billion in two series with maturity of five years (yielding 109.0% of CDI) and seven years (with 110.55% of the CDI), seeking a more efficient capital structure. The Company's issue was rated investment grade (AAA) by Fitch Ratings, confirming the soundness of Hapvida. The funds raised through this issue will be fully used for the acquisition of *Grupo São Francisco*.



Also in July 2019, we successfully completed the follow-on primary public offering of up to R\$ 2.6 billion. The proceeds from this operation will be used to invest in strengthening Hapvida's own assistance structures, those of newly acquired companies, and companies in the process of acquisition. In line with our expansion strategy, the funds will also be used for future acquisitions as well as for working capital strengthening. We present below the cash position at the end of 2Q19 and the proforma position with the funding events mentioned above.



(1) Resources actually received include Base Offering and Additional Lot (hot issue). Total amount may be increased by ~R\$ 300 million and reach R\$ 2.6 billion if the Supplementary Lot (green shoe) is exercised.

(2) Acquisitions subject to approval by the National Supplementary Health Agency (ANS) and the Administrative Council for Economic Defense (Cade).

13. Glossary

ANS: National Supplementary Health Agency. It is the regulatory agency linked to the Ministry of Health responsible for the health sector in Brazil.

IGR: general complaints index. Its purpose is to present a behavior thermometer of the sector's operators in attending to the problems pointed out by the members. It includes the average number of complaints from members received in the previous three months and classified up to the data's date of extraction. The index is based presented per 10,000 members.

IBNR: provision of events occurred but not reported. Provision for payment of events that have already occurred and were not informed to the company before the end of the period, which was constituted based on actuarial methodology.

MAE: minimum adjusted equity. In order to operate in the healthcare market regulated by the ANS, the health plan operator must keep the adjusted shareholders' equity for economic purposes as established by the ANS. Minimum adjusted equity is calculated as equity less non-current intangible assets, tax credits arising from fiscal losses, deferred sales expenses and prepaid expenses.

Medical loss ratio: index that shows the relationship between healthcare expenses and total revenues from healthcare operations (effective payments).

OCR: outstanding claims reserve. Provision for the collateral of events that have already occurred, recorded in the accounts and not yet paid. The accounting record is made at the full amount informed by the supplier or member when the charge is presented to the entity and is subsequently adjusted for glosses and discounts after company's evaluation (medical auditors).

SM: solvency margin. At a pre-established price, it corresponds to the adjusted shareholders' equity sufficiency to cover the greater of the following amounts: (i) 20% of the revenues from the gross payments or (ii) 33% of the last 36 months events annual average.

UPR: unearned premiums reserve. It is characterized by the accounting record of the charged by the operators to hedge contractual risk proportional to the days not yet elapsed within the monthly coverage period, to be appropriated as revenue only in the subsequent period when the term is actually incurred.



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Report on the review of interim financial statements

To the Shareholders and Management
Hapvida Participações e Investimentos S.A.
Fortaleza - CE

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Hapvida Participações e Investimentos S.A. ("Company"), included in the Interim Financial Information Form - ITR, for the quarter ended June 30, 2019, which comprises the statement of financial position as of June 30, 2019 the statement of profit or loss and comprehensive income, changes in equity and of cash flows for six-month period then ended, and notes to the interim financial information.

Management is responsible for the preparation of the interim financial information in accordance with CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as for the presentation of this quarterly information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the interim financial Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international standards on review engagements applicable to interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and in applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual company and consolidated interim financial information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of interim Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of added value

The individual company and consolidated interim financial information, related to the statements of value added (DVA) for the six-month period ended June 30, 2019, prepared the under of Company's Management responsibility, presented as supplementary information for IAS 34 purposes, was submitted to review procedures performed jointly with the review of the quarterly information - the Company's ITR. In order to form our conclusion, we assessed whether these statements are reconciled to the interim financial information and accounting records, as applicable, and whether their forms and content are in accordance with criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us believe that the accompanying statements of value added are not prepared, in all material respects, in accordance with individual company and consolidated interim financial information taken as a whole.

Fortaleza, August 13, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 S-CE

Original report in Portuguese signed by
Eliardo Araújo Lopes Vieira
Accountant CRC SP-241582/O-1 T-CE

Hapvida Participações e Investimentos S.A.

Statements of Financial Position as of June 30, 2019 and December 31, 2018

(Amounts stated in thousands of Reais)

Assets	Notes	Parent company		Consolidated		Liabilities and shareholders' equity	Notes	Parent company		Consolidated	
		6/30/19	12/31/18	6/30/19	12/31/18			6/30/19	12/31/18	6/30/19	12/31/18
Cash and cash equivalents		1,171	4,832	142,951	185,484	Trade payables		62	295	45,302	61,381
Short-term investments	6	107,429	104,193	1,093,973	702,363	Technical provisions for healthcare operations	13	-	-	417,997	408,125
Trade receivables	7	-	-	173,709	152,747	Health care payables		-	-	66,268	65,181
Inventory		-	-	20,271	19,187	Payroll obligations	14	-	2,781	125,661	112,947
Recoverable taxes	22	32,128	25,566	83,122	65,287	Taxes and contributions payable		16,481	5,280	74,398	55,890
Dividends and interest on shareholders' equity receivable	9	86,701	74,341	-	-	Current income tax and social contribution	22	-	-	90,375	33,860
Other assets		103	41	307,400	47,120	Dividends and interest on shareholders' equity payable	9 16	92,040	171,909	104,556	184,513
Deferred commission	8	-	-	104,832	103,766	Leasing liabilities	4.a	470	-	31,069	-
Total current assets		<u>227,532</u>	<u>208,973</u>	<u>1,926,258</u>	<u>1,275,954</u>	Related party payables	9	42,664	42,651	42,667	42,657
						Other accounts payable		<u>527</u>	<u>490</u>	<u>26,283</u>	<u>22,942</u>
						Total current liabilities		<u>152,244</u>	<u>223,406</u>	<u>1,024,576</u>	<u>987,496</u>
Long-term investments	6	1,019,628	1,205,974	2,258,435	2,685,643	Taxes and contributions payable		-	-	12,021	11,967
Deferred income tax	22	90,125	67,791	153,473	126,005	Leasing liabilities	4.a	2,039	-	831,970	-
Judicial deposits	15	337	438	108,215	96,891	Provision for tax, civil and labor risks	15	35,579	34,890	283,496	263,441
Deferred commission	8	-	-	120,321	121,624	Other accounts payable		<u>-</u>	<u>-</u>	<u>6,696</u>	<u>7,915</u>
Related party receivable	9	74	74	3,333	3,337	Total non-current liabilities		<u>37,618</u>	<u>34,890</u>	<u>1,134,183</u>	<u>283,323</u>
Other assets		-	-	38,372	37,598						
Total long-term assets		<u>1,110,164</u>	<u>1,274,277</u>	<u>2,682,149</u>	<u>3,071,098</u>	Equity					
Investments	10	2,753,709	2,373,134	-	-	Capital	16	2,810,219	2,810,219	2,810,219	2,810,219
Property, plant and equipment	11	6,129	4,151	1,344,303	414,528	Legal reserve		94,932	94,932	94,932	94,932
Intangible assets	12	201	305	135,232	115,094	Retained earnings		323,908	-	323,908	-
Total non-current assets		<u>3,870,203</u>	<u>3,651,867</u>	<u>4,161,684</u>	<u>3,600,720</u>	Profit reserves		<u>678,814</u>	<u>697,393</u>	<u>678,814</u>	<u>697,393</u>
						Equity attributable to controlling shareholders		<u>3,907,873</u>	<u>3,602,544</u>	<u>3,907,873</u>	<u>3,602,544</u>
						Non-controlling interest		<u>-</u>	<u>-</u>	<u>21,310</u>	<u>3,311</u>
						Total shareholders' equity		<u>3,907,873</u>	<u>3,602,544</u>	<u>3,929,183</u>	<u>3,605,855</u>
Total assets		<u><u>4,097,735</u></u>	<u><u>3,860,840</u></u>	<u><u>6,087,942</u></u>	<u><u>4,876,674</u></u>	Total liabilities and shareholders' equity		<u><u>4,097,735</u></u>	<u><u>3,860,840</u></u>	<u><u>6,087,942</u></u>	<u><u>4,876,674</u></u>

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statement of Profit or Loss

Periods ended June 30, 2019 and June 30, 2018

(Amounts stated in thousands of Reais)

	Notes	Parent company				Consolidated			
		6/30/19		6/30/18		6/30/19		6/30/18	
		Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Net revenue from services provided	17	-	-	-	-	2,533,257	1,276,257	2,200,821	1,110,949
Costs of the services provided	18	-	-	-	-	(1,477,771)	(751,360)	(1,281,988)	(678,066)
Gross profit		-	-	-	-	1,055,486	524,897	918,833	432,883
Sales expense	19	(57)	(43)	(997)	(997)	(248,119)	(129,387)	(233,309)	(111,374)
Administrative expenses	20	(18,722)	(7,509)	(10,144)	(7,975)	(268,134)	(128,855)	(223,095)	(132,240)
Equity in income of subsidiaries	10	395,117	192,141	357,632	143,680	-	-	-	-
Other net operating income (expense)		-	-	(106)	(106)	(2,506)	(1,956)	9,793	9,474
Total operating income (expense)		376,338	184,589	346,385	134,602	(518,759)	(260,198)	(446,611)	(234,140)
Income (loss) before financial income (loss) and taxes		376,338	184,589	346,385	134,602	536,727	264,699	472,222	198,743
Finance income	21	35,189	16,477	21,455	21,315	125,976	65,700	84,616	50,500
Finance expense	21	(212)	75	(2,708)	(2,692)	(50,281)	(25,079)	(25,591)	(13,245)
Total finance income, net		34,977	16,552	18,747	18,623	75,695	40,621	59,025	37,255
Income (loss) before income tax and social contribution		411,315	201,141	365,132	153,225	612,422	305,320	531,247	235,998
Current income and social contribution taxes	22	(5,345)	(2,334)	(840)	(840)	(211,087)	(108,055)	(166,336)	(75,265)
Deferred income and social contribution taxes	22	22,334	24,344	(938)	(2,683)	27,468	26,144	(812)	(10,695)
Net income for the period		428,304	223,151	363,354	149,702	428,803	223,409	364,099	150,038
Attributable to									
Noncontrolling interest		-	-	-	-	499	258	745	336
Owners of the Company		428,304	223,151	363,354	149,702	428,304	223,151	363,354	149,702
Earnings per share - basic and diluted	16	-	-	-	-	0.64	0.33	0.61	0.24

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of comprehensive income

Periods ended June 30, 2019 and June 30, 2018

(Amounts stated in thousands of Reais)

	Parent company				Consolidated			
	6/30/19		6/30/18		6/30/19		6/30/18	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Net income for the period	428,304	223,151	363,354	149,702	428,803	223,409	364,099	150,038
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	<u>428,304</u>	<u>223,151</u>	<u>363,354</u>	<u>149,702</u>	<u>428,803</u>	<u>223,409</u>	<u>364,099</u>	<u>150,038</u>
Noncontrolling interest	-	-	-	-	499	258	745	336
Owners of the Company	428,304	223,151	363,354	149,702	428,304	223,151	363,354	149,702

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of changes in shareholders' equity

Periods ended June 30, 2019 and June 30, 2018

(Amounts stated in thousands of Reais)

	Notes	Attributable to Owners of the Company				Non-controlling interest	Total equity
		Capital	Legal reserve	Profit reserves	Retained earnings (losses)		
Balances at December 31, 2017		280,000	55,558	136,321	-	124	472,003
Noncontrolling capital		2,631,028	-	-	-	-	2,631,028
Expenditures with issuance of shares		(101,041)	-	-	-	-	(101,041)
Net income for the period		-	-	-	363,354	745	364,099
Allocations:							
Dividends	16	-	-	-	-	(667)	(667)
Balances at June 30, 2018		2,809,987	55,558	136,321	363,354	202	3,365,422
Balances at December 31, 2018		2,810,219	94,932	697,393	-	3,311	3,605,855
Noncontrolling capital		-	-	-	-	17,500	17,500
Net income for the period		-	-	-	428,304	499	428,803
Allocations							
Interest on shareholders' equity		-	-	-	(104,396)	-	(104,396)
Distribution of dividends		-	-	(18,579)	-	-	(18,579)
Balances at June 30, 2019		2,810,219	94,932	678,814	323,908	21,310	3,929,183

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of cash flows

Periods ended June 30, 2019 and June 30, 2018

(Amounts stated in thousands of Reais)

Notes	Parent company		Consolidated	
	6/30/19	6/30/18	6/30/19	6/30/18
Cash flows from operating activities				
Net income for the period	428,304	363,354	428,803	364,099
Adjustments to reconcile net income for the period with cash generated by operating activities:				
Depreciation and amortization	11	960	638	33,237
Depreciation of right of use assets		-	-	24,291
Technical reserves for health care operations		-	-	14,401
Equity in net income of subsidiaries	10	(395,117)	(357,632)	-
Allowance for doubtful accounts	7	-	-	76,906
Write-off of property, plant and equipment	11	-	-	301
Write-off of intangible assets		-	-	10,145
Write-off of investment		10,901	137	-
Provision for tax, civil and labor risks	15	806	(13,021)	40,135
Earnings on short-term investments	6	(37,099)	(19,603)	(99,946)
Interest and inflation adjustment of lease	4.a	335	-	35,593
Current income tax and social contribution		5,345	840	211,087
Deferred income tax	22	(22,334)	938	(27,468)
(Increase) decrease in asset accounts:				
Trade receivables		-	-	(97,867)
Inventory		-	-	(1,084)
Recoverable taxes		(4,381)	46	(17,835)
Short-term investments		-	-	-
Judicial deposits		(17)	(6)	(31,405)
Other assets		(62)	(761)	(61,054)
Deferred commission expense		-	-	237
Increase (decrease) in liability accounts:				
Technical provisions for health care operations		-	-	(4,530)
Debts of healthcare operations		-	-	1,087
Payroll obligations		(2,781)	496	12,714
Trade payables		(233)	(93)	(16,078)
Taxes and contributions payable		(3,114)	(482)	4,247
Other accounts payable		39	(2)	(5,899)
Cash (used in) generated by operating activities		(18,448)	(25,151)	530,018
Income tax and social contribution paid	22	(5,345)	(840)	(154,572)
Cash (used in) generated by operating activities		(23,793)	(25,991)	375,446
Cash flows from investment activities				
Payments to related parties		-	5,770	5
Acquisition of property, plant and equipment	11	16	(391)	(99,899)
Acquisition of intangible assets	12	76	(117)	(18,217)
Acquisition/disposal of investments	10	(10,901)	(79,950)	(215,381)
Receipt of dividends		-	137,888	-
Short-term investments	6	(18,300)	(4,683,167)	(1,775,063)
Redemptions of short-term investments	6	238,510	2,554,522	1,910,607
Net cash used in (generated by) investment activities		209,401	(2,065,445)	(197,948)
Cash flows from financing activities				
Receipts from related parties		12	32,095	9
Payment/acquisition of loans and financing		-	-	-
Payment of dividends and interest on shareholders' equity	16	(188,529)	(471,006)	(188,617)
Expenditures with issuance of share		-	(101,041)	-
Paid-in capital		-	2,631,028	-
Payment of lease		(752)	-	(48,923)
Non-controlling interest in an acquiree		-	-	17,500
Net cash used in (generated by) investment activities		(189,269)	2,091,076	(220,031)
(Decrease) Increase in cash and cash equivalents		(3,661)	(360)	(42,533)
Cash and cash equivalents at the beginning of the period		4,832	524	185,484
Cash and cash equivalents at the end of the period		1,171	164	142,951
Increase in cash and cash equivalents		(3,661)	(360)	(42,533)
Non-cash transactions:				
Write-off of judicial deposits with provision for risks	15	117	(41)	20,081
Balances attributed to the acquisition of investees	-	-	-	23,595
Accounting effect of adopting IFRS 16	-	13,334	-	862,845

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of added value

Periods ended June 30, 2019 and June 30, 2018

(Amounts stated in thousands of Reais)

Notes	Parent company		Consolidated	
	6/30/19	6/30/18	6/30/19	6/30/18
Revenues (1)	-	-	2,566,603	2,217,131
Sale of goods, products and services	-	-	2,641,375	2,296,005
Other revenues	-	-	2,134	10,171
Allowance for doubtful accounts	19	-	(76,906)	(89,045)
Inputs purchased from third parties (2)	(3,391)	3,079	(1,480,471)	(1,269,873)
Cost of goods sold and services rendered	-	-	(927,319)	(826,124)
Material, energy, outsourced services and other	(3,391)	3,079	(553,152)	(443,749)
Gross added value (1) - (2) = (3)	(3,391)	3,079	1,086,132	947,258
Depreciation and amortization (4)	(959)	(638)	(57,544)	(19,629)
Net value added produced by the Company (3) - (4) = (5)	(4,350)	2,441	1,028,588	927,629
Added value received as transfer (6)	430,306	379,092	126,302	84,621
Equity in net income of subsidiaries	10	395,117	357,632	-
Financial revenues	35,189	21,455	126,302	84,616
Other	-	5	-	5
Total added-value payable (5+6)	425,956	381,533	1,154,890	1,012,250
Distribution of added value	(425,956)	(381,533)	(1,154,890)	(1,012,250)
Personnel	(13,100)	(9,211)	(355,235)	(289,983)
Direct remuneration	(13,081)	(9,196)	(305,503)	(247,298)
Benefits	(19)	(15)	(28,008)	(24,843)
FGTS	-	-	(21,724)	(17,842)
Taxes, rates and contributions	15,404	(8,682)	(373,416)	(333,817)
Federal	15,614	(8,540)	(327,469)	(303,140)
State	(118)	(80)	(504)	(81)
Municipal	(92)	(62)	(45,443)	(30,596)
Third-party capital remuneration	44	(286)	2,564	(25,021)
Rentals	44	(286)	2,564	(25,021)
Remuneration of own capital	(428,304)	(363,354)	(428,803)	(363,429)
Dividends and interest on shareholders' equity	(122,975)	-	(122,975)	-
Retained earnings	(305,329)	(363,354)	(305,329)	(363,354)
Non-controlling interests in retained earnings	-	-	(499)	(75)

See the accompanying notes to the financial statements.

Notes to the individual and consolidated financial statements

(Amounts stated in thousands of Reais)

1 Operations

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

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

2 List of subsidiaries

The Individual and Consolidated financial statements include the following direct and indirect subsidiaries of Hapvida Participações e Investimentos S.A.:

Entity	06/30/2019		12/31/2018	
	Direct	Indirect	Direct	Indirect
Hapvida Assistência Médica Ltda.	99.99%	-	99.99%	-
Mais Odonto Assistência Odontológica Ltda.	99.99%	-	99.99%	-
Hospital Antônio Prudente Ltda.	99.99%	-	99.99%	-
Ultra Som Serviços Médicos Ltda.	99.99%	-	99.99%	-
Hapvida Participações em Tecnologia Ltda	99.99%	-	99.99%	-
OPS Administração e Participações Ltda.	99.99%	-	99.99%	-
Haptech Soluções Inteligentes Ltda.	-	99.99%	99.99%	-
Vida & Imagem Radiologia e Diagnóstico. Ltda.	94.99%	-	94.99%	-
Exclusive Funds				
BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo	-	100%	-	100%
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI	-	97.32%	-	98.65%
Itaú Hap Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Crédito Privado	5.07%	94.93%	-	-

The companies included in the Consolidated financial statements of Hapvida Participações e Investimentos S.A. are engaged in the following business activities:

Hapvida Assistência Médica Ltda.

The insurance company came into operation on July 15, 1991 and is registered in ANS - National Health Agency under the number 36,825-3. It is primarily engaged in the sale of health and dental insurance plans focused on providing healthcare assistance through the network of companies under Hapvida Participações e Investimentos S.A.'s control.

MaisOdonto Assistência Odontológica Ltda.

MaisOdonto is registered in ANS 41013/6 (canceled) and it is located at Avenida Padre Antônio Tomaz, nº 610, Aldeota, Fortaleza, Ceará state. It is primarily engaged in hiring and providing dental services.

Hospital Antônio Prudente Ltda.

This subsidiary's main business consists of providing medical and hospital services. This subsidiary is Hapvida Group's primary in-network hospital and accommodates a significant part of patient care in the municipality of Fortaleza-CE.

Hapvida Participações em Tecnologia Ltda.

Established in May 2011, formerly denominated Prática Importação Comércio e Distribuição de Produtos Farmaceuticos e Hospitalares Ltda. is engaged in holding interest, as partner or shareholder, in other companies, mainly technology companies.

OPS Administração e Participações Ltda.

Start-up date is August 8, 2003 and it is engaged in ownership interest and management of other companies.

Haptech Soluções Inteligentes Ltda.

The Entity was subsidiary's main business consists of providing consulting services and carrying out information technology and software development; providing data processing, IT training, provider, internet and call center services.

Vida & Imagem Radiologia e Diagnóstico Ltda.

The Entity was mainly engaged in providing supplementary diagnostic and therapeutic services.

Ultra Som Serviços Médicos S.A.

The Entity was mainly engaged in providing medical and paramedical services, laboratory, diagnostic, imaging and ultrasound services, embracing all fields of medicine.

On May 15, 2019, as registered with Ceará State Board of Trade, partners decided to transform the organization into a corporation.

BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo

It is intended to receive funds from a restricted group of investors belonging to the same economic group, all of them professional investors, as defined by the Brazilian Securities and Exchange Commission (CVM) in its Instruction No. 539/13 and subsequent amendments.

The Fund will seek to provide the appreciation of its quotas by investing its funds in financial assets and/or operating modalities available within the financial market, using investment fund quotas comprised by securities and operations with an average term of over 365 days.

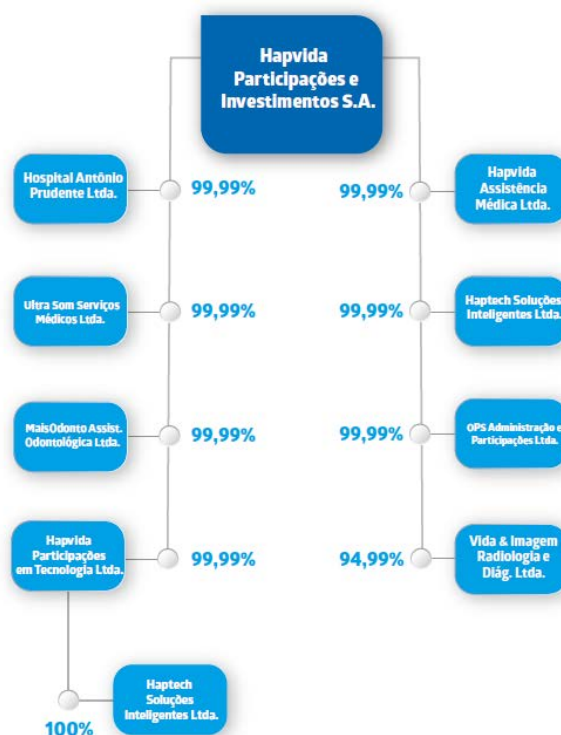
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI

It is intended to receive funds from the Hapvida Group and its related parties. Its purpose is to invest in financial assets and/or operating modalities of fixed income that seek to follow the changes in the interest rates practiced in the interbank deposit market (CDI), through the investment of its funds predominantly in quotas of investment funds.

Itaú Hap Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Crédito Privado

It is intended to receive funds exclusively from a reserved group of qualified investors belonging to the same economic group. The purpose of the Fund is to invest in “Fixed Income” investment quotas, observing that the Fund’s profitability will be impacted by its costs and expenses, including management fee.

In June 2019, the Group’s flowchart became as shown below and exclusive funds are recognized in subsidiaries, mainly:



3 Presentation and preparation basis of individual and consolidated financial statement

a. Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 (CPC 21) – Interim Financial Reporting and should be read in conjunction with the last annual consolidated financial statements as at and for the year ended 31 December 2018. These notes do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the individual company and consolidated financial position and performance since the last financial statements.

This is the second set of the Group's financial statements in which IAS 17 (CPC 06 (R2)) has been applied. Changes to significant accounting policies are described in Note 4.a. The issue of the financial statements was authorized by the Board of Directors on August 08, 2019.

b. Functional and presentation currency

The individual and consolidated financial statements are being presented in Brazilian Reais, which is the Group's functional currency. All financial statement presented in Reais has been rounded to the nearest thousands, except when otherwise indicated.

c. Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(i) Estimates

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

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

Note 7 - Provision for impairment of accounts receivable. Recognition and provision for impairment of trade accounts receivable.

Note 8 - Deferred sales expenses. Identification of average time that clients remain in the Company's portfolio under the same contract to determine the recognition of deferral of commissions.

Note 11 - Review of economic useful life of property, plant and equipment. Estimate of useful life of property, plant and equipment to determine the depreciation rate over our assets.

Note 12 - Determination of estimated useful life of intangible assets, and as a result, of the amortization rate to be used in the calculation and book records in the income (loss) for the period.

Note 13 - Technical provisions for healthcare operations. Recognition and measurement of liabilities related to cost of service that was not informed yet by the service providers and SUS.

Note 15 - Provision for tax, civil and labor risks. Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Note 22 - Recognition of deferred tax assets: Availability of future taxable income against which deductible temporary differences and tax losses may be used.

(ii) Judgments

Note 4.a. ii) - lease: to determine if the agreement has a lease, the term, renewal and classification;

d. Basis of measurement

The individual and consolidated financial statements were prepared based on the historical cost, unless otherwise indicated.

4 Significant accounting policies

The accounting practices used in the preparation of this quarterly information are the same as those adopted in the preparation of the Company's annual financial statements for the year ended December 31, 2018, except for new accounting practices adopted as stated in Note 4.a.

a. Changes in significant accounting policies

Except as described below, the accounting policies used in these interim financial statements are the same as those adopted in the last annual financial statements.

Changes in accounting policies also will be included in Group's consolidated financial statements for the year ended December 31, 2019.

Adoption of CPC 06 (R2) – Leases

The Group initially adopted CPC 06 (R2) as of January 1, 2019. CPC 06 (R2) introduced a single model of accounting of leases in the balance sheet to lessees. Thus, the Group, as a lessee, recognized the right-of-use assets that represent its rights to use the underlying assets and the lease liabilities that represent its obligation to make lease payments. The lessor's accounting remains similar to previous accounting policies.

The details of the changes in accounting policies are disclosed below.

(i) Definition of lease

The Group previously determined, at the inception of the agreement, whether it was or contained a lease under ICPC 03/IFRIC 4 - Complementary Aspects of Lease Operations. Now, the Group assesses whether an agreement is or contains a lease based on the new lease definition. According to CPC 06 (R2), a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) Significant accounting policies

The Group recognizes a right of use assets and a lease liability on the lease inception date. The right of use assets is initially measured at cost and subsequently at cost net of any accumulated depreciation and impairment, and adjusted for certain remeasures of the lease liability. The Group presents right of use assets that do not meet the definition of investment property in “property, plant and equipment”, the same line item as it presents underlying assets of the same nature that it owns.

The lease liability is initially measured at the present value of the lease payments that were not paid at the inception date of measurement, and discounted using the interest rate implied in the lease or, if that rate cannot be immediately determined, the incremental loan rate of the Group. Generally, the Group uses its incremental loan rate as the discount rate.

The Group used judgment to determine the lease term of some agreements that include a renewal option. The assessment whether the Group is reasonably certain to exercise these renewal option has an impact on the lease term, which significantly impacts the value of the lease liabilities and the recognized right-of-use assets.

(iii) Transition to CPC 06 (R2)

The Group adopted CPC 06 (R2) as of January 1, 2019. To this end, the Group selected the modified retrospective approach as the transition method, with the cumulative effect of initial adoption of this new pronouncement and without the restatement of comparative periods. The Group has chosen to adopt the model in which it measured a lease liability at the present value of the remaining lease payments and recognized a right of use asset at an amount equivalent to the lease liability, adjusted for the amount of any anticipated lease payments before the date of initial adoption. The Group opted to not use the practical expedient which allows to not reassess whether an agreement is, or contains, a lease in the transition to CPC 06 (R2).

Consequently, the new lease definitions have been applied to all contracts in effect as of the date of transition. The change in the definition of a lease refers mainly to the concept of control. CPC 06 (R2) determines whether an agreement contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in return for a consideration.

To this end, the Company's management identified the agreements (inventory of agreements), evaluating whether they contain a lease or not in accordance with CPC 06 (R2).

The Group chose to use the exemptions proposed by the standard for lease agreements whose term expires in 12 months as of the date of initial adoption, and lease agreements whose underlying assets are of low value and contracts in which installments will be 100% variable. The Group leases some office equipment (printers and other IT equipment) that are considered of low value.

Furthermore, the following practical expedients were used for the transition to new lease accounting requirements:

The Group applied the exemption for not accounting for those contracts with a closing period within the period of 12 months as of the date of first-time adoption of the new standard.

Exclusion of initial direct costs from the measurement of the opening balance of the right-of-use asset.

The Group applies judgment to determine the lease term of some for some lease contracts in which it is a lease that include renewal options.

The Company understands that the greatest impact generated by this standard is related to the recognition of leases of real estate rented from third parties and related parties, service contracts that may have assets included in the standard as their object, with deadlines of over 12 months.

(iv) Impact on the financial statements

In the transition to CPC 06 (R2), the Group recognized right-of-use assets and lease liabilities. The impact on transition is summarized below:

Initial adoption

In thousands of Reais	January 1, 2019
New right-of-use assets presented in fixed assets	806,425
Lease liabilities – Current	28,744
Lease liabilities – Non-current	777,681

Balance in the consolidated statements at:

Statements of Financial Position

In thousands of Reais	June 30, 2019
Non-current assets	
Deferred tax	3,760
Property, plant and equipment	851,981
Current liabilities	
Leasing liabilities	31,069
Non-current liabilities	
Leasing liabilities	831,970
Equity	
Leasing liabilities	(7,298)

Statement of Income for the year

In thousands of Reais	June 30, 2019
Depreciation and amortization	(24,291)
Reversal of rental costs and loan expenses	48,826
Finance expense	(35,593)
Deferred income tax and social contribution	3,760
Total	(7,298)

As of June 30, 2019, right of use assets amounts to R\$ 851,981 and lease liabilities amount to R\$ 863,039.

Also, in relation to these leases, pursuant to CPC 06 (R2), the Group recognized depreciation and interest expenses, instead of operating lease expenses. During the period ended June 30, 2019, the Group recognized R\$ 24,291 of depreciation and R\$ 35,593 of interest from these leases.

b. New pronouncements

New standards or amendments to standards and interpretations will become effective for the years started after January 1, 2020. The Group did not adopt these amendments for preparation of these financial statements. The Group does not plan to adopt these standards in advance. These are:

IFRS 17 - Insurance Contracts

IFRS 17 introduces a new measurement model for insurance contracts. It establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The objective of IFRS 17 is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The standard is effective for accounting periods beginning on or after January 1, 2021.

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

5 Operating segments

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

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

Management has determined that the Board of Directors is the CODM. The CODM receives and reviews information about the operating and financial results of the business and makes strategic decisions on the adoption of technology and marketing strategies for different products and services in a centralized manner. The Group's revenues are entirely derived from customers geographically located in Brazil and there is no customer sales concentration. In addition, all noncurrent assets are located in Brazil.

The Group's earnings do not fluctuate based on seasonality.

6 Short-term and long-term investments

a. Summary of investment classification:

	Parent company	
	06/30/2019	12/31/2018
Reverse-sale-and-repurchase agreements (b)	107,429	104,193
Fixed income investment fund - Non-exclusive (d.1)	1,000,759	1,205,899
Fixed income investment fund - Exclusive (d.2)	18,793	-
Other	76	75
Total	1,127,057	1,310,167
Current assets	107,429	104,193
Non-current assets	1,019,628	1,205,974
Total	1,127,057	1,310,167
	Consolidated	
	06/30/2019	12/31/2018
Reverse-sale-and-repurchase agreements (b)	114,792	234,361
Bank deposit certificates (a)	820,372	504,905
Fixed income investment funds - Guarantee assets (c)	418,023	407,135
Fixed income investment funds - Exclusive (d.2)	1,365,139	507,248
Fixed income investment fund - Non-exclusive (d.1)	632,230	1,732,676
Other	1,852	1,681
Total	3,352,408	3,388,006
Current assets	1,093,973	702,363
Non-current assets	2,258,435	2,685,643
Total	3,352,408	3,388,006

- (a) Bank Deposit Certificates (CDB) yield an average monthly rate of 101.0% to 102.0% of the CDI rate (100.6% to 101.3% in 2018), maturing between July 2019 and March 2022.
- (b) Reverse-sale-and-repurchase agreements basically consist of government bonds with a repurchase commitment from the financial institution, with a definite maturity and an average monthly yield ranging between 100.9% and 101.6% of the CDI rate (100.1% to 101.5% of the CDI in 2018), and with maturities ranging between July 2019 and August 2020.
- (c) Fixed income investment fund - Guarantee assets are used as a guarantee for technical reserves of the health care company, as detailed in Note 13. Their average monthly yield varied between 100.7% and 103.9% of the CDI rate (97.8% to 104.1% of CDI in 2018) during the year.
- (d) Composed of two types of funds, as follows:
- (d.1) Quotas in non-exclusive fixed-rate investment funds which primarily invest in government bonds with an average after-tax yield of 0.52% per month (0.52% in 2018). These investments have no defined maturity.
- (d.2) Invested in three exclusive funds, administered and managed by Banco do Brasil, Banco Santander and Banco Itaú. These funds invest their resources in quotas of other funds administered by the managing banks. The investment policies of exclusive funds determine the concentration of resources in financial assets with low credit risk (ANBIMA classification). Average earnings of these funds during the year varied from 101.3% to 106.1% of CDI. In the first half of 2019, interest of exclusive funds' minority shareholders (non-consolidated related parties) increased by R\$ 17,500. These investments have no maturity.

a. Changes in short-term investments

	Parent company
Balance at 01/01/2018	-
(+) Investments	4,683,242
(-) Redemptions (a)	(3,450,571)
(+) Interest	77,496
Balance at 12/31/2018	1,310,167
(+) Investments	18,300
(-) Redemptions (a)	(239,905)
(+) Interest	38,495
Balance at 06/30/2019	1,127,057
	Consolidated
Balance at 01/01/2018	1,342,128
(+) Investments	6,965,642
(+) Balance of investment from subsidiaries acquired	776
(-) Redemptions (a)	(5,093,942)
(+) Interest	173,402
Balance at 12/31/2018	3,388,006
(+) Investments	1,775,063
(-) Redemptions (a)	(1,917,826)
(+) Interest	107,165
Balance at 06/30/2019	3,352,408

- (a) A significant part of these redemptions was largely due to the maturity of the relevant securities, with funds being reinvested until investments in operating assets will be made.

7 Trade receivables

Primarily refers to amounts receivable from members of the Group's healthcare insurance plans, as follows:

	Consolidated	
	06/30/2019	12/31/2018
Medical and hospital plans		
Health and dental care plans	200,891	183,166
Agreements and individuals	6,148	8,319
Subtotal	207,039	191,485
Allowance for doubtful accounts	(33,330)	(38,738)
Total	173,709	152,747

Breakdown of amounts receivable by maturity age is as follows:

	Consolidated	
	06/30/2019	12/31/2018
Neither past due nor impaired	61,123	57,575
Overdue		
Up to 30 days	74,117	63,380
31 to 60 days	30,280	22,672
61 to 90 days	13,939	12,698
Over 90 days	27,580	35,160
Total	207,039	191,485

Changes in the provision for allowance for doubtful accounts in accounts receivable are as follows:

	Consolidated	
	06/30/2019	12/31/2018
Balances at the beginning of the period	38,738	19,770
Provisions	70,233	148,680
Net write-offs (a)	(75,641)	(129,712)
Total	33,330	38,738

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

Value of net recognitions and write-offs was 89,045 and 64,660, respectively, on June 30, 2018.

The Group has no concentration of revenue. It is worth noting that the Group's client base is not concentrated. In the 2Q19, the major client represented 1.3% (1.6% as of December 31, 2018) of net revenue, while the 10 largest clients represented 5.5% (6.2% as of December 31, 2018) of net revenue in the same period. In the periods ended June 30, 2019 and December 31, 2018 no clients represented more than 5% in net revenue.

8 Deferred commission

	Consolidated	
	06/30/2019	12/31/2018
Deferred commissions with Health Care Plan - Current	104,832	103,766
Deferred commissions with health care plan - Non-current	120,321	121,624
Total	225,153	225,390

The weighted average time for contracts (in months) in the customer portfolio, which is applied on the basis of the active contracts that have generated commission expenses, is as follows:

	2019	2018
Individual contracts	32	32
Collective contracts	56	56

9 Related party transactions and balances

The main balances of assets and liabilities on June 30, 2019 and December 31, 2018, as well as the transactions that influenced the income (loss), relating to operations with related parties, are presented below:

	Parent company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Assets				
Interest on equity receivable from subsidiaries	86,701	74,341	-	-
	86,701	74,341	-	-
Other debits with related parties				
Amounts receivable from shareholders (a)	-	-	1,258	1,258
PPAR COM Investimentos Ltda - amounts receivable (g)	-	-	1,988	1,993
Other	74	74	87	86
Total	74	74	3,333	3,337
Liabilities				
Dividends payable	1,959	65,126	14,475	77,730
Interest on equity capital	90,081	106,783	90,081	106,783
Subtotal	92,040	171,909	104,556	184,513
Related partypayables				
Amounts payable to individual shareholders(a)	41,145	41,145	41,181	41,181
Debts with investees (a)	43	30	-	-
Canadá Administradora de Bens Imóveis Ltda. - Purchase of property, plant and equipment	1,334	1,334	1,343	1,334
Other	142	142	143	142
Total	42,664	42,651	42,667	42,657
Leases payable with related parties	145	-	632,673	-
Transactions	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Revenue from medical care services (d)	-	-	642	435
Revenue from administrative services (e)	-	-	-	247
Lease cost for "Canadá Administradora de Bens Imóveis Ltda." (b)	-	-	-	(9,025)
Lease cost for "Fundação Ana Lima" (b)	-	-	-	(1,274)
Media broadcasting expenses (c)	-	-	(658)	(566)
Reimbursement of shared use of goods (f)	-	(419)	(856)	(419)
Lease expenses for "Quixadá Participações Ltda."	-	-	-	(5,477)
Depreciation of leases with Canadá Administradora de Bens Imóveis Ltda (h)	(2)	-	(2,216)	-
Depreciation of leases with Fundação Ana Lima (h)	-	-	(1,100)	-
Depreciation of leases with Quixadá Participações Ltda (h)	-	-	(5,493)	-
Interest on leases with Canadá Administradora de Bens Imóveis Ltda (h)	(6)	-	(7,421)	-
Interest on leases with Fundação Ana Lima (h)	-	-	(277)	-
Interest on leases with Quixadá Participações Ltda (h)	-	-	(18,455)	-
	(8)	(419)	(35,834)	(16,079)

The main transactions refer to:

- (a) It is a credit from the company's shareholders due to capital employment for acquisition of assets in the previous years. This debt was recorded with no interest and without fixed maturity. The payments were done in accordance to the financial planning of the company's management. The balance has been decreasing over time due to debt settlement, payments and debts compensation with the same shareholders and due to the conversion of these credit on capital stock.
- (b) Lease of commercial property and furnitures and fixtures intended for the development of economic activities, pursuant to an agreement entered into between related parties (non-consolidated entity under common control of the same Group's shareholders) with an average maturity of 20 years, entered into based on the appraisal of the market value performed by specialized companies, comprising: a) annual adjustment based on accumulated IGP-M adjustment and b) review of the base value every 60 months of the lease effectiveness.
- (c) Expenses with advertising hired by the Group to advertise in companies belonging to 'Sistema Opinião de Comunicação', under common shareholding control, with the purpose of promoting the sales of health care and dental care plans through marketing actions.
- (d) Revenues from health care plans of the Group companies with services to the companies that are part of Sistema Opinião de Comunicação, under common shareholding control, in the category of collective plans.
- (e) Supporting services for the Management of the companies to carry out activities necessary for the financial, tax and legal management of the entities.

- (f) This balance mainly refers to the use of aircraft, when the Top Management needs to make business trips.
- (g) Amount paid by the subsidiary Ultra Som Serviços Médicos Ltda. in favor of the company PPAR Com Investimentos Ltda., an entity not consolidated under the same shareholding control of the Group, on acquisitions of media companies made by the PPAR company.
- (h) Effect of amortization of lease contracts with related parties and inflation adjustment, in accordance with application of IFRS16 (CPC 06 R2).

Remuneration of key management personnel

The Group's Management is comprised by the Board of Directors and a Statutory Executive Board of the Group. Expenses with total management remuneration were R\$ 12,735 in the period ended June 30, 2019 (R\$ 8,187 as of June 30, 2018).

10 Investments

(i) Parent company

a. Breakdown

Investee	Capital	Equity	Income (loss) for the period	Number of shares	Percentage Interest	Equity in net income of subsidiaries 06/30/2019	Equity in net income of subsidiaries 06/30/2018	Investments 06/30/2019	Investments 12/31/2018
Hapvida Assistência Médica Ltda.	921,720	1,597,675	121,509	921,720	99.99%	121,509	195,469	1,597,675	1,476,166
Mais Odonto Assistência Odontológica Ltda.	3,303	3,200	56	3,303	99.99%	56	(68)	3,200	3,144
Hospital Antônio Prudente Ltda.	53,180	60,389	11,712	53,180	99.99%	11,712	(14,726)	60,389	48,677
Hospital Antônio Prudente de Natal Ltda. (a)	-	-	-	-	-	-	3,043	-	-
Hospital Antônio Prudente da Bahia Ltda. (a)	-	-	-	-	-	-	5,873	-	-
Ultra Som Serviços Médicos Ltda.	656,223	1,052,078	255,609	656,223	99.99%	255,609	84,554	1,052,078	811,011
Vida & Imagem Diagnósticos por Imagem Ltda. (a)	-	-	-	-	-	-	(842)	-	-
Samesp – Sociedade de Assistência. Médica Especializada Ltda. (a)	-	-	-	-	-	-	13,309	-	-
Hapclínicas de Serviços e Atenção à Saúde Ltda. (a)	-	-	-	-	-	-	8,698	-	-
Centro Integrado de Atenção à Saúde Ltda. (a)	-	-	-	-	-	-	7,231	-	-
Unidade Hospitalar Antônio Prudente Ltda. (a)	-	-	-	-	-	-	20,342	-	-
Hapclínica - Clínicas Ambulatoriais. de Serviço a Saúde Ltda. (a)	-	-	-	-	-	-	3,301	-	-
Unidade de Atenção Hospitalar Ltda. (a)	-	-	-	-	-	-	743	-	-
Centro Hospitalar de Atenção à Saúde Ltda. (a)	-	-	-	-	-	-	2,100	-	-
Clínica Ortopédica. e Traumatológica de João PessoaLtda. (a)	-	-	-	-	-	-	388	-	-
OPS Administração e Participações Ltda.	2,330	1,120	-	2,330	99.99%	-	(29)	1,120	1,120
Haptech Soluções Inteligentes Ltda.)	-	-	(516)	-	-	(516)	(13,022)	-	11,417
Atendimed Serviços Médicos Ltda. (a)	-	-	-	-	-	-	10,166	-	-
Hospital Francisca de Sande Ltda. (a)	-	-	-	-	-	-	(2,020)	-	-
Vida & Imagem Radiologia e Diagnóstico Ltda.	400	25,806	4,207	380	94.99%	4,207	13,872	25,806	21,599
Vida & Imagem Serviços Médicos Ltda. (a)	-	-	-	-	-	-	19,250	-	-
Hapvida Participações em Tecnologia Ltda (b)	10,901	13,441	2,540	10,901	99.99%	2,540	-	13,441	-
	1,648,057	2,753,709	395,117	1,648,037		395,117	357,632	2,753,709	2,373,134

(a) On February 28, 2018, May 31, 2018 and August 31, 2018, the meetings of shareholders of Ultra Som Serviços Médicos Ltda. approved the merger of subsidiaries. The purpose of the merger was to achieve significant economies of scale through the immediate decrease of expenses given the standardization and rationalization of administrative and operational activities. See Note 2.

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

(c) In April 2019, as registered with Ceará State Board of Trade, partners of Haptech Soluções Inteligentes Ltda. decided to grant all quotas of the organization to Hapvida Participações em Tecnologia Ltda., formerly denominated Prática Importação, Comércio e Distribuição de Produtos Farmacêuticos Ltda.

b. Changes

Investee	Balance at 12/31/2017	Equity in net income of subsidiaries	Dividends	Interest on shareholders’ equity	Merger	Capital increase	Advance for future capital increase	Write-off	Balance 12/31/2018	Equity in net income of subsidiaries	Interest on shareholders’ equity	Capital increase	Write-off	Balance at 06/30/2019
Hapvida Assistência Médica Ltda.	1,143,998	369,567	(98,319)	(42,400)	-	79,950	23,370	-	1,476,166	121,509	-	-	-	1,597,675
MaisOdonto Assistência Odontológica Ltda.	3,075	69	-	-	-	-	-	-	3,144	56	-	-	-	3,200
Hospital Antônio Prudente Ltda.	10,471	(13,441)	-	-	21,647	30,000	-	-	48,677	11,712	-	-	-	60,389
Hospital Antônio Prudente de Natal Ltda.	2,408	3,043	(600)	-	(4,851)	-	-	-	-	-	-	-	-	-
Hospital Antônio Prudente da Bahia Ltda.	3,592	5,873	(705)	-	(8,760)	-	-	-	-	-	-	-	-	-
Ultra Som Serviços Médicos Ltda.	89,878	244,801	(39,408)	(12,897)	206,776	308,000	13,861	-	811,011	255,609	(14,542)	-	-	1,052,078
Vida & Imagem Diagnósticos por Imagem Ltda.	2,413	(842)	-	-	(1,571)	-	-	-	-	-	-	-	-	-
Samesp - Soc. Assist. Médica Esp. Ltda.	41,953	13,309	(7,500)	-	(47,762)	-	-	-	-	-	-	-	-	-
Hapclínicas de Serviços e Atenção à Saúde Ltda.	6,242	8,698	(1,349)	-	(13,591)	-	-	-	-	-	-	-	-	-
Centro Integrado de Atenção à Saúde Ltda.	6,926	7,231	(2,600)	-	(11,557)	-	-	-	-	-	-	-	-	-
Unidade Hospitalar Antônio Prudente Ltda.	1,182	25,465	(5,000)	-	(21,647)	-	-	-	-	-	-	-	-	-
Hapclínica - Clínicas Amb. de Serv. a Saúde Ltda.	7,195	3,301	(752)	-	(9,744)	-	-	-	-	-	-	-	-	-
Unidade de Atenção Hospitalar Ltda.	1,255	743	-	-	(1,998)	-	-	-	-	-	-	-	-	-
Centro Hospitalar de Atenção à Saúde Ltda.	21,953	2,100	(800)	-	(23,253)	-	-	-	-	-	-	-	-	-
Clínica Ortop. e Traumatológica de JP Ltda.	9,289	388	-	-	(9,677)	-	-	-	-	-	-	-	-	-
MWD - Adm. e Participações Ltda.	137	-	-	-	-	-	-	(137)	-	-	-	-	-	-
OPS Administração e Participações Ltda.	1,175	(55)	-	-	-	-	-	-	1,120	-	-	-	-	1,120
Haptech Soluções Inteligentes Ltda.	15,134	(18,075)	-	-	-	-	14,358	-	11,417	(516)	-	-	(10,901)	-
Atendimed Serviços Médicos Ltda.	15,260	13,042	(7,237)	-	(21,065)	-	-	-	-	-	-	-	-	-
Hospital Francisca de Sande Ltda.	(1,137)	(2,020)	-	-	3,157	-	-	-	-	-	-	-	-	-
Vida & Imagem Radiologia e Diagnóstico Ltda.	1,798	16,376	(12,249)	-	-	-	15,674	-	21,599	4,207	-	-	-	25,806
Vida & Imagem Serviços Médicos Ltda.	36,854	19,250	-	-	(56,104)	-	-	-	-	-	-	-	-	-
Hapvida Participações em Tecnologia Ltda	-	-	-	-	-	-	-	-	-	2,540	-	10,901	-	13,441
Investments	1,421,051	698,823	(176,519)	(55,297)	-	417,950	67,263	(137)	2,373,134	395,117	(14,542)	10,901	(10,901)	2,753,709
Provision for investment loss	1,422,187								2,373,134					2,753,709
	(1,136)								-					-
Total	1,421,051								2,373,134					2,753,709

c. Acquisition of companies

(i) San Francisco group

On May 7, 2019, the controlling shareholders of GSFRP Participações S.A. (“GSFRP”), a publicly-held company holding the companies that make up the São Francisco Group, accepted the proposal for acquisition by the Company, through its subsidiary Ultra Som Serviços Médicos (“Ultra Som”), of the total shares of GSFRP (“Operation”). The acquisition price was set at R\$ 5,000,000. Upon completion of the operation, the Company will hold, through Ultra Som, 100% of GSFRP, which manages a portfolio of health care and dental plans of approximately 1.8 million lives, with net revenues of approximately R\$ 1.5 billion for the year 2018.

In the second half of 2019, the Company made a down-payment of R\$ 200,000 to shareholders of Grupo São Francisco, according to Relevant Fact disclosed on May 7, 2019.

- (ii) The completion of said transaction is subject to the approval of ANS (approved on August 01, 2019, as note 25 – Subsequent Events) and CADE, in addition to the approval by the shareholders' meeting of the América Group.

On June 9, 2019, the Group entered into agreements for the acquisition of companies comprising Grupo América. This transaction will be carried out through Ultra Som Serviços Médicos S.A. and Hapvida Assistência Médica Ltda., privately held companies controlled by the Company.

With this transaction, the Company will indirectly hold 100% of voting capital of companies Hospital Jardim América Ltda., Hospital Multi Especialidades Ltda., Jardim América Saúde Ltda. and América Clínicas Ltda., AME Planos de Saúde Ltda., PROMED Assistência Médica Ltda., Hospital PROMED Ltda., Clínica de Oftalmologia Jardim América Ltda., Centro de Diagnóstico e Laboratório Santa Cecília Ltda., and 47% of voting capital of company Saúde – Instituto de Análises Clínicas Ltda.

Acquisition price will be paid in cash with the discount of R\$ 50 million referring to (i) net indebtedness calculated on the date Operation is closed; and (ii) amount to be held to cover possible contingencies found in legal and accounting audit procedure.

Effective closing of this Operation is also subject to approval of *Agência Nacional de Saúde Suplementar* (ANS- National Agency for Supplementary Health) and of *Conselho Administrativo de Defesa Econômica* (CADE Administrative Council of Economic Defense), as well as to approval of the Company's Annual Shareholders' Meeting.

11 Property, plant and equipment

Parent company					
	Annual depreciation rate	Cost	Accumulated depreciation	Net 06/30/2019	Net 12/31/2018
Vehicles	20.0%	5,097	(2,577)	2,520	2,656
IT equipment	14.7%	1,637	(1,485)	152	237
Machinery and equipment	9.7%	15	(7)	8	9
Furniture and fixtures	10.0%	98	(44)	54	55
Facilities	4.0%	200	(8)	192	90
Right of use assets	8.6%	2,731	(267)	2,464	-
Construction in progress		739	-	739	1,104
Total		10,517	(4,388)	6,129	4,151
Consolidated					
	Annual depreciation rate	Cost	Accumulated depreciation	Net 06/30/2019	Net 12/31/2018
Real estate	4.0%	4,569	(1,042)	3,527	3,801
Vehicles	20.0%	5,097	(2,576)	2,521	2,656
IT equipment	14.7%	53,883	(29,871)	24,012	22,735
Hospital machinery and equipment	9.7%	217,554	(74,111)	143,443	130,741
Furniture and fixtures	10.0%	55,576	(16,362)	39,214	35,253
Facilities	4.0%	209,192	(13,938)	195,254	171,633
Construction in progress (a)		84,351	-	84,351	46,334
Right of use assets	7.1%	876,272	(24,291)	851,981	-
Others		-	-	-	1,375
Total		1,506,494	(162,191)	1,344,303	414,528

Changes in property, plant and equipment for the periods ended June 30, 2019 and December 31, 2018 are as follows:

Parent company						
	12/31/2018	Addition	First adoption - CPC 06 (R2)	Depreciation	Transfers	06/30/2019
Vehicles	2,656	-	-	(504)	368	2,520
IT equipment	237	69	-	(154)	-	152
Machinery and equipment	9	-	-	(1)	-	8
Furniture and fixtures	55	3	-	(4)	-	54
Facilities	90	84	-	(2)	20	192
Right of use assets	-	-	2,731	(267)	-	2,464
Construction in progress (a)	1,104	23	-	-	(388)	739
Total	4,151	179	2,731	(932)	-	6,129

Parent company						
	12/31/2017	Addition	Net write-offs	Depreciation	Transfers	12/31/2018
Real estate	3,544	53	-	(941)	-	2,656
Vehicles	540	41	(11)	(333)	-	237
IT equipment	22	2	(11)	(4)	-	9
Machinery and equipment	62	2	-	(9)	-	55
Furniture and fixtures	40	-	-	(3)	53	90
Facilities	533	624	-	-	(53)	1,104
Construction in progress (a)						
	<u>4,741</u>	<u>722</u>	<u>(22)</u>	<u>(1,290)</u>	<u>-</u>	<u>4,151</u>
Total						

	Consolidated						
	12/31/2018	Addition	First adoption - CPC 06 (R2)	Net write-offs	Depreciation	Transfers	06/30/2019
Real estate	3,801	-	-	-	(84)	(189)	3,528
Vehicles	2,656	-	-	-	(504)	368	2,521
IT equipment	22,735	3,424	-	(18)	(4,409)	2,280	24,011
Machinery and equipment	130,741	13,666	-	(123)	(10,322)	9,481	143,443
Furniture and fixtures	35,253	3,702	-	(32)	(2,588)	2,879	39,214
Facilities	171,633	1,133	-	7	(3,800)	26,282	195,254
Construction in progress (a)	46,334	77,877	-	(135)	-	(39,726)	84,351
Right of use assets	-	-	876,272	-	(24,291)	-	851,981
Others	1,375	-	-	-	-	(1,375)	-
Total	414,528	99,802	876,272	(301)	(45,998)	-	1,344,303

	Consolidated						
	12/31/2017	Addition	Net write-offs	Transfer	Depreciation	Acquisition	12/31/2018
Real estate	3,781	189	-	-	(169)	-	3,801
Vehicles	3,544	53	-	-	(941)	-	2,656
IT equipment	15,546	11,912	(343)	1,633	(6,082)	69	22,735
Hospital machinery and equipment	98,904	37,998	(1,927)	13,568	(19,340)	1,538	130,741
Furniture and fixtures	27,528	11,152	(1,594)	2,529	(4,689)	327	35,253
Facilities	103,205	12,790	(3,403)	63,158	(5,038)	921	171,633
Construction in progress (a)	38,114	85,354	3,754	(80,888)	-	-	46,334
Others	-	1,375	-	-	-	-	1,375
Total	290,622	160,823	(3,513)	-	(36,259)	2,855	414,528

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

12 Intangible assets

Changes in intangible asset for the period ended June 30, 2019 and December 31, 2018 are as follows:

		Consolidated			
	Annual amortization rate	Cost	Accumulated amortization	2019 Net	2018 Net
Acquisition of portfolio (iii)	20.00%	38,042	(9,161)	28,881	23,611
Software	20.00%	39,353	(7,641)	31,712	16,195
Patents and trademarks		1,701	-	1,701	1,701
Non-compete	20.0%	9,000	(3,600)	5,400	6,300
Goodwill (i)		38,180	-	38,180	36,452
Advances (ii)		29,358	-	29,358	30,835
Total		155,634	(20,402)	135,232	115,094

	Consolidated					
	12/31/2018	Additions	Amortization	Write-off	Transfer	06/30/2019
Acquisition of portfolio (iii)	23,611	23,595	(8,180)	(10,145)	-	28,881
Software	16,195	329	(2,449)	-	17,637	31,712
Patents and trademarks	1,701	-	-	-	-	1,701
Non-compete	6,300	-	(900)	-	-	5,400
Goodwill (i)	36,452	1,728	-	-	-	38,180
Advances (ii)	30,835	16,160	-	-	(17,637)	29,358
Total	115,094	41,812	(11,529)	(10,145)	-	135,232

	Consolidated					
	12/31/2017	Additions	Amortization	Write-off	Transfer	12/31/2018
Acquisition of portfolio (iii)	102	30,000	(1,080)	(5,411)	-	23,611
Software	8,213	10,994	(3,319)	-	307	16,195
Patents and trademarks	1,701	-	-	-	-	1,701
Non-compete	8,100	-	(1,800)	-	-	6,300
Goodwill (i)	23,158	13,294	-	-	-	36,452
Advances (ii)	4,684	26,458	-	-	(307)	30,835
Total	45,958	80,746	(6,199)	(5,411)	-	115,094

- (i) Goodwill formed on acquisitions of the related entities that are part of the Company's growth strategy to improve the service to its users, given the increased demand for health care services from the network of providers.
- (ii) Advances for the acquisition of new software that are being deployed since 2018 and will start being used in 2019.
- (iii) On October 29, 2018, according to Circular Letter 15/2018/GGREP/DIRAD-DIPRO/DIPRO, the National Regulatory Agency for Private Health Insurance and Plans (ANS) authorized, on preliminary basis, the voluntary transfer of the total portfolio of Assistência Médica Hospitalar Ltda. (UNIPLAM), company that operates in the complementary health sector located in Teresina, state of Piauí. The portfolio has around 25 thousand beneficiaries, mostly located in Teresina.

On December 18, 2018, according to Circular Letter No. 18/2018/GGREP/DIRAD-DIPRO/DIPRO, the National Regulatory Agency for Private Health Insurance and Plans (ANS) authorized, on preliminary basis, the voluntary transfer of the total portfolio of Free Life Operadora de Planos de Saúde Ltda - ANS Registration No. 35.109-1, company that operates in the complementary health sector headquartered in Fortaleza, state of Ceará. The portfolio has around 23 thousand beneficiaries.

13 Technical provisions for healthcare operations

	Consolidated	
	06/30/2019	12/31/2018
Unearned premium reserve - UPR (a)	43,459	36,537
Outstanding claims reserve (b)	46,576	58,028
Outstanding SUS claims reserve (c)	191,740	162,463
Incurred but Not Reported claims - IBNR (d)	136,222	151,097
Total	417,997	408,125

- (a) Unearned premiums reserve (UPR) consists of the accounting recognition of the amount charged by the Group to its clients a pro rata die basis within the monthly coverage period. The recognition as revenue only happens in the subsequent period, when the period of the coverage is actually incurred
- (a) Provision for claims that have occurred but not yet been paid. The provision is made for the full amount informed by the hospitals/clinics or by the beneficiary upon submission of documents to the Group. It is subsequently adjusted for reductions due to improper charges and discounts after the collections have been reviewed by the employees of the group (medical auditors),

- (b) In this account the Group records events referring to the reimbursement of medical expenses to public health care system (SUS) in accordance with ANS Regulatory Instruction 5 issued on September 30, 2011, and subsequent amend.
- (c) Provision to cover payment of losses that occurred but had not yet been reported to the Group before the end of the year, which was made based on actuarial calculations. The calculations are obtained based on quarterly run-off triangles considering historic development of claims paid in the past 12 months, to establish a future forecast per occurrence period.

The technical provisions represent the calculation of the expected risks related to the healthcare operations of the subsidiary Hapvida Assistência Médica Ltda, which is subject to the mandatory maintenance of collateral assets (described below in section "ii" of this note) intended to cover such risks, established by ANS Regulatory Instruction 209/09, and subsequent amendments, as described below:

Minimum adjusted equity and solvency margin: In order to operate in the health plan market regulated by ANS, health and dental insurance companies must maintain the adjusted shareholders' equity for economic purposes as stated in the ANS Regulatory Instruction 209/09. Adjusted equity is calculated as the total equity of the provider less noncurrent intangible assets, tax credits deriving from tax losses, deferred sales expenses, and prepaid expenses. On a monthly basis, the Group determines its adjusted equity and assesses the sufficiency of the solvency margin.

As shown in the following table, the Group is in compliance with regulation in all periods presented:

	06/30/2019	12/31/2018
Minimum adjusted equity (MAS)	1,305,382	1,196,942
Solvency margin required (SM)	<u>758,262</u>	<u>671,107</u>
Sufficiency calculation	<u>547,120</u>	<u>525,835</u>

Collateral assets: Under ANS Regulatory Instruction 159/07, health and dental plan providers are required to have sufficient assets to cover the entire technical provisions recognized at the reporting date less Unearned Premium Reserve - UPR and the portion of the Outstanding Claims Reserve relative to collection efforts by providers in the last 30 days.

As shown in the following table, the Group is in compliance with regulation in all periods presented:

	06/30/2019	12/31/2018
Required collateral assets	352,455	343,427
Collateral assets (see Note 6-c)	<u>418,023</u>	<u>407,135</u>
Sufficiency calculation	<u>65,568</u>	<u>63,708</u>

Changes in technical provisions

	UPR	Outstanding SUS claims reserve	Outstanding claims reserve	IBNR	Total
Balances at 12/31/2017	33,954	135,497	61,490	128,529	359,470
Provisions	5,195,408	35,331	4,116,306	24,288	9,371,333
Reversals	(5,192,825)	(8,365)	-	(1,720)	(5,202,910)
Payments	-	-	(4,119,768)	-	(4,119,768)
Balances at 12/31/2018	36,537	162,463	58,028	151,097	408,125
Provisions	2,874,432	31,115	3,776,339	6,469	6,688,355
Reversals	(2,867,510)	(1,838)	-	(21,344)	(2,890,692)
Payments	-	-	(3,787,791)	-	(3,787,791)
Balances at 06/30/2019	<u>43,459</u>	<u>191,740</u>	<u>46,576</u>	<u>136,222</u>	<u>417,997</u>

14 Payroll obligations

	Parent company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Provision for vacation pay and year-end bonus	-	-	92,536	63,716
Payroll payable	-	1,876	32,887	47,893
Other payroll obligations	-	905	238	1,338
Total	<u>-</u>	<u>2,781</u>	<u>125,661</u>	<u>112,947</u>

15 Provision for tax, civil and labor risks

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

The Group records provisions for all proceedings with probable loss risk, considered sufficient to cover possible losses.

	Parent company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Provision for tax risk (includes ANS)	35,554	34,890	186,496	171,324
Provision for civil risk	-	-	64,985	66,338
Provision for labor risk	25	-	32,015	25,779
Total	<u>35,579</u>	<u>34,890</u>	<u>283,496</u>	<u>263,441</u>

We detail below the changes in the provision for risks for the period ended June 30, 2019 and December 31, 2018:

	Parent company
Balances at January 1, 2018	46,125
Additions	11,319
Reversals	(22,482)
Write-offs	(72)
Balances at December 31, 2018	<u>34,890</u>
Additions	959
Reversals	(153)
Write-offs	<u>(117)</u>
Balances at June 30, 2019	<u>35,579</u>

	Consolidated			
	Civil	Labor	Tax	Total
Balances at January 1, 2018	<u>66,103</u>	<u>25,604</u>	<u>157,077</u>	<u>248,784</u>
Additions	19,652	7,930	40,240	67,822
Reversals	(3,749)	(3,964)	(24,004)	(31,717)
Write-offs	(15,668)	(3,602)	(2,178)	(21,448)
Transfers	-	(189)	189	-
Balances at December 31, 2018	<u>66,338</u>	<u>25,779</u>	<u>171,324</u>	<u>263,441</u>
Additions	19,193	9,409	17,734	46,336
Reversals	(4,502)	(1,473)	(226)	(6,201)
Write-offs	(16,044)	(1,700)	(2,336)	(20,080)
Transfers	-	-	-	-
Balances at June 30, 2019	<u>64,985</u>	<u>32,015</u>	<u>186,496</u>	<u>283,496</u>

Risks with probable loss forecast

The main issues of the lawsuits and administrative proceedings with more significant amounts classified as probable losses by the Group are described below:

(i) Provisions for civil lawsuits and proceedings

Theme: Contractual Grace Period - Lawsuits filed by beneficiaries seeking to obtain health care coverage from the health care plan without proper compliance with the grace periods. In this scenario, many court decisions are made disregarding the applicable legislation, without due obedience to the grace periods provided by law and/or contracts. The Company and its subsidiaries have provisioned the amount of R\$ 8,488 (R\$ 8,666 as of December 31, 2018).

Theme: Legal and/or Contractual Coverage Exclusion - Civil proceedings filed by beneficiaries seeking to obtain coverage for services not covered by law or contract, such as: medical procedures not provided for in the ANS list, aesthetic and experimental procedures outside the mandatory list, such as aesthetic treatments, and home care service. In this scenario, many judicial decisions are made in non-compliance with the applicable legislation, without due obedience to the care limits defined by law and/or contracts. The Company and its subsidiaries have provisioned the amount of R\$ 9,565 (R\$ 11,432 as of December 31, 2018).

Theme: Indemnity lawsuits - Medical Acts - Civil proceedings filed by beneficiaries seeking compensation for damages suffered by allegedly inadequate medical conduct. In such cases, the beneficiaries seek to assign joint liability to the Group for the medical act practiced by their accredited professionals. The Company and its subsidiaries have provisioned the amount of R\$ 9,492 (R\$ 9,924 as of December 31, 2018).

Theme: Debts with Providers in General - Civil lawsuits filed by service providers, seeking to obtain payment of amounts supposedly owed by the Group on several grounds, such as: improper charge from hospitals, contractual rescissions, etc. The Company and its subsidiaries provisioned the amount of R\$ 8,076 (R\$ 7,565 as of December 31, 2018).

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

(ii) Provisions for labor lawsuits and proceedings

- **Theme: Acknowledgment of employment relationship** - Labor lawsuits filed by service providers, seeking to obtain recognition of an alleged employment relationship maintained with the Group, even without the presence of the typical assumptions of an employment relationship. In this scenario, we can mention: physicians, radiology technicians, physiotherapists, phonoaudiologists etc. The Company and its subsidiaries made a provision in the amount of R\$ 17,049 (R\$ 12,284 as of December 31, 2018).

Theme: Labor amounts and severance pay - Labor lawsuits filed by former employees, who claim the receipt of labor amounts and severance pay related to the period in which they worked for the Group, including overtime, additional pays related to health hazard and night work allowances, salary equalization, deviation and accumulation of functions, fines provided for in articles 467 and 477 of the Brazilian Labor Code (CLT), etc. The Company and its subsidiaries have provisioned the amount of R\$ 11,812 (R\$ 11,041 as of December 31, 2018).

(iii) Provisions for tax lawsuits and proceedings

Theme: ANS administrative fines/ reimbursement to SUS (regulatory aspects) - Administrative proceedings and tax foreclosures filed by ANS, in which administrative fines are charged due to alleged noncompliance with the norms regulating the activity of health plan providers, and amounts related to reimbursement to Unified Health System (SUS), resulting from the attendance of beneficiaries of the Group in the public network and in the SUS, based on article 32 of law 9656/98. In relation to the theme presented herein, the Company and its subsidiaries have provisioned the amount of R\$ 87,181 (R\$ 86,965 as of December 31, 2018), to support probable losses arising from lawsuits, and the amount of R\$ 59,987 (R\$ 46,552 as of December 31, 2018) to cover probable losses arising from administrative claims.

Theme: Tax Enforcements – Tax on Services (ISS) – This contingency derives from administrative and legal proceedings filed by Municipal Finance Departments through which tax on services allegedly owed by the Company and/or its subsidiaries is collected as a result of their operating activities. The Company and its subsidiaries have provisioned the amount of R\$ 2,538 (R\$ 2,538 as of December 31, 2018).

Risks with possible loss forecast

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

We present below the composition of the amounts of risk arising from judicial and administrative proceedings, classified with a possible risk of loss, in which the Company and/or its subsidiaries are party, related to the period ended June 30, 2019 and December 31, 2018:

	Parent company		Consolidated	
Cases with possible loss - nature:	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Tax	2,659	2,591	624,846	653,941
Civil	784	784	263,885	232,674
Labor	695	768	66,656	68,945
	<u>4,138</u>	<u>4,143</u>	<u>955,387</u>	<u>955,560</u>

(i) Contingent liabilities for civil lawsuits and proceedings

Theme: Contractual Grace Period - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 11,626 (R\$ 9,978 as of December 31, 2018), related to civil, judicial and administrative proceedings, classified as possible loss risk.

Theme: Indemnity lawsuits - Medical Acts - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 22,121 (R\$ 14,275 as of December 31, 2018), related to civil lawsuits, lawsuits and proceedings, classified as possible loss risk.

Theme: Indemnity lawsuits - Medical Acts - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 128,028 (R\$ 116,347 as of December 31, 2018), related to civil lawsuits, lawsuits and proceedings, classified as possible loss risk.

Theme: Debts with Providers in General - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 28,317 (R\$ 27,118 as of December 31, 2018), related to civil, judicial and administrative proceedings, classified as possible loss risk.

(ii) Contingent liabilities for lawsuits and labor lawsuits

Theme: Recognition of employment relationship - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 31,195 (R\$ 30,688 December 31, 2018), related to labor lawsuits and proceedings, classified as possible loss risk.

Theme: Labor and Severance Charges - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 23,919 (R\$ 26,224 as of December 31, 2018), related to labor lawsuits and proceedings, classified as possible loss risk.

(iii) Contingent liabilities for lawsuits and tax lawsuits

Theme: ANS Administrative Fines/Reimbursement to SUS - In relation to the theme presented, the Group presented a contingent liability of R\$ 98,747 (R\$ 96,375 as of December 31, 2018), related to regulatory proceedings and R\$ 40,222 (R\$ 50,259 as of December 31, 2018), related to administrative proceedings of regulatory nature, classified as possible loss risk.

Theme: Tax foreclosures - Service Tax (ISS) - In relation to the theme presented, the Group presented a contingent liability of R\$ 94,635 (R\$ 89,764 as of December 31, 2018), related to tax lawsuits and proceedings, classified as possible loss risk.

Theme: Tax foreclosures - Business Succession - The contingency herein refers to tax foreclosures originally filed against other health care companies, in which the National Treasury requested the redirection to the Group, on the grounds of alleged business succession arising from operations of disposal of the portfolio of beneficiaries. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 101,551 (R\$ 91,937 as of December 31, 2018), related to tax lawsuits and proceedings, classified as possible loss risk.

Theme: Social Security Matters - The contingency herein mainly results from tax notices of violation filed against the Group for tax credits due to alleged irregularities or lack payment of social security contributions, among other social security matters. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 211,348 (R\$ 212,294 as of December 31, 2018), related to tax lawsuits and proceedings, classified as possible loss risk.

Judicial deposits

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

	<u>Parent company</u>		<u>Consolidated</u>	
	03/31/2019	12/31/2018	06/30/2019	12/31/2018
Tax judicial deposits	65	66	72,340	60,402
Civil judicial deposits	126	262	28,258	28,690
Labor judicial deposits	<u>146</u>	<u>110</u>	<u>7,617</u>	<u>7,799</u>
Total	<u><u>337</u></u>	<u><u>438</u></u>	<u><u>108,215</u></u>	<u><u>96,891</u></u>

16 Equity

a. Consolidated capital

Subscribed and paid-in share capital as of June 30, 2019 and December 31, 2018 is 2,810,219, comprised by 671,958,573 shares, distributed among the shareholders in the proportions of their equity interests in the Group.

b. Retained earnings (losses)

Records the accumulated retained earnings for future use to be determined by the shareholders.

c. Legal reserve

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

d. Dividends

Changes in dividends and interest on own capital payable are as follows:

Balance of dividends and interest on own capital as of December 31, 2017	<u>836,338</u>
Dividends proposed on December 31, 2018 - Non-controlling shareholders	677
Dividends proposed on December 31, 2018 - Non-controlling shareholders	63,167
Interest on own capital proposed to the controlling shareholder, net of withholding corporate income tax (i)	82,399
Interest on own capital proposed to minority shareholders, net of corporate income tax (i)	24,385
Dividends payable from investments acquired	1,319
Dividends and interest on own capital effectively paid in the period	<u>(823,772)</u>
Balance of dividends and interest on own capital as of December 31, 2018	<u>184,513</u>
Dividends proposed on December 31, 2018 - minority shareholders	4,038
Dividends proposed on December 31, 2018 - owners of the company	14,541
Interest on own capital proposed to minority shareholders, net of corporate income tax (i)	20,680
Interest on own capital proposed to the controlling shareholder, net of withholding corporate income tax (i)	69,401
Dividends and interest on own capital effectively paid in the period	<u>(188,617)</u>
Balance of dividends and interest on own capital as of June 30, 2019.	<u>104,556</u>

- (i) On December 11, 2018, the Board of Directors' meeting resolved on the payment of interest on own capital in the gross amount of R\$ 123,856, equivalent to R\$ 0.18 per share issued by the Company, with a 15% retention, except for the shareholders that proved to be immune or exempt, as well as for the remaining legal hypotheses.
- (ii) On June 27, 2019, the Board of Directors' meeting resolved on the payment of interest on own capital in the gross amount of R\$ 104,396, equivalent to R\$ 0.15 per share issued by the Company, with a 15% retention, except for the shareholders that proved to be immune or exempt, as well as for the remaining legal hypotheses.

e. Earnings per share

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

The calculation of diluted earnings per share was based on net income attributed to common shareholders and the weighted average of common shares outstanding after adjustments for all potential dilutive common shares.

	06/30/2019	06/30/2018
Net income attributable to the Company (R\$ thousand)	428,304	363,354
Net income attributable to controlling shareholders (R\$ thousand)	428,304	363,354
Weighted average number of ordinary shares	671,959	594,972
Basic and diluted earnings per share (R\$ thousand)	0.64	0.61

17 Net revenue from services provided

	Consolidated			
	06/30/2019		06/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Insurance revenue	2,637,531	1,327,955	2,296,601	1,160,507
Revenue from other activities	10,505	4,697	6,533	3,465
Deductions (a)	(114,779)	(56,395)	(102,313)	(53,023)
Total	2,533,257	1,276,257	2,200,821	1,110,949

(a) Deductions refer substantially to taxes on revenue.

18 Cost of services provided

	Consolidated			
	06/30/2019		06/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Medical, hospital and other costs	(1,492,646)	(768,957)	(1,276,448)	(675,221)
Change in IBNR	14,875	17,597	(5,540)	(2,845)
Total	(1,477,771)	(751,360)	(1,281,988)	(678,066)

19 Sales expense

	Consolidated			
	06/30/2019		06/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Expenses on advertising and marketing	(27,019)	(16,774)	(15,704)	(8,371)
Commission expenses	(144,194)	(72,143)	(128,560)	(79,205)
Allowance for doubtful accounts	(76,906)	(40,470)	(89,045)	(23,798)
Total	(248,119)	(129,387)	(233,309)	(111,374)

20 Administrative expenses

	Parent company			
	06/30/2019		06/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Own personnel expenses	(14,311)	(5,536)	(10,319)	(5,432)
Expenses on outsourced services	(1,585)	(1,035)	(5,684)	(4,357)
General services, rentals and utilities	(1,571)	(814)	(1,318)	(579)
Tax expense	(368)	(11)	(5,796)	(5,671)
Provision for tax, civil and labor risks	(703)	50	13,021	7,910
Other expense, net.	(184)	(163)	(48)	154
Total	<u>(18,722)</u>	<u>(7,509)</u>	<u>(10,144)</u>	<u>(7,975)</u>
	Consolidated			
	06/30/2019		06/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Own personnel expenses	(98,139)	(45,969)	(85,081)	(52,742)
Expenses on outsourced services	(45,898)	(25,247)	(43,244)	(25,431)
General services, rentals and utilities	(63,965)	(30,797)	(48,386)	(26,544)
Tax expense	(9,971)	1,339	(27,610)	(19,514)
Provision for tax, civil and labor risks	(45,670)	(26,592)	(16,584)	(7,793)
Other expense, net.	(4,491)	(1,589)	(2,190)	(216)
Total	<u>(268,134)</u>	<u>(128,855)</u>	<u>(223,095)</u>	<u>(132,240)</u>

21 Financial income (loss)

	Parent Company				Consolidated			
	06/30/2019		06/30/2018		06/30/2019		06/30/2018	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Financial income								
Interest on investments - except Collateral Assets	35,185	16,477	19,612	19,612	95,963	46,836	50,721	36,021
Financial revenue from investments - Guarantee assets	-	-	-	-	7,548	3,778	11,589	5,775
Interest on overdue receivables	-	-	-	-	12,089	6,032	12,740	6,324
Decrease in charges - Refis	-	-	1,843	1,703	-	-	9,392	2,230
Other	4	-	-	-	10,376	9,054	174	150
	<u>35,189</u>	<u>16,477</u>	<u>21,455</u>	<u>21,315</u>	<u>125,976</u>	<u>65,700</u>	<u>84,616</u>	<u>50,500</u>
Financial expense								
Interest on leases operations	(109)	173	-	-	(35,593)	(18,389)	-	-
Discounts	-	-	-	-	(9,450)	(3,969)	(6,626)	(2,724)
Bank expenses	(98)	(96)	(7)	(3)	(916)	(573)	(3,945)	(1,781)
Tax on financial income	-	-	(2,700)	(2,688)	(103)	(52)	(9,464)	(3,471)
Inflation adjustment	(5)	(2)	-	-	(4,212)	(2,095)	(127)	(127)
Other	-	-	(1)	(1)	(7)	(1)	(5,429)	(5,142)
	<u>(212)</u>	<u>75</u>	<u>(2,708)</u>	<u>(2,692)</u>	<u>(50,281)</u>	<u>(25,079)</u>	<u>(25,591)</u>	<u>(13,245)</u>
Total	<u>34,977</u>	<u>16,552</u>	<u>18,747</u>	<u>18,623</u>	<u>75,695</u>	<u>40,621</u>	<u>59,025</u>	<u>37,255</u>

22 Current income tax and social contribution

a. The reconciliation of the effective income and social contribution tax rates recognized in the statement of profit or loss

Since the amounts of individual financial statements are not relevant, it is being presented only the consolidated reconciliation:

	06/30/2019				06/30/2018			
	Accumulated		Quarter		Accumulated		Quarter	
Income before income tax and social contribution		612,422		305,320		531,247		235,998
Combined Rates:								
IRPJ, plus the additional tax rate		25%		25%		25%		25%
CSLL		9%		9%		9%		9%
Expenses with income tax and social contribution at the statutory rate	34.00%	208,223	34.00%	103,808	34.00%	180,624	34.00%	80,236
Permanent differences								
Tax loss for which a deferred tax asset was not formed	-	-	1.48%	4,520	1.28%	6,814	2.13%	5,016
Non-deductible provisions (i)	0.27%	1,654	-0.08%	(254)	-0.54%	(2,877)	1.50%	3,546
Other additions and exclusions (ii)	-4.29%	(26,303)	-8.57%	(26,161)	0.01%	47	1.45%	3,411
Subtotal	-4.02%	(24,649)	-7.17%	(21,894)	0.75%	3,894	5.07%	11,973
Impacts of the tax on entities taxed by deemed profit (iii)								
Reversal of the tax effect by the actual profit	-0.02%	(146)	-	-	-4.17%	(22,131)	-3.28%	(7,741)
Income tax and social contribution calculated at deemed profit	0.03%	191	0.00%	(2)	0.88%	4,672	0.63%	1,492
Subtotal	0.01%	45	0.02%	(2)	-3.19%	(17,459)	-2.65%	(6,249)
Expense with income tax and social contribution (rate at %)	29.98%	183,619	26.83%	81,911	31.46%	167,149	36.43%	85,960
Current income tax and social contribution (iii)	34.47%	211,087	35.39%	108,055	31.31%	166,336	30.85%	75,265
Deferred income tax and social contribution	-4.49%	(27,468)	-8.56%	(26,144)	0.15%	812	-3.35%	(10,695)
Expense with income tax and social contribution	29.98%	183,619	26.83%	81,911	31.46%	167,149	27.50%	85,960

- (i) Related to provisions of personnel expenses and contribution paid to regulatory agency, which are not deductible for tax purposes.
- (ii) This change is substantially comprised by tax credit calculated on interest on capital.
- (iii) Deduction of the effects of the application of the statutory rates on the profit before income tax and social contribution from the result reported by the group's entities that pay taxes under the presumed profit method, in accordance with current legislation.
- (iv) The Company and its subsidiaries effectively disbursed R\$ 154,572 as of June 30, 2019 (R\$ 336,091 as of December 31, 2018) for the payment of income tax and social contribution calculated in the period, and provisioned a balance related to the calculation of the immediately preceding period.

	Consolidated	
	06/30/2019	12/31/2018
Balance at the beginning of the period	33,860	54,479
Calculated income tax and social contribution	211,087	315,089
Balance of income tax and social contribution of acquiree	-	383
(-) Payments made	(154,572)	(336,091)
Balance at end of the period	90,375	33,860

The Company does not have income tax or social contribution losses and did not registered any income and social contribution taxes direct on equity.

b. Recoverable taxes

The balance refers mainly to income tax and social contribution credits in the amount of R\$ 56,579 (R\$ 43,382 in 2018) as a result of withholdings on the distribution of interest on own capital and income from short and long term investments, as well as overpayments recorded as recoverable taxes that will be offset throughout the next period, without no need for impairment, considering the Group's ability to generate income for such purposes.

c. Deferred income tax and social contribution

Parent company					
	Balance at 12/31/2017	Recognized in income (loss)	Balance at 12/31/2018	Recognized in income (loss)	Balance at 06/30/2019
Provision for tax, civil and labor risks (i)	15,683	(3,820)	11,863	234	12,097
Credit on tax loss and negative basis (ii)	-	55,916	55,916	22,084	78,000
Deferred tax on right-of-use assets	-	-	-	16	16
Other tax credits	-	12	12	-	12
Total	15,683	52,108	67,791	22,334	90,125
Consolidated					
	Balance at 12/31/2017	Recognized in income (loss)	Balance at 12/31/2018	Recognized in income (loss)	Balance at 06/30/2019
Provision for tax, civil and labor risks (i)	84,586	4,983	89,569	6,819	96,388
Impairment loss on trade receivables (i)	6,722	6,449	13,171	(1,839)	11,332
Deferred commissions expenses	(33,156)	(13,499)	(46,655)	(123)	(46,778)
Credit on tax loss and negative basis (ii)	-	55,916	55,916	22,084	78,000
Deductible provisions	-	6,849	6,849	(6,849)	-
Deferred tax on right-of-use assets	-	-	-	3,760	3,760
Other tax credits	6,765	390	7,155	3,616	10,771
Total	64,917	61,088	126,005	27,468	153,473

- (i) Only the transaction of entities for which it is probable that future taxable income are made available for the Group to be able to use the respective benefits were included in the calculation of deferred income tax and social contribution.
- (ii) Credit on tax loss and negative basis formed in prior years.

23 Financial instruments

(i) Fair value hierarchy

Upon measuring the fair value of an asset or liability, the Group uses observable market data whenever possible. The fair values are categorized into different levels in the hierarchy based on the inputs used in the evaluation methods as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

In the periods ended June 30, 2019 and December 31, 2018, the Company and its subsidiaries made no transfers between financial assets or transfers among hierarchic levels.

The Group's financial instruments are presented in the following table, which contains the book value of financial assets and liabilities. The table below does not include information on the fair value of financial assets and liabilities, since the book value is a reasonable approximation of the fair value.

The Group's financial instruments detailed below are classified as Level 2.

		June 30, 2019			
		Value per level			
	Notes	Nive1 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
Cash and cash equivalents		-	142,951	-	142,951
Short and long term investments	6	-	3,352,408	-	3,352,408
Trade accounts receivable	7	-	173,709	-	173,709
Related parties	9	-	3,333	-	3,333
Subtotal		-	3,672,401	-	3,672,401
Financial liabilities not valued at fair value					
Trade payables		-	(45,302)	-	(45,302)
Related parties	9	-	(42,667)	-	(42,667)
Other accounts payable		-	(32,979)	-	(32,979)
Subtotal		-	(120,948)	-	(120,948)
Total		-	3,551,453	-	3,551,453

		December 31, 2018			
		Value per level			
	Notes	Nive1 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
Cash and cash equivalents		-	185,484	-	185,484
Short and long term investments	6	-	3,388,006	-	3,388,006
Trade accounts receivable	7	-	152,747	-	152,747
Related parties	9	-	3,337	-	3,337
Subtotal		-	3,729,574	-	3,729,574
Financial liabilities not valued at fair value					
Trade payables		-	(61,381)	-	(61,381)
Related parties	9	-	(42,657)	-	(42,657)
Other accounts payable		-	(30,857)	-	(30,857)
Subtotal		-	(134,895)	-	(134,895)
Total		-	3,594,679	-	3,594,679

The Company and its subsidiaries invest cash surpluses in current interest-bearing deposits, term deposits, short-term deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin as determined by the aforementioned forecasts.

Derivative financial instruments

As of June 30, 2019 and December 31, 2018, the Company and its subsidiaries do not have derivative financial instruments.

(ii) Measurement of fair value

Valuation techniques and significant non-observable inputs

In note 3.d we present the valuation techniques used to measure Level 2 fair values for financial instruments not measured at fair value in the balance sheet, as well as significant non-observable inputs used.

(iii) Risk management

Market risk management

The Company has a formalized policy to make investments and to use financial instruments in its activities.

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

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

Insurance Risk and Pricing Policy

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

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

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

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

Determination of technical reserves and guarantee assets

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

Note 13 presents the technical reserves, their natures and breakdown of each obligation related to SUS, due to the particularities set forth by regulation.

Market risk and sensitivity analysis

The Group has no indebtedness and no derivative financial instruments. Under the policy followed for investing the excess cash generated by the activities of the Company and its investees, such cash is invested in financial assets of large Brazilian banks and / or fixed-rate funds of banks which the Brazilian Association of Financial and Capital Market Entities - ANBIMA classifies as being low risk.

As of June 30, 2019, the Company and its subsidiaries have the following sensitivity of its financial assets based on the change in the basic interest rate of the economy (CDI), whose impacts are projected according to the scenarios below:

	Balance at 06/30/2019	Risk	Scenario (3,18%)	Scenario (4,76%)	Probable scenario (6,35%)	Scenario (7,94%)	Scenario (9,53%)
Balance of pledged financial investments	418,023	CDI change (6.35%)	13,272	19,908	26,544	33,181	39,817
Balance of investments (free)	2,934,385	CDI change (6.35%)	93,167	139,750	186,333	232,917	279,500

Credit risks

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

Accounts receivable

Credit risk for the Company is considered as low by Management mainly for the health care company to which the monthly billings are made before services are rendered. Most of Company's accounts receivable is related to the risk coverage period (over time). As mentioned in Note 7, 21.42% of our accounts receivable are more than 60 days late. In addition, in order to reduce risk of having the beneficiary's treatment costs without having been paid, the Company adopts the practice of canceling overdue plans as regulated by the National Regulatory Agency for Private Health Insurance and Plans (ANS) for the health care company.

The Group established a provision for impairment which consists in the use of factors related to losses noted in recent time series, adjusting historical series to reflect the current conditions and reasonable and feasible estimates of future economic conditions related to accounts receivable and other accounts receivable. The Company recognizes impairment losses as a write-off of accounts receivable unless the Company evaluates that it is not possible to recover the amount due; in this occasion, the amounts are considered irrecoverable and are recorded directly in profit or loss as a counterpart of the financial asset.

In general, the Group mitigates its credit risks by providing services to a client base that is very dispersed and has an undefined concentration. For non-paying clients, the Group cancels the plans in accordance with ANS rules.

Short and long term investments

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

	June 30, 2019	June 30, 2018	Ratings of Financial Institutions					
			Fitch (1)		Moody's (2)		S&P (3)	
			CP	Long-term	CP	Long-term	CP	Long-term
Banco Itaú Unibanco S.A.	986,845	614,280	F1+	AAA	BR-1	Aa1.br	brA-1+	brAA-
Banco Santander S.A.	997,076	1,106,235	-	-	Br-1	Aaa.br	brA-1+	brAA-
Banco do Brasil S.A.	511,127	480,353	F1+	AA	BR-1	Aa1.br	B	BB-
Banco Bradesco S.A.	342,240	761,623	F1+	AAA	BR-1	Aa1.br	brA-1+	brAA-
Caixa Econômica Federal	283,173	394,098	F1+	AA	BR-1	Aa1.br	brA-1+	brAA-
Banco Safra S.A.	227,921	215,911	F1+	AA+	BR-1	Aa1.br	brA-1+	brAA-
Other	4,026	37,849	-	-	-	-	-	-
	3,352,408	3,610,349						

(1) Last individual disclosure in 2018.

(2) Ratings List Brazil, published on January 2, 2019.

(3) Ratings from several Brazilian financial institutions reviewed after action on sovereign ratings published on January 12, 2018.

Cash and cash equivalents

The Group held "Cash and cash equivalents in the amount of R\$ 142,951 as of June 30, 2019 (R\$ 185,484 as of December 31, 2018). Cash and cash equivalents are maintained with banks and financial institutions with AA- and AA+ rating, as the list disclosed by Fitch.

Liquidity risks

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

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

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

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

We present below the contractual maturities of financial liabilities on the date of the financial statement:

Contractual cash flows						
	Notes	Book value	2020	2021	2022 onwards	Total
Financial liabilities not valued at fair value						
Trade payables		(45,302)	(45,302)	-	-	(45,302)
Related parties	9	(42,667)	(42,667)	-	-	(42,667)
Other accounts payable		(32,979)	(26,283)	(3,358)	(3,338)	(32,979)
Dividends and interest on shareholders' equity payable	9.17	(104,556)	(104,556)	-	-	(104,556)
		<u>(225,504)</u>	<u>(218,808)</u>	<u>(3,358)</u>	<u>(3,338)</u>	<u>(225,504)</u>

24 Insurance coverage

In July 2019, the Group contracted an insurance for risks declared in the amount of R\$1,022 with a maximum indemnity limit of R\$ 202,411 for fires, lightning, explosions and implosions related to 199 units in operation.

The Group contracted civil liability insurance to administrators and directors effective from 06/2018 to 06/2019 and maximum guarantee limit of R\$ 50,000. The coverage includes pain and suffering, assets and personal guarantees, emergency costs, among other.

25 Subsequent events

Issuance of Debentures

In July 2019, it was completed the 1st issue of simple unsecured debentures not convertible into shares, in up to two series, totaling the amount of R\$ 2,000,000,000.00 (two billion Reais). Debentures are guaranteed by surety of its subsidiary Ultra Som Serviços Médicos S.A. ("Ultra Som").

After conclusion of Grupo São Francisco acquisition process, represented by total shares of GSFRP Participações S.A. ("GSFRP" and "Grupo São Francisco Acquisition"), through Ultra Som, Debentures will also be guaranteed by surety provided by GSFRP, which will be jointly liable with Ultra Som as guarantor; these obligations are all in the ambit of Debentures.

Public offering for public distribution of shares

In July 2019, it was completed the initial public offering for primary distribution of 46,440,000 common, nominative, registered shares with no par value, free and clear of liens and encumbrances, issued by the Company with restricted efforts, pursuant to the terms of CVM Instruction 476, resulting in a net inflow of R \$ 2,307,280.

Acquisition of companies

(i) RN Saúde

On July 18, 2019, the Company entered into an agreement for the acquisition of 75% of quotas representing the capital of RN Metropolitan Ltda. (RN Saúde). This transaction will be carried out through Hapvida Assistência Médica Ltda., subsidiary of Hapvida Participações S.A. Price of said acquisition was fixed at R\$ 53 million.

Effective closing of this Operation is subject to the approval of the National Agency for Supplementary Health and the Administrative Council of Economic Defense, as well as to the approval of the Company's Annual Shareholders' Meeting, held in head office.

(ii) Hospital das Clínicas e Fraturas do Cariri

On August 1 2019, the Company, through its subsidiary Ultra Som Serviços Médicos SA, acquired the full hold of Hospital das Clínicas e Fraturas do Cariri S / S Ltda., Hospital Company based in Juazeiro do Norte, State of Ceará. The hospital, which has 59 hospitalization beds spread over 3,375 m² of built area and 7,300 m² of land, aims to expand care in the region of Juazeiro do Norte. The hospital was acquired for R \$ 16.5 million.

(iii) San Francisco group

On August 1, 2019, according to Official Letter no. 88/2019/ASSNT-DIOPE/DIRAD-DIOPE/DIOPE, the National Agency for Supplementary Health (ANS) granted authorization for assumption of shareholding control of health care plan São Francisco Sistemas de Saúde Sociedade Empresária Ltda. and São Francisco Odontologia Ltda., whose direct shareholding control will continue to be held by GSFRP Participações S.A., which will be directly controlled by Ultra Som Serviços Médicos S.A., subsidiary of the Company. It is noteworthy that the conclusion of the operation remains subject to the approval of the Administrative and Economic Defense Council (CADE).

* * *

Cândido Pinheiro Koren de Lima
Chairman of the Board of Directors

Jorge Fontoura Pinheiro Koren de Lima
CEO

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