

Hapvida
Participações e
Investimentos S.A.

**Individual and consolidated interim
financial statements as of
September 30, 2019**

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Adrianópolis walk-in clinic – Manaus/AM

Quarterly Results – 3rd Quarter 2019

- Net revenue of R\$1.3 billion (+13.1%)
- Health and dental net enrollment grows 4.8%
- MLR ex-SUS of 61.4% (-0.8 p.p.)
- MLR total of 63.3% (+0.7 p.p.)
- EBITDA of R\$235.3 million (+23.7%)
- EBITDA Margin of 17.9% (+1.6 p.p.)
- Net income of R\$215.9 million (+13.5%)

3Q19 Conference Call

November 14, 2019 (Thursday)

Portuguese (with simultaneous translation into English)

10am (Brazil) | 8am (US/EST)

Webcast: ri.hapvida.com.br

Phone number: Brazil: +55 (11) 3181-8565 | USA: +1 (412) 717-9627

MESSAGE FROM MANAGEMENT

The third quarter of 2019 was another intense period for Hapvida. The last few months were dedicated to the expansion of our operations, with the conclusion of the acquisition of Padre Cícero General Hospital, in the Cariri region, in the south of Ceará state. In August, we launched Maida Health, a new brand for Hapvida's own healthtech. It was born as a result of a merger between Haptch (our technology arm) and Infoway (a company specialized in systems development for the healthcare industry), and reinforces the Company's focus on health management innovation. Throughout the quarter, for example, we deployed new medical auditing technology using artificial intelligence (machine learning) with excellent results and increased process efficiency and effectiveness. Additionally, we successfully completed the implementation of our new ERP (using SAP) in all of our units.

We also dedicated time to develop the integration plans for our recent acquisitions, especially the São Francisco Group based in Ribeirão Preto (State of São Paulo). The regulatory approval process was completed in October and the deal closing happened on November 1st, 2019. Caring for people and ensuring access to quality healthcare at an affordable price were common goals that brought Hapvida and Sao Francisco together. With this union, we formed one of the largest health groups in Brazil, with almost 6 million clients and a proprietary health network in all regions of the country.

The Company maintained its growth rate of enrollment for health and dental beneficiaries above the sector growth, posting annual increases of 4.8% and 4.9%, respectively. Based on the latest available information released by the National Supplementary Health Agency (ANS), the healthcare market registered a drop in the number of beneficiaries covered by private plans when compared to a year ago. However, the Brazilian macroeconomic scenario is beginning to show signs of recovery - there has been an improvement in the growth outlook for the Brazilian economy, with an increase in GDP growth projections for 2019 and 2020. In addition, according to *Caged* data (General Register of Employed and Unemployed) for September 2019, the country registered a positive balance in the creation of formal jobs. Given the high correlation between employment and health plan beneficiaries, these numbers represent a positive prospect for the supplementary health market and for the Company.

We also maintained our pace of revenue growth, which increased 13.1% in 3Q19 compared to the same period last year. Our medical loss ratio ex-SUS was 61.4% in the quarter, an 80 bps improvement, even after we increased the number of healthcare facilities in operation and a reclassification of expenses with certain employees previously recorded as administrative that are now accounted for as medical losses. Selling and administrative expenses were both under control and reached 9.5% and 10.7%, respectively. All of that led our EBITDA to grow 23.7% and reach R\$ 235.3 million in the quarter with a return on average equity (ROAE) of 68.5% in the last twelve months.

Throughout 3Q19, we started an important program at Hapvida: the "5 Star Service". Based on Hapvida's pillars of welcoming our customers, quality of services and discipline in cost efficiency, the program comprises the capture of satisfaction data through digital surveys performed after each interaction of our clients with the Hapvida system, including being cared for in hospitals, clinics, walk-in emergency centers, diagnostic units, laboratory collection points, dental clinics, preventive medicine programs, telemedicine sessions and health and wellness promotion units. Available through our app and website, through a push technology, we were able to quickly reach over one million responses, enabling real-time and continuous identification of improvement opportunities to drive excellence in service.

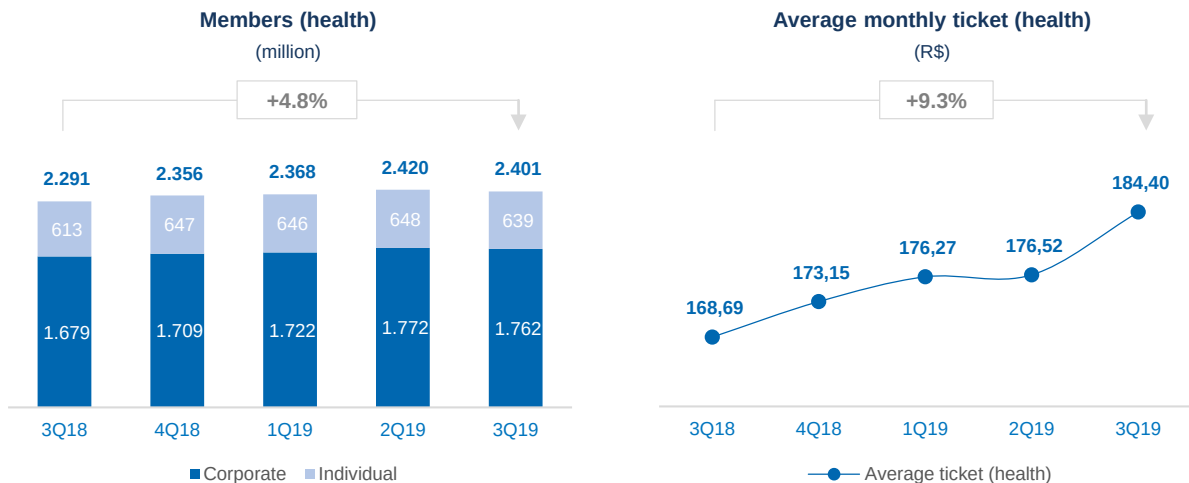
We are sure that we are prepared to seize the opportunities that are emerging on the horizon. Over the years, we have built a solid, sustainable and agile business that can move faster and faster. Once again, we would like to thank the board of directors, our shareholders, and the trust, dedication, and fundamental contribution of our more than 28,000 employees. This number includes around 7,000 employees from the San Francisco Group - welcome to the Hapvida Group. We would like to also thank medical and dental providers, brokers, business partners, and other company stakeholders. More importantly, we would like to thank our 6 millions customers which are the main reason for the existence of our company.

Jorge Pinheiro
CEO

1. Members and average ticket

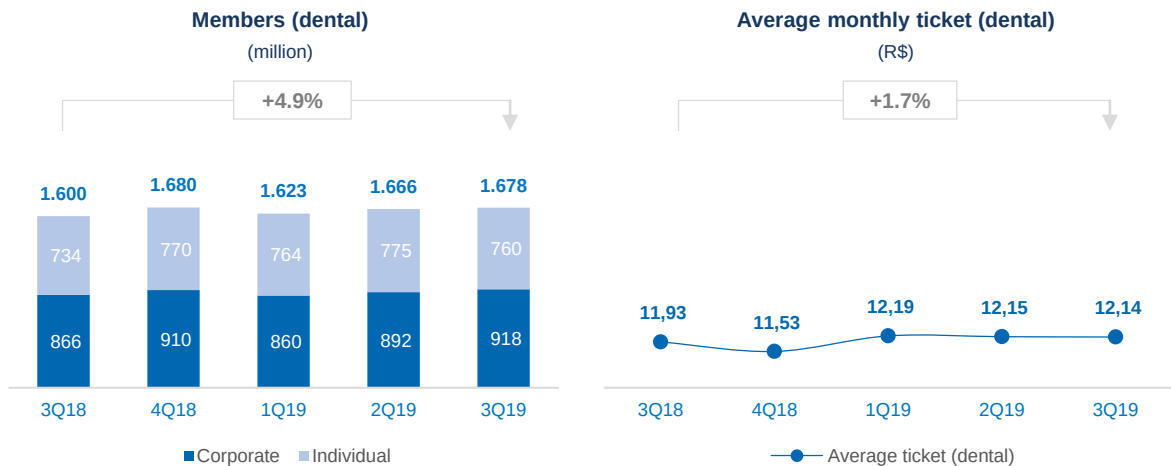
The number of beneficiaries increased by 4.8% when compared to 3Q18. Growth highlights in the period were in the states of Bahia, Pernambuco, Amazonas, Santa Catarina (due to Joinville operations) and also in the states of Piauí and Ceará due to the acquisitions of client portfolios of Uniplam and FreeLife, respectively. Compared to 2Q19, the portfolio fell by 0.8%, or 20 thousand lives, impacted in the period by a high rate of cancellations. Regarding the portfolio of individual plans, there was the impact of a more rigorous hiring policy in some regions in order to better qualify the sale with potential increase in contract retention.

The average ticket for the health segment grew 9.3% when compared to 3Q18, mainly due to adjustments to existing contracts and new sales.

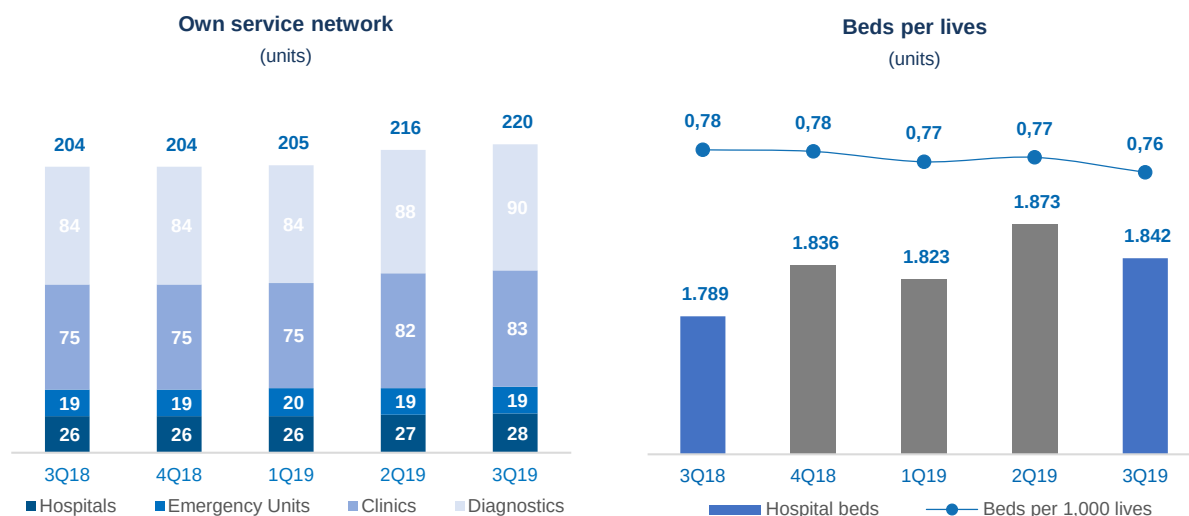


The number of beneficiaries of dental plans grew 4.9% compared to 3Q18. Growth highlights were in the states of Ceará, Pernambuco e no Distrito Federal.

The average ticket for the dental segment increased 1.7% compared to 3Q18.



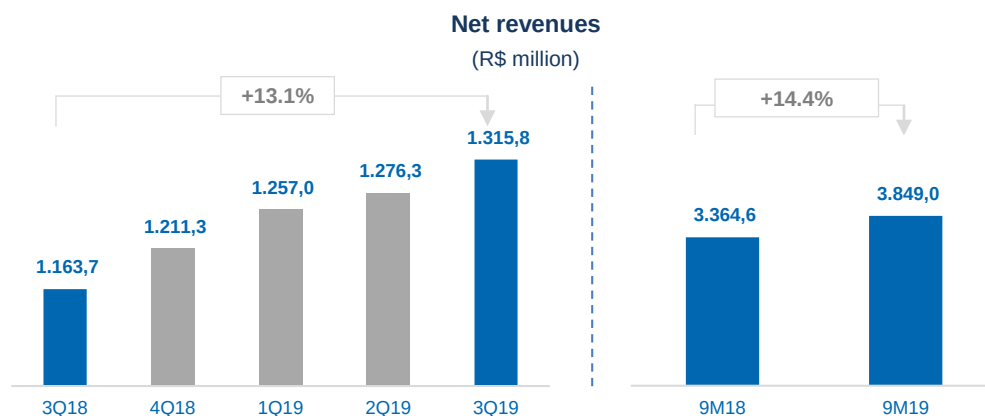
2. Own service network



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

The company ended 3Q19 with 28 hospitals, 19 walk-in emergency units, 83 clinics and 90 diagnostic units, the largest service infrastructure in the country's North and Northeast regions. Analyzing the number of hospital beds in operation we ended the quarter with 1,842 beds, which represents 0.76 bed per 1,000 lives. The increase in the number of hospital beds compared to 3Q18 is mainly due to the start of the 30-bed facility at Joinville General Hospital (with capacity to expand to around 140 hospital beds) and a 17-bed facility at Padre Cícero General Hospital (in the city of Juazeiro do Norte, south of the state of Ceará). Compared to 2Q19, the number of hospital beds reduced by 31 due to the end of the virus season, some ICU beds were deactivated due to lower demand in some regions and conversion of some beds to pediatric ICU beds.

3. Net revenues



In 3Q19, net revenues increased by 13.1% when compared to 3Q18, mainly driven by: (i) growth of 4.8% and 4.9% in the number of beneficiaries of health care and dental plans, respectively; and (ii) 9.3% increase in the health average ticket and 1.7% increase in the dental average ticket, reflecting the price adjustments implemented in the existing contracts, which are necessary for the economic balance, and new sales. In 9M19 net revenue totaled R\$ 3.8 billion, up 14.4% over the same period last year.

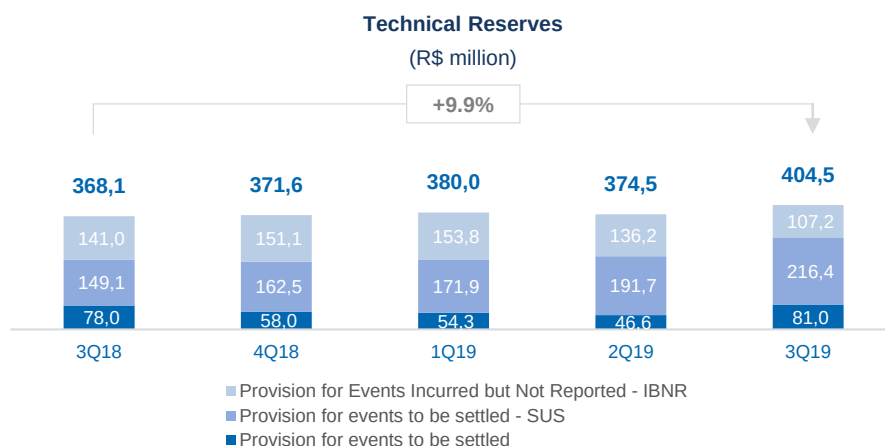
4. MLR, Medical Costs and Technical Reserves

(R\$ million)	3Q19	3Q18	3Q19 x 3Q18	2Q19	3Q19 x 2Q19	9M19	9M18	9M19 x 9M18
Medical Costs – Cash	(836.7)	(716.5)	16.8%	(761.9)	9.8%	(2,324.5)	(1,984.4)	17.1%
Change in IBNR provision	29.1	(6.9)	-520.2%	17.6	65.2%	43.9	(12.5)	-452.7%
Change in SUS reimbursement provision	(24.6)	(5.1)	383.5%	(19.8)	24.2%	(53.9)	(13.6)	295.9%
Medical Costs – Total	(832.3)	(728.5)	14.2%	(764.1)	8.9%	(2,334.4)	(2,010.5)	16.1%
MLR – Cash (ex-provisions)	63.6%	61.6%	2.0 p.p.	59.7%	3.9 p.p.	60.4%	59.0%	1.4 p.p.
MLR – ex-SUS	61.4%	62.2%	-0.8 p.p.	58.3%	3.1 p.p.	59.2%	59.3%	-0.1 p.p.
MLR – Total	63.3%	62.6%	0.7 p.p.	59.9%	3.4 p.p.	60.7%	59.8%	0.9 p.p.

MLR ex-SUS, which is the index that represents more closely the quality of our operations and excludes provisions for reimbursement to SUS, was 61.4% in the quarter, an improvement of 0.8 p.p. even when impacted by **(i)** new healthcare facilities that came online in the period, including Joinville General Hospital (R\$ 8.6 million more than in 3Q18); **(ii)** a reclassification of expenses with certain employees previously recorded as administrative expenses that started to be accounted for as medical losses (negative impact of R\$ 6.9 million in the quarter offset by a positive effect in G&A expenses by the same amount); and **(iii)** collective bargaining agreement and hiring of new employees in 3Q19 (R\$ 7.5 million).

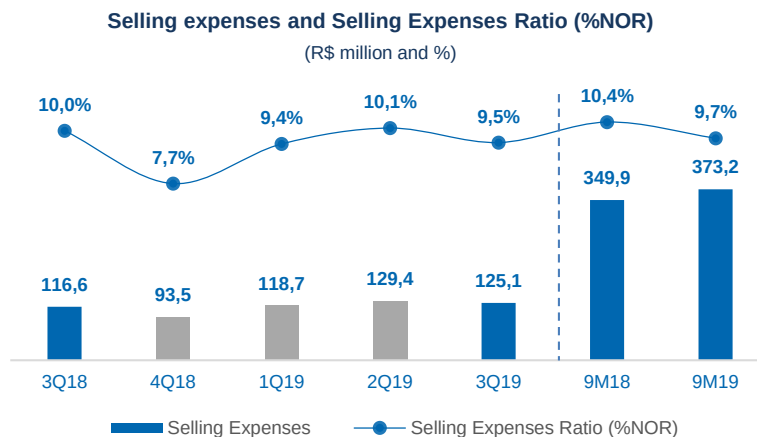
Total MLR (which includes changes in IBNR - Incurred But Not Reported provisions and in reimbursement to SUS provisions) was 63.3%, an increase of 0.7 p.p. compared to the same period of the previous year, impacted by a significant increase in provisions for reimbursement to SUS (R\$ 24.6 million in 3Q19 versus R\$ 5.1 million in 3Q18). Within the quarter, we also recognized additional claims in the accredited network (R\$ 30.5 million) offset by a reduction in IBNR in the quarter (net reversal of R\$ 29.1 million). The effect mentioned above was due to improvements in the medical bill presentation and processing processes, as a result of the improvement made to our operating systems to adapt them to the interfaces with SAP.

MLR ex-SUS for 9M19 was practically stable versus 9M18 even with impacts from **(i)** a reclassification of expenses with employees (R\$ 13.9 million) from administrative to medical losses; **(ii)** collective bargaining agreement (R\$ 3.7 million) and hiring of new employees (R\$ 10.7 million); and **(iii)** opening of new units in the last 12 months (approximately R\$ 25.2 million). Included in item (iii) above are expenses related to the inauguration of 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\$ 404.5 million, an increase of 9.9% over 3Q18. IBNR ended the quarter at R\$ 107.2 million, after a net reversal of R\$ 33.8 million for the reasons described above. The provision for reported claims SUS increased by R\$ 67.3 million, impacted by an accelerated level of bills presented in the period.

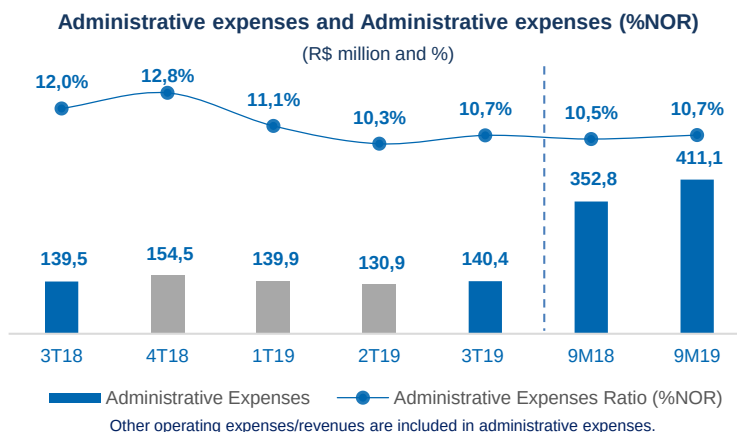
5. Selling expenses



Selling expenses ratio (measured by dividing total selling expenses by net revenues) was 9.5% in 3Q19, 0.5 p.p. better when compared to 3Q18, mainly due to an increase in the deferral period of commissions (positive impact of R\$ 1.6 million in the quarter). In 9M19, the ratio was 9.7%, an improvement of 0.7 p.p. compared to 9M18, mainly due to an increase in the deferral period of commissions (positive impact of R\$ 4.8 million in the nine months), a reduction in the doubtful accounts provision of collective plans (positive impact of R\$ 15.8 million), mainly explained by a provision related to the default of a single corporate customer (negative impact of R\$ 8.7 million) in 9M18.

6. Administrative expenses

The administrative expenses ratio (measured by the ratio of total administrative expenses to net revenues) was 10.7% both in the quarter and in the year-to-date, a reduction of 1.3 p.p. and an increase of 0.2 p.p. compared to 3Q18 and 9M18, respectively. Administrative expenses totaled R\$ 140.4 million in 3Q19 and R\$ 411.1 million in 9M19, increases of 0.6% and 16.5%, respectively.



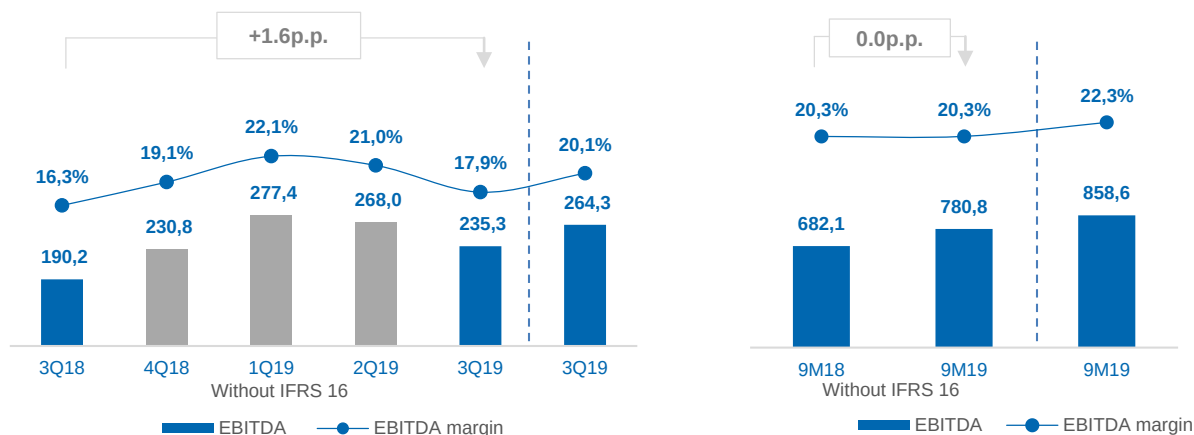
The main negative impacts on expenses between 3Q18 and 3Q19 were: (i) amortization of the portfolios acquired (R\$ 2.8 million); (ii) collective bargaining agreement and hiring of new employees (R\$ 5.1 million). The main positive effects were: (i) the reclassification of expenses with certain employees (R\$ 6.9 million), 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).

Year-to-date, the index increased by 0.2 pp compared to the previous year. The main negative impacts were: (i) amortization of the portfolios acquired (R\$ 11.0 million); (ii) collective bargaining agreement and hiring of new employees (R\$ 8.9 million), and (iii) increase in provisions and judicial agreements (R\$ 8.7 million), partially offset by the reclassification of administrative expenses for employee claims (R\$ 13.7 million) due to the general overhaul of the Company's cost center base, as a pre-implementation activity of the new corporate ERP (SAP).

7. EBITDA

EBITDA and EBITDA margin

(R\$ million and %)



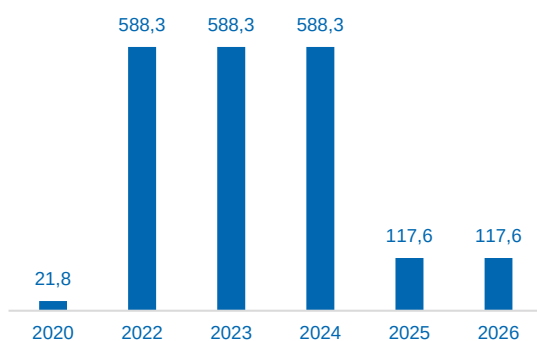
EBITDA (excluding IFRS 16 impact) reached R\$ 235.3 million and R\$ 780.8 million in 3Q19 and 9M19, respectively, with growth of 23.7% and 14.5% related to the same comparative periods of 2018 due to the factors already explained above. EBITDA Margin in 3Q19 was 17.9%, an increase of 1.6 p.p. compared to 3Q18, and 20.3% in 9M19, stable when compared to 9M18.

8. Debt

On July 10th, 2019 we concluded our first issuance of debentures in the amount of R\$ 2.0 billion, in 2 (two) series with maturities of five years (109.0% of CDI remuneration) and seven years (110.55% of CDI remuneration), respectively. The funds raised through this issue were fully used for the acquisition of the São Francisco Group, announced in May this year and concluded this November. The Net debt/EBITDA ratio calculated pro forma after cash out of our recent acquisitions is (-1.09) due to the net cash position of just over R\$ 1.0 billion.

Debenture amortization schedule

(R\$ million)



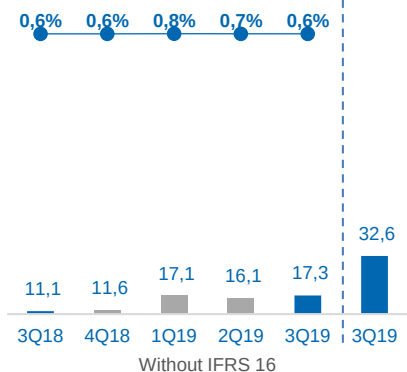
Net debt/ EBITDA (R\$ million)	3Q19
Short-term debt*	21.0
Long-term debt*	1,996.7
Gross debt	2,021.8
(-) Cash and cash equivalents and short-term and long-term investments (proforma)	3,208.7
Net debt	(1,190.9)
Net debt/ EBITDA LTM	(1.09)x

* Debt balance considers the value of debentures net of its respective transaction costs plus other financing lines.

9. Depreciation and amortization, Financial results and Income tax

Depreciation and Amortization

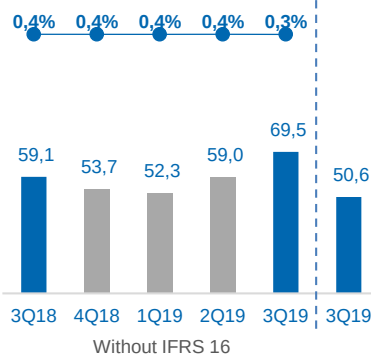
(R\$ million and %)



■ Depreciation and Amortization
● % of average balance of Property, plant and equipment and intangible assets

Net Financial Results

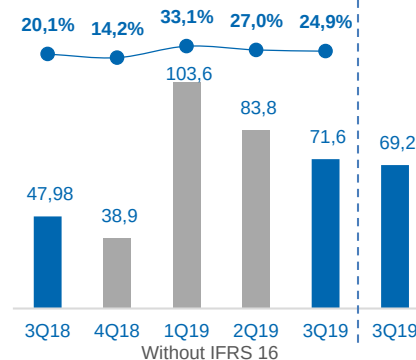
(R\$ million and %)



■ Financial result
● % of average cash and cash equivalents

Income Tax

(R\$ million and %)



■ IR and CSLL ● % EBT

Depreciation and amortization expenses and costs totaled R\$ 17.3 million in 3Q19, equivalent to 0.6% of the average balance of the respective equity assets. Considering the IFRS 16, depreciation totaled R\$ 32.6 million due to the recognition of rights of use assets of R\$ 15.3 million.

Net financial result (a revenue of R\$ 69.5 million in 3Q19) was influenced by a net inflow of approximately R\$ 2.6 billion from the primary public offering of shares plus an inflow of approximately R\$ 2.0 billion from the first debentures issuance. Both operations settled at the end of July 2019 and, consequently, there was a significant increase in cash and cash equivalents that remained unchanged throughout the third quarter of 2019. Thus, investment income in 3Q19 was significantly higher when compared to 3Q18. On the other hand, financial expenses were impacted by the pro rata recognition of accrued interest in the amount of R\$ 21.8 million related to debentures issuance. Under the IFRS 16, net financial expenses totaled R\$ 50.6 million due to recognition of lease interest of R\$ 18.9 million.

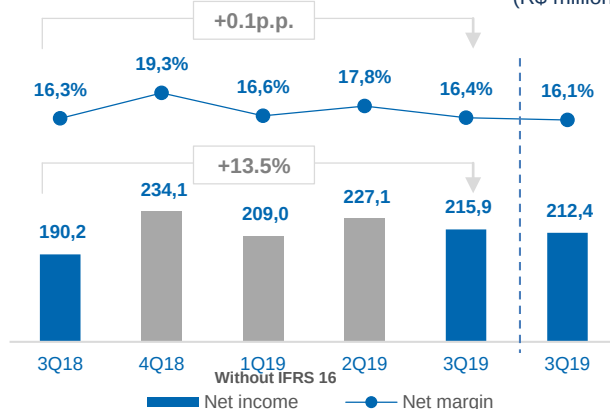
The effective income tax rate was 24.9% this quarter, impacted by the recognition of tax losses and negative tax basis due to the deductible expenses of the Company's follow-on operations and issuance of debentures. Comparing to the same period last year, the effective tax rate was 4.8 p.p. higher, impacted by even higher tax credits in 3Q18. The IFRS 16 does not change the effective tax base, as the mismatch between the "cash" and the accrued income taxes is booked as a deferred asset, an amount of R\$ 1.8 million recognized this quarter.

10. Net income

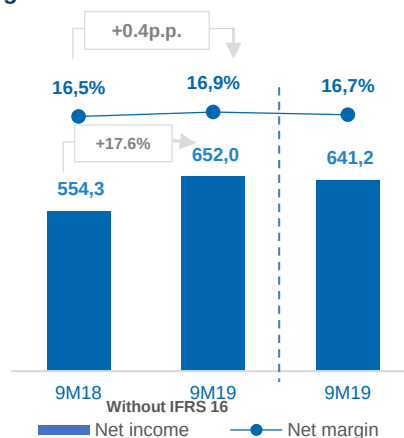
Net income for 3Q19 increased by 13.5% compared to 3Q18, with an increase of 0.1 p.p. in the net margin. In 9M19, net income reached R\$ 652.4 million, an increase of 17.6% compared to the same period last year, with net margin of 16.9%, an increase of 0.4 p.p. in the same comparison.

Net income and Net margin

(R\$ million and %)



■ Net income ● Net margin



■ Net income ● Net margin

EARNINGS RELEASE | 3Q19

November 18, 2019

11. IFRS16

The interim financial statements for 3Q19 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\$ 850.7 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 3Q19:

Values in R\$ million

Item	3Q19 without IFRS 16	Rent Reversion	Depreciation and amortization	Financial expenses	3Q19 with IFRS 16
Total cost	(832.3)	26.8	(13.1)	-	(818.6)
Gross profit	483.5	26.8	(13.1)	-	497.2
Administrative expenses	(138.4)	2.2	(2.2)	-	(138.4)
Operational income	218.1	29.0	(15.3)	-	231.7
Financial result	69.5	-	-	(18.9)	50.6
IRPJ e CSLL	-	(9.9)	5.2	6.4	1.7
Net income	215.9	19.1	(10.1)	(12.5)	212.4
EBITDA	235.3	29.0	n/a	n/a	264.3

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.

12. Cash generation and Capex

Free cash flow was positive by R\$ 32.1 million in 3Q19 due to higher working capital variation, investments (capex) and acquisitions in the period. Working capital variation was negatively affected by the receipt of R\$ 53.4 million in accounts receivable on September 30, 2019 (calendar effect). Capex, net of depreciation and amortization arising from additions to property, plant and equipment and intangible assets totaled R\$ 62.4 million in 3Q19, an increase of 11.7%, mainly due to the expansion of the operating structure of our own network, especially the net opening of 1 hospital, 4 clinics and 5 diagnostic units. Company acquisitions refer to amounts paid for Padre Cícero General Hospital in Juazeiro do Norte (CE) and Infoway, a company specializing in development of healthcare systems.

Values in R\$ million

Item	3Q19	3Q18	3Q19 x 3Q18	9M19	9M18	9M19 x 9M18
EBIT	218.1	179.1	21.8%	730.3	769.4	(5,1%)
Effective income tax rate (*)	24.9%	20.1%	4.8 p.p	31.2% ¹	28.2%	3.0 p.p
NOPAT	163.7	143.8	13.8%	502,1	467.4	7.4%
(+) Depreciation and amortization	17.3	11.1	55.9%	50.5	30.8	64.0%
(+/-) Change in working capital ²	(69.2)	(0.3)	22966.7%	(44.5)	(34.5)	29.0%
(-) Cash CAPEX	(62.4)	(55.8)	11.8%	(196.5)	(155.6)	26.3%
Free cash flow (former acquisitions)	49.5	98.8	-49.9%	311.6	308.1	1.1%
(-) Companies acquisitions	(17.4)	-	n/a	(17.4)	-	n/a
Free cash flow	32.1	98.8	-67.5%	294.2	308.1	-4.5%

(1) 9M19 effective income tax rate disregards tax loss carryforwards in 2Q19.

(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.

13. Income Statement – Summary

Item	3Q19	AV 3Q19	3Q18	AV 3Q18	3Q19 x 3Q18	2Q19	AV 2Q19	3TQ9 x 2Q19	3Q19 - IFRS 16	9M19	9M18	9M19 x 9M18
Revenues from gross payments	1,394.5	106.0%	1,213.6	104.3%	14.9%	1,328.0	104.1%	5.0%	1,394.5	4,032.1	3,510.2	14.9%
Revenue from other activities	7.5	0.6%	2.0	0.2%	272.8%	4.7	0.4%	59.9%	7.5	18.0	8.5	110.7%
Deductions	(86.3)	-6.6%	(51.9)	-4.5%	66.2%	(56.4)	-4.4%	53.0%	(86.3)	(201.1)	(154.2)	30.4%
Net revenues	1,315.8	100.0%	1,163.7	100.0%	13.1%	1,276.3	100.0%	3.1%	1,315.8	3,849.0	3,364.6	14.4%
Medical cost and others	(836.7)	63.6%	(716.5)	61.6%	16.8%	(761.9)	59.7%	9.8%	(823.0)	(2,324.5)	(1,984.4)	17.1%
Rent with related parties	(14.1)	1.1%	(13.2)	1.1%	6.8%	(14.6)	1.1%	-100.5%	-	(42.0)	(28.6)	46.8%
Change in IBNR	29.1	-2.2%	(6.9)	0.6%	-520.2%	17.6	-1.4%	65.2%	29.1	43.9	(12.5)	-452.7%
Change in SUS reimbursement provision	(24.6)	1.9%	(5.1)	0.4%	383.5%	(19.8)	1.6%	24.2%	(24.6)	(53.9)	(13.6)	295.9%
Total cost	(832.3)	63.3%	(728.5)	62.6%	14.2%	(764.1)	59.9%	8.9%	(818.6)	(2,334.4)	(2,010.5)	16.1%
Gross profit	483.5	36.7%	435.2	37.4%	11.1%	512.1	40.1%	-5.6%	497.2	1,514.6	1,354.1	11.9%
Gross margin	36.7%	-	37.4%	-	-0.7p.p.	40.1%	-	-3.4p.p.	37.8%	39.3%	40.2%	-0.9p.p.
Selling expenses	(125.1)	9.5%	(116.6)	10.0%	7.2%	(129.4)	10.1%	-3.3%	(125.1)	(373.2)	(349.9)	6.6%
Administrative expenses	(138.4)	10.5%	(139.1)	12.0%	-0.5%	(128.9)	10.1%	7.3%	(138.4)	(406.7)	(362.2)	12.3%
Personnel	(56.8)	4.3%	(53.7)	4.6%	5.8%	(46.0)	3.6%	23.5%	(56.8)	(154.9)	(138.8)	11.6%
Third party services	(25.9)	2.0%	(23.0)	2.0%	12.9%	(25.2)	2.0%	2.7%	(25.9)	(71.8)	(66.2)	8.5%
Location and operation	(29.9)	2.3%	(27.8)	2.4%	7.8%	(30.9)	2.4%	-2.9%	(30.0)	(94.1)	(76.2)	23.5%
Taxes	(1.2)	0.1%	(7.5)	0.6%	-83.5%	1.3	-0.1%	-192.3%	(1.2)	(11.2)	(35.1)	-68.1%
Provisions for civil, labor and tax risks	(21.0)	1.6%	(23.5)	2.0%	-10.7%	(26.6)	2.1%	-21.1%	(21.0)	(66.6)	(40.1)	66.4%
Miscellaneous expenses	(3.5)	0.3%	(3.7)	0.3%	-4.5%	(1.6)	0.1%	121.0%	(3.5)	(8.0)	(5.9)	36.4%
Other expenses/operational revenues	(2.0)	0.2%	(0.4)	0.0%	366.2%	(2.0)	0.2%	1.1%	(2.0)	(4.5)	9.4	-147.9%
Total expenses	(265.4)	20.2%	(256.2)	22.0%	3.6%	(260.3)	20.4%	2.0%	(265.5)	(784.3)	(702.8)	11.6%
Operational income	218.1	16.6%	179.1	15.4%	21.8%	251.9	19.7%	-13.4%	231.7	730.3	651.3	12.1%
Financial revenues	65.7	-7.8%	65.1	5.6%	57.5%	65.7	-5.1%	56.0%	102.5	228.5	149.7	52.6%
Financial expenses	(6.7)	2.5%	(6.0)	0.5%	449.0%	(6.7)	0.5%	393.1%	(51.9)	(47.7)	(31.6)	50.9%
Financial result	69.5	5.3%	59.1	5.1%	17.7%	59.0	4.6%	17.8%	50.6	180.8	118.1	53.1%
EBIT	287.6	21.9%	238.2	20.5%	20.8%	310.9	24.4%	-7.5%	282.3	911.1	769.4	18.4%
IR and CSLL current	(108.1)	7.1%	(66.5)	-5.7%	39.9%	(108.1)	8.5%	-13.8%	(93.1)	(304.2)	(232.9)	30.6%
IR and CSLL deferred	24.3	-1.6%	18.6	1.6%	15.6%	24.3	-1.9%	-12%	23.3	45.2	17.7	154.6%
IR and CSLL	(71.6)	5.4%	(48.0)	4.1%	49.3%	(83.8)	6.6%	-14.5%	(69.8)	(259.0)	(215.1)	20.4%
Net income	215.9	16.4%	190.2	16.3%	13.5%	227.1	17.8%	-4.9%	212.4	652.0	554.3	17.6%
Net margin	16.4%	-	16.3%	-	0.1p.p.	17.8%	-	-1.4p.p.	16.1%	16.9%	16.5%	0.5p.p.

14. Balance Sheet – Summary

Item	3Q19 - IFRS 16	3Q19	3Q18	3Q19 x 3Q18	2Q19	3Q19 x 2Q19
Assets	10,896.1	10,039.8	4,635.8	116.6%	5,232.2	91.9%
Current assets	1,934.2	1,934.2	1,096.3	76.4%	1,926.3	0.4%
Cash and cash equivalents	169.6	169.6	89.2	90.3%	143.0	18.7%
Short-term investments	1,151.6	1,151.6	620.0	85.8%	1,094.0	5.3%
Trade receivables	146.1	146.1	153.7	-4.9%	173.7	-15.9%
Other assets	359.4	359.4	109.9	227.2%	410.8	-12.5%
Deferred commission	107.4	107.4	123.6	-13.1%	104.8	2.5%
Non-current assets	8,961.9	8,105.6	3,539.5	129.0%	3,305.9	145.2%
Long-term investments	6,924.4	6,924.4	2,784.8	148.7%	2,258.4	206.6%
Deferred taxes	176.8	171.2	82.7	107.1%	149.7	14.4%
Judicial deposits	133.9	133.9	87.9	52.3%	108.2	23.8%
Deferred commission	124.0	124.0	87.8	41.2%	120.3	3.1%
Other assets	42.2	42.2	5.1	721.0%	41.7	1.1%
Property, plant and equipment	1,382.0	531.3	395.7	34.3%	492.3	7.9%
Intangible assets	178.6	178.6	95.5	86.9%	135.2	32.0%
Item	3Q19 - IFRS 16	3Q19	3Q18	3Q19 x 3Q18	2Q19	3Q19 x 2Q19
Liabilities and shareholders' equity	10,896.1	10,039.8	4,635.8	116.6%	5,232.2	91.9%
Current liabilities	1,039.2	1,007.0	760.7	32.4%	993.5	1.4%
Lending and Financing	21.0	21.0	4.1	410.7%	-	-
Trade payables	40.2	40.2	58.3	-31.1%	45.3	-11.3%
Technical provisions for health care operations	512.2	512.2	399.8	28.1%	418.0	22.5%
Health care payables	2.1	2.1	60.3	-96.6%	66.3	-96.9%
Payroll obligations	142.7	142.7	118.1	20.9%	125.7	13.6%
Taxes and contributions payable	69.3	69.3	58.2	19.1%	74.4	-6.8%
Income and social contribution taxes	73.7	73.7	35.0	110.9%	90.4	-18.4%
Dividends and interest on shareholders' equity payable	102.1	102.1	14.6	601.1%	104.6	-2.3%
leases payable	32.2	-	-	-	-	-
Related party payables	4.0	4.0	-	-	42.7	-90.5%
Other accounts payable	39.6	39.6	12.2	223.7%	26.3	50.7%
Non-current liabilities	3,149.4	2,314.5	319.3	625.0%	302.2	665.9%
Lending and Financing	1,996.7	1,996.7	-	-	-	-
Taxes and contributions payable	12.1	12.1	11.9	1.2%	12.0	0.4%
leases payable	834.9	-	-	-	-	-
Provision for tax, civil and labor risks	293.1	293.1	256.2	14.4%	283.5	3.4%
Other accounts payable	12.5	12.5	8.5	47.1%	6.7	87.3%
Shareholders' equity	6,707.5	6,718.3	3,555.9	88.9%	3,936.5	70.7%
Capital	5,400.2	5,400.2	2,810.2	92.2%	2,810.2	92.2%
Profit reserves	1,308.0	1,318.8	745.2	77.0%	1,105.0	19.4%
Equity attributable to controlling shareholders	6,708.2	6,719.0	3,555.4	89.0%	3,915.2	71.6%
Non-controlling interest	(0.7)	(0.7)	0.5	-244.4%	21.31	-103.3%

15. Cash Flow Statement – Summary

Item	3Q19 - IFRS 16	3Q19	3Q18	3Q19 x 3Q18	2Q19	3Q19 x 2Q19	9M19	9M18	9M19 x 9M18
Net income	212.4	215.9	190.2	13.5%	227.1	-4.9%	652.0	554.3	17.6%
Adjustments to reconcile net income with cash	99.4	66.9	5.2	1175.9%	134.3	-50.2%	329.4	297.0	10.9%
Depreciation and amortization	17.3	17.3	11.2	54.2%	16.2	6.9%	50.5	30.8	64.1%
Depreciation of usage rights	15.3	-	-	-	-	-	-	-	-
Technical provisions for health care operations	(4.4)	(4.4)	11.9	-137.1%	5.8	-176.0%	10.0	26.1	-61.7%
Provision for losses on receivables	37.7	37.7	35.9	5.1%	40.5	-6.7%	114.6	125.0	-8.2%
Write-off of property, plant and equipment	4.2	4.2	0.2	1741.3%	0.2	2704.6%	4.5	0.3	1207.2%
Write-off of intangible assets	1.3	1.3	0.0	130200.0%	9.0	-85.5%	11.4	0.0	572300.0%
Write-off of intangible assets	-	-	-	-	-	-	-	-	-
Provision for tax, civil and labor risks	16.5	16.5	15.6	5.9%	28.0	-41.1%	56.6	19.7	188.2%
Income from financial investments	(99.4)	(99.4)	(117.6)	-15.5%	(49.1)	102.3%	(199.3)	(119.9)	66.2%
Interest and monetary restatement of leases	19.1	-	-	-	-	-	-	-	-
Interest and financial charges on loans and financing	22.0	22.0	-	-	-	-	22.0	-	-
Tax income and social contribution	93.1	93.1	66.6	39.8%	108.1	-13.8%	304.2	232.9	30.6%
Deferred taxes	(23.3)	(21.5)	(18.6)	15.8%	(24.3)	-11.4%	(45.2)	(17.7)	154.8%
(Increase) decrease in asset accounts	(8.9)	(8.9)	(100.0)	-91.1%	(127.3)	-93.0%	(218.0)	(232.6)	-6.3%
Accounts receivable	(7.9)	(7.9)	(71.7)	-89.0%	(46.6)	-83.0%	(105.8)	(144.5)	-26.8%
Inventory	(0.8)	(0.8)	2.6	-129.5%	(2.5)	-70.1%	(1.8)	2.1	-186.2%
Taxes recoverable	(13.2)	(13.2)	(12.6)	4.3%	(14.5)	-9.2%	(31.0)	(9.4)	229.0%
Financial investments	-	-	(0.7)	-100.0%	-	-	-	(2.0)	-100.0%
Judicial deposits	(33.2)	(33.2)	(18.3)	81.6%	(23.8)	39.6%	(64.6)	(41.7)	55.0%
Other assets	52.4	52.4	1.4	3524.6%	(38.7)	-235.3%	(8.7)	(18.2)	-52.2%
Advance payments	-	-	2.1	-100.0%	-	-	-	(1.4)	-100.0%
Deferred Sales Expense	(6.3)	(6.3)	(2.8)	121.5%	(1.1)	446.2%	(6.0)	(17.6)	-65.6%
Increase (decrease) in liability accounts:	(46.2)	(46.0)	(32.8)	40.0%	(114.4)	-59.8%	(209.1)	(241.8)	-13.5%
Technical provisions for health care operations	75.7	75.7	28.4	166.1%	(2.1)	-3660.1%	71.2	24.9	185.5%
Debts of health care operations	(41.3)	(41.3)	(2.0)	1942.1%	3.6	-1245.5%	(40.2)	5.1	-880.6%
Social obligations	13.6	13.6	12.6	8.2%	15.3	-11.1%	26.4	19.9	32.2%
Suppliers	(6.0)	(6.0)	(5.1)	18.3%	(17.2)	-64.9%	(22.1)	(0.1)	18331.7%
Taxes and contributions payable	7.6	7.6	7.5	1.1%	(3.2)	-335.9%	11.8	(13.5)	-187.8%
Other accounts payable	14.7	14.9	1.0	1429.7%	(3.0)	-603.9%	8.9	(25.4)	-135.0%
Income tax and social contribution paid	(110.5)	(110.5)	(75.2)	46.9%	(107.8)	2.4%	(265.1)	(252.8)	4.9%

15. Cash Flow Statement – Summary (Cont.)

Item	3Q19 - IFRS 16	3Q19	3Q18	3Q19 x 3Q18	2Q19	3Q19 x 2Q19	9M19	9M18	9M19 x 9M18
Net cash provided by operating activities	256.7	227.9	62.6	264.1%	119.6	90.5%	554.4	376.9	47.1%
Cash flow from investing activities	(4,761.7)	(4,761.7)	268.2	-1875.5%	60.4	-7984.0%	(4,959.6)	(2,089.7)	137.3%
Payments to related parties	(38.6)	(38.6)	0.1	-51598.7%	-	-	(38.6)	5.8	-760.6%
Acquisition of property, plant and equipment	(53.6)	(53.6)	(44.2)	21.4%	(48.1)	11.6%	(153.5)	(129.6)	18.4%
Acquisition of intangibles	(29.0)	(29.0)	(11.7)	148.2%	6.1	-576.2%	(47.2)	(26.0)	81.7%
Acquisition/sale of investments	(17.2)	(17.2)	-	-	(215.4)	-92.0%	(232.6)	-	-
Redemption of financial investments	(4,624.1)	(4,624.1)	324.0	-1527.3%	317.8	-1555.2%	(4,488.6)	(1,939.9)	131.4%
Cash flow from financing activities	4,531.6	4,560.5	(354.5)	-1386.4%	(180.1)	-2632.1%	4,389.4	1,697.7	158.5%
Receipt of related parties	(0.0)	(0.0)	0.0	-325.0%	0.0	-200.0%	-	(5.4)	-100.0%
Issuance of Debentures	2,000.0	2,000.0	-	0.0%	-	0.0%	2,000.0	-	0.0%
Expenses with share issuance	(79.6)	(79.6)	0.2	N/A	-	-	(79.6)	(100.8)	-21.1%
Payment / Acquisition of loans and financing	-	-	(2.0)	-100.0%	-	-	-	(2.5)	-100.0%
Payment of dividends and interest on own capital	(2.5)	(2.5)	(352.7)	-99.3%	(188.6)	-98.7%	(191.1)	(823.9)	-76.8%
Principal payments - Leases	(28.9)	-	-	-	-	-	-	-	-
Capital contribution	2,664.5	2,664.5	0.0	N/A	-	-	2,664.5	2,631.0	1.3%
Non-controlling shareholding stake	(22.0)	(22.0)	(0.0)	N/A	8.5	-358.7%	(4.5)	(0.7)	589.6%
Change in cash and cash equivalents	26.7	26.7	(23.8)	-211.8%	(0.1)	-31848.8%	(15.9)	(15.1)	5.4%
Cash and cash equivalents at the beginning of the period	143.0	143.0	113.0	26.5%	143.0	-0.1%	185.5	104.2	78.0%
Cash and cash equivalents at the end of the period	169.6	169.6	89.2	90.3%	143.0	18.7%	169.6	89.2	90.3%

16. 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.

Some percentages and other amounts included in this document have been rounded for ease of presentation and may therefore differ from quarterly information tables and notes. Additionally, some total values in certain tables may not reflect the arithmetic sum of the preceding values.



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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 September 30, 2019, which comprises the statement of financial position as of September 30, 2019 the statement of profit or loss and comprehensive income for the three and nine-month period then ended, of changes in equity and cash flows for nine-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 nine-month period ended September 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, November 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 September 30, 2019 and December 31, 2018

(Amounts stated in thousands of Reais)

	Notes	Parent company		Consolidated			Notes	Parent company		Consolidated	
		9/30/19	12/31/18	9/30/19	12/31/18			9/30/19	12/31/18	9/30/19	12/31/18
Assets						Liabilities and shareholders' equity					
Cash and cash equivalents		1,969	4,832	169,620	185,484	Loans and Financing	13	20,784	-	21,006	-
Short-term investments	6	321,072	104,193	1,151,589	702,363	Trade payables		533	295	40,198	61,381
Trade receivables	7	-	-	146,129	152,747	Technical provisions for health care operations	15	-	-	512,181	408,125
Inventory		-	-	21,051	19,187	Health care payables		-	-	2,075	65,181
Recoverable taxes	24	32,622	25,566	82,582	65,287	Payroll obligations	16	803	2,781	142,705	112,947
Dividends and interest on shareholders' equity receivable	9	86,701	74,341	-	-	Taxes and contributions payable		2,156	5,280	69,331	55,890
Other assets		77	41	255,810	47,120	Current income tax and social contribution	24	10	-	73,744	33,860
Deferred commission	8	-	-	107,428	103,766	Dividends and interest on shareholders' equity payable	9 e 18	92,040	171,909	102,104	184,513
Total current assets		<u>442,441</u>	<u>208,973</u>	<u>1,934,209</u>	<u>1,275,954</u>	Leasing liabilities	14 e 4.a	508	-	32,206	-
						Related party payables	9	16,295	42,651	4,038	42,657
						Other accounts payable		<u>527</u>	<u>490</u>	<u>39,616</u>	<u>22,942</u>
						Total current liabilities		<u>133,656</u>	<u>223,406</u>	<u>1,039,204</u>	<u>987,496</u>
Long-term investments	6	5,385,294	1,205,974	6,924,444	2,685,643						
Deferred income tax	24	107,965	67,791	176,762	126,005	Loans and Financing	13	1,996,100	-	1,996,745	-
Judicial deposits	17	990	438	133,921	96,891	Taxes and contributions payable		-	-	12,073	11,967
Deferred commission	8	-	-	124,001	121,624	Leasing liabilities	14 e 4.a	2,105	-	834,852	-
Related party receivable	9	74	74	3,415	3,337	Provision for tax, civil and labor risks	17	35,238	34,890	293,147	263,441
Other assets		-	-	38,742	37,598	Other accounts payable		<u>-</u>	<u>-</u>	<u>12,540</u>	<u>7,915</u>
Total long-term assets		<u>5,494,323</u>	<u>1,274,277</u>	<u>7,401,285</u>	<u>3,071,098</u>	Total non-current liabilities		<u>2,033,443</u>	<u>34,890</u>	<u>3,149,357</u>	<u>283,323</u>
Investments	10	2,932,557	2,373,134	-	-						
Property, plant and equipment	11 e 4.a	5,816	4,151	1,382,034	414,528	Equity					
Intangible assets	12	<u>188</u>	<u>305</u>	<u>178,566</u>	<u>115,094</u>	Capital	18	5,400,242	2,810,219	5,400,242	2,810,219
Total non-current assets		<u>8,432,884</u>	<u>3,651,867</u>	<u>8,961,885</u>	<u>3,600,720</u>	Legal reserve		94,932	94,932	94,932	94,932
						Retained earnings		536,357	-	536,357	-
						Profit reserves		<u>676,695</u>	<u>697,393</u>	<u>676,695</u>	<u>697,393</u>
						Equity attributable to controlling shareholders		6,708,226	3,602,544	6,708,226	3,602,544
						Non-controlling interest		<u>-</u>	<u>-</u>	<u>(693)</u>	<u>3,311</u>
						Total shareholders' equity		<u>6,708,226</u>	<u>3,602,544</u>	<u>6,707,533</u>	<u>3,605,855</u>
Total assets		<u><u>8,875,325</u></u>	<u><u>3,860,840</u></u>	<u><u>10,896,094</u></u>	<u><u>4,876,674</u></u>	Total liabilities and shareholders' equity		<u><u>8,875,325</u></u>	<u><u>3,860,840</u></u>	<u><u>10,896,094</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 September 30, 2019 and September 30, 2018

(Amounts stated in thousands of Reais)

	Notes	Parent company				Consolidated			
		9/30/19		9/30/18		9/30/19		9/30/18	
		Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Net revenue from services provided	19	-	-	-	-	3,849,028	1,315,771	3,364,556	1,163,735
Costs of the services provided	20	-	-	-	-	(2,296,350)	(818,579)	(2,010,478)	(728,490)
Gross profit		-	-	-	-	1,552,678	497,192	1,354,078	435,245
Sales expense	21	(85)	(28)	(1,103)	(106)	(373,198)	(125,079)	(349,948)	(116,639)
Administrative expenses	22	(28,589)	(9,867)	(23,933)	(13,789)	(406,559)	(138,425)	(362,180)	(139,086)
Equity in income of subsidiaries	10	562,047	166,930	509,311	151,679	-	-	-	-
Other net operating income (expense)		(25)	(25)	(106)	-	(4,483)	(1,977)	9,369	(424)
Total operating income (expense)		533,348	157,010	484,169	137,784	(784,240)	(265,481)	(702,759)	(256,149)
Income (loss) before financial income (loss) and taxes		533,348	157,010	484,169	137,784	768,438	231,711	651,319	179,096
Finance income	23	94,979	59,790	55,740	34,285	228,480	102,504	149,690	65,074
Finance expense	23	(22,403)	(22,191)	(2,752)	(44)	(102,216)	(51,935)	(31,599)	(6,008)
Total finance income, net		72,576	37,599	52,988	34,241	126,264	50,569	118,091	59,066
Income (loss) before income tax and social contribution		605,924	194,609	537,157	172,025	894,702	282,280	769,410	238,162
Current income and social contribution taxes	24	(5,345)	-	-	840	(304,221)	(93,134)	(232,869)	(66,533)
Deferred income and social contribution taxes	24	40,174	17,840	16,116	17,054	50,757	23,289	17,739	18,551
Net income for the period		640,753	212,449	553,273	189,919	641,238	212,435	554,280	190,180
Attributable to									
Noncontrolling interest		-	-	-	-	485	(14)	1,007	262
Owners of the Company		640,753	212,449	553,273	189,919	640,753	212,449	553,273	189,918
Earnings per share - basic and diluted	18	-	-	-	-	0.92	0.28	0.89	0.31

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of comprehensive income

Periods ended September 30, 2019 and September 30, 2018

(Amounts stated in thousands of Reais)

	Parent company				Consolidated			
	9/30/19		9/30/18		9/30/19		9/30/18	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Net income for the period	640,753	212,449	553,273	189,919	641,238	212,435	554,280	190,180
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	<u>640,753</u>	<u>212,449</u>	<u>553,273</u>	<u>189,919</u>	<u>641,238</u>	<u>212,435</u>	<u>554,280</u>	<u>190,180</u>
Noncontrolling interest	-	-	-	-	485	(14)	1,007	262
Owners of the Company	640,753	212,449	553,273	189,919	640,753	212,449	553,273	189,918

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of changes in shareholders' equity

Periods ended September 30, 2019 and September 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 January 01, 2018		280,000	55,558	136,321	-	124	472,003
Noncontrolling capital		2,631,028	-	-	-	-	2,631,028
Expenditures with issuance of shares		(100,809)	-	-	-	-	(100,809)
Net income for the period		-	-	-	553,273	1,007	554,280
Allocations:							
Dividends	18	-	-	-	-	(651)	(651)
Balances at September 30, 2018		2,810,219	55,558	136,321	553,273	480	3,555,851
Balances at January 01, 2019		2,810,219	94,932	697,393	-	3,311	3,605,855
Noncontrolling capital		2,590,023	-	-	-	(3,951)	2,586,072
Change in equity interest of subsidiaries		-	-	(2,119)	-	(538)	(2,657)
Net income for the period		-	-	-	640,753	485	641,238
Allocations							
Interest on shareholders' equity		-	-	-	(104,396)	-	(104,396)
Distribution of dividends		-	-	(18,579)	-	-	(18,579)
Balances at September 30, 2019		5,400,242	94,932	676,695	536,357	(693)	6,707,533

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of cash flows

Periods ended September 30, 2019 and September 30, 2018

(Amounts stated in thousands of Reais)

Notes	Parent company		Consolidated	
	6/30/19	9/30/18	9/30/19	9/30/18
Cash flows from operating activities				
Net income for the period	640,753	553,273	641,238	554,280
Adjustments to reconcile net income for the period with cash generated by operating activities:				
Depreciation and amortization	11	1,137	967	50,504
Depreciation of right of use assets		416	-	39,602
Technical provisions for healthcare operations		-	-	9,977
Equity in net income of subsidiaries	10	(562,047)	(508,175)	-
Allowance for doubtful accounts	7	-	-	114,646
Provision for investment loss		-	(1,136)	-
Write-off of property, plant and equipment	11	64	-	4,536
Write-off of intangible assets		78	-	11,448
Write-off of investment		12,021	137	-
Provision for tax, civil and labor risks	15	466	(12,481)	56,631
Earnings on investments	6	(94,969)	(53,889)	(199,325)
Interest on leases	4.a	169	-	54,643
Interest and financial charges on loans and financing	13	21,984	-	21,984
Current income tax and social contribution		5,345	-	304,221
Deferred income tax	24	(40,174)	(16,116)	(50,757)
				(17,739)
(Increase) decrease in asset accounts:				
Trade receivables		-	-	(105,777)
Inventory		-	-	(1,839)
Recoverable taxes		(19,101)	(10,988)	(31,025)
Short-term investments		-	-	-
Judicial deposits		(670)	(810)	(64,593)
Other assets		(36)	-	(8,678)
Deferred commission expense		-	-	(6,039)
				(17,559)
Increase (decrease) in liability accounts:				
Technical provisions for health care operations		-	-	71,157
Debts of healthcare operations		-	-	(40,184)
Payroll obligations		(1,978)	502	26,350
Trade payables		238	(125)	(22,118)
Taxes and contributions payable		(3,124)	912	11,837
Other accounts payable		37	35	8,799
				(25,420)
Cash (used in) generated by operating activities		(39,391)	(47,894)	897,238
				629,696
Income tax and social contribution paid	22	(5,335)	-	(265,052)
				(252,768)
Cash (used in) generated by operating activities		(44,726)	(47,894)	632,186
				376,928
Cash flows from investment activities				
Payments to related parties		(26,356)	5,769	(38,619)
Acquisition of property, plant and equipment	11	(284)	(461)	(153,542)
Acquisition of intangible assets	12	-	(117)	(47,210)
Acquisition/disposal of investments	10	(26,058)	(117,678)	(232,570)
Balances attributed to the acquisition of investees		-	-	902
Receipt of dividends		-	166,274	-
Financial investments	6	(4,301,230)	(1,627,285)	(4,488,594)
				(1,939,947)
Net cash used in investment activities		(4,353,928)	(1,573,498)	(4,959,633)
				(2,089,727)
Cash flows from financing activities				
Receipts from related parties		-	(86,975)	-
Issuance of Debentures	13	2,000,000	-	2,000,000
Payment/acquisition of loans and financing		-	-	-
Payment of dividends and interest on shareholders' equity	18	(188,617)	(822,267)	(191,068)
Expenditures with issuance of share and Debentures	13 e 18	(79,572)	(100,809)	(79,572)
Paid-in capital	18	2,664,495	2,631,028	2,664,495
Payment of lease		(515)	-	(77,783)
Non-controlling interest in an acquiree		-	-	(4,489)
				(651)
Net cash generated by investment activities		4,395,791	1,620,977	4,311,583
				1,697,744
Net increase in cash and cash equivalents		(2,863)	(415)	(15,864)
				(15,055)
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		1,969	109	169,620
Increase in cash and cash equivalents		(2,863)	(415)	(15,864)
				(15,055)
Non-cash transactions:				
Write-off of judicial deposits with provision for risks	17	(118)	(72)	(26,743)
Balances attributed to the acquisition of investees		-	-	(1,566)
Accounting effect of adopting IFRS 16	14	2,959	-	890,198
Destination of dividends and interest on equity	18	(122,975)	-	(122,975)
				-

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of added value

Periods ended September 30, 2019 and September 30, 2018

(Amounts stated in thousands of Reais)

	Notes	Parent company		Consolidated	
		9/30/19	9/30/18	9/30/19	9/30/18
Revenues (1)		(24)	-	3,913,033	3,393,426
Sale of goods, products and services		-	-	4,020,714	3,508,633
Other revenues		(24)	-	6,965	9,747
Allowance for doubtful accounts	21	-	-	(114,646)	(124,954)
Inputs purchased from third parties (2)		(5,357)	1,758	(2,290,888)	(1,995,933)
Cost of goods sold and services rendered		-	-	(1,448,103)	(1,297,604)
Material, energy, outsourced services and other		(5,357)	1,758	(842,785)	(698,329)
Gross added value (1) - (2) = (3)		(5,381)	1,758	1,622,145	1,397,493
Depreciation and amortization (4)		(1,553)	(965)	(90,106)	(30,773)
Net value added produced by the Company (3) - (4) = (5)		(6,934)	793	1,532,039	1,366,720
Added value received as transfer (6)		657,026	565,051	228,480	149,690
Equity in net income of subsidiaries	10	562,047	509,311	-	-
Financial revenues		94,979	55,740	228,480	149,690
Other		-	-	-	-
Total added-value payable (5+6)		650,092	565,844	1,760,519	1,516,410
Distribution of added value		(650,092)	(565,844)	(1,760,519)	(1,516,410)
Personnel		(19,963)	(16,816)	(551,380)	(451,307)
Direct remuneration		(19,943)	(16,813)	(476,968)	(386,429)
Benefits		(20)	(3)	(41,351)	(37,738)
FGTS		-	-	(33,061)	(27,140)
Taxes, rates and contributions		32,557	4,720	(545,968)	(466,123)
Federal		32,767	4,886	(480,981)	(420,995)
State		(118)	(89)	(504)	(99)
Municipal		(92)	(77)	(64,483)	(45,029)
Third-party capital remuneration		(21,933)	(475)	(21,933)	(45,351)
interest		(21,933)	-	(21,933)	-
Rentals		-	(475)	-	(45,351)
Remuneration of own capital		(640,753)	(553,273)	(641,238)	(553,629)
Dividends and interest on shareholders' equity		(122,975)	-	(122,975)	-
Retained earnings		(517,778)	(553,273)	(517,778)	(553,273)
Non-controlling interests in retained earnings		-	-	(485)	(356)

See the accompanying notes to the financial statements.

Notes to the parent company and consolidated condensed 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 parent Company and consolidated financial statements include the Company and its subsidiaries (jointly referred to as the “Group”). The Group is mainly engaged in: (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 Parent Company and Consolidated financial statements include the following direct and indirect subsidiaries of Hapvida Participações e Investimentos S.A.:

Entity	09/30/2019		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%	-
Maida Health Participações Societárias S.A.	-	75.00%	-	-
Hapttech Soluções Inteligentes Ltda.	-	99.99%	99.99%	-
Infoway Tecnologia e Gestão em Saúde Ltda	-	99.99%	-	-
Vida & Imagem Radiologia e Diagnóstico. Ltda.	99.99%	-	94.99%	-
Hospital das Clínicas e Fraturas do Cariri Ltda	-	100%	-	-
Exclusive Funds				
BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo	76.62%	23.38%	-	100%
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI	86.97%	13.03%	-	98.65%
Itaú Hap Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Crédito Privado	80.82%	19.18%	-	-

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.

It is primarily engaged in hiring and providing dental services. This company is inactive and with ANS register canceled.

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.

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.

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.

Maida Health Participações Societárias S.A.

Organized in August 2019, Maida Health Participações Societárias S.A. ("MAIDA"), is a holding company which purpose is to hold interest, as a partner or shareholder, in other companies, mainly technology companies.

Haptech Soluções Inteligentes Ltda.

Main business of Haptech Soluções Inteligentes Ltda. ("Haptech") consists of providing consulting services and carrying out information technology and software development; providing data processing, IT training, provider, internet and call center services.

Infoway Tecnologia e Gestão em Saúde Ltda.

Infoway Tecnologia e Gestão em Saúde Ltda. ("Infoway") is a technology company that works in the development of innovative health technologies, mainly through an artificial intelligence-based technological platform, in addition to other proprietary software, aimed at bringing efficiency to the health care plan management processes.

Vida & Imagem Radiologia e Diagnóstico Ltda.

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

Hospital das Clínicas e Fraturas do Cariri Ltda

The hospital is a hospital company headquartered in Juazeiro do Norte, State of Ceará, which main activity is the provision of medical and hospital services.

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.

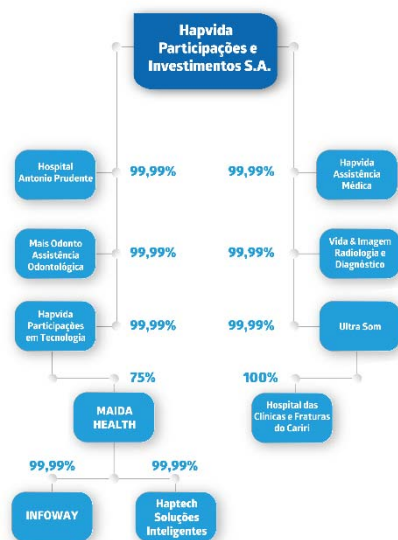
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI

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

The start-up date of Investment Fund is in January 2019 and 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 September 2019, the Group’s flowchart became as shown below and exclusive funds are recognized in subsidiaries, mainly:



3 Presentation and preparation basis of parent company and consolidated financial statements.

a. Statement of compliance

These interim financial statements have been prepared in accordance with CPC 21(R1) and IAS 34 - Interim Financial Reporting and should be read in conjunction with the last annual consolidated financial statements as at and for the year ended December 31, 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 parent company and consolidated financial position and performance since the last financial statements.

This is the third 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 issuance of the financial statements was authorized by the Board of Directors on November 13, 2019.

b. Functional and presentation currency

The parent company and consolidated financial statements are being presented in Brazilian Reais, which is the Group's functional currency. All financial information 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 15** - Technical provisions for healthcare operations. Recognition and measurement of liabilities related to cost of service that was not informed yet by the service providers.
- **Note 17** - 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 24** - 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;
- **Note 15** - Technical provisions for health care operations. Valuation of insurance liabilities.
- **Note 17** - Provisions for tax, civil and labor contingencies. Key assumptions for determining the value and probability of resource output.

d. Basis of measurement

The parent company 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 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 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. When a right-of-use asset meets the definition of investment property, it is presented in the caption investment property and is initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policies.

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 incremental loan rate of the Group.

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) from 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

	<u>Consolidated</u>
	January 1, 2019
In thousands of reais	
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

	September 30, 2019
In thousands of reais	
Non-current assets	
Deferred tax	5,563
Property, plant and equipment	850,695
Current liabilities	
Leasing liabilities	32,206
Non-current liabilities	
Leasing liabilities	834,852
Equity	
Effects on income (loss)	(10,799)

Statement of Income for the year

In thousands of reais	September 30, 2019
Depreciation and amortization	(39,602)
Reversal of rental costs and loan expenses	77,783
Finance expense	(54,543)
Deferred income tax and social contribution	5,563
Total operating income (expense)	(10,799)

As of September 30, 2019, right of use assets amounts to R\$ 850,695 and lease liabilities amount to R\$ 867,058. Also, in relation to these leases, pursuant to CPC 06 (R2), the Group recognized depreciation and interest expenses, instead of operating lease expenses.

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.

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	
	09/30/2019	12/31/2018
Reverse-sale-and-repurchase agreements (b)	109,105	104,193
Bank deposit certificates (a)	211,967	-
Fixed income investment fund - Non-exclusive (d.1)	4,148,560	1,205,899
Fixed income investment fund - Exclusive (d.2)	1,236,659	-
Other	75	75
Total operating income (expense)	<u>5,706,366</u>	<u>1,310,167</u>

	Consolidated	
	09/30/2019	12/31/2018
Reverse-sale-and-repurchase agreements (b)	116,559	234,361
Bank deposit certificates (a)	644,121	504,905
Fixed income investment funds - Guarantee assets (c)	424,588	407,135
Fixed income investment funds - Exclusive (d.2)	5,079,470	507,248
Fixed income investment fund - Non-exclusive (d.1)	1,809,308	1,732,676
Other	1,987	1,681
Total operating income (expense)	<u>8,076,033</u>	<u>3,388,006</u>

- (a) Bank Deposit Certificates (CDB) yield an average monthly rate from 101% to 102% of the CDI rate (101% in 2018), maturing between October 2019 and August 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 101% and 102% of the CDI rate (100% to 101% of the CDI in 2018), and with maturities ranging between October 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% and 102% of the CDI rate (98% to 104% 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 0.50% 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 100% to 107% of CDI.

b. Changes in financial investments

	Parent company	Consolidated
Balance at 01/01/2018	<u>-</u>	<u>1,342,128</u>
(+) Investments	4,683,242	6,965,642
(+) Balance of investments of subsidiaries acquired	-	776
(-) Redemptions (a)	(3,450,571)	(5,093,942)
(+) Yields	<u>77,496</u>	<u>173,402</u>
Balance at 12/31/2018	<u>1,310,167</u>	<u>3,388,006</u>
(+) Investments	6,452,802	9,324,824
(+) Balance of investments of subsidiaries acquired	-	108
(-) Redemptions (a)	(2,151,572)	(4,836,230)
(+) Yields	<u>94,969</u>	<u>199,325</u>
Balance at 09/30/2019	<u>5,706,366</u>	<u>8,076,033</u>

- (a) A relevant portion of these redemptions occurs since the security reached its maturity and is reinvested until there is an opportunity to invest in operating assets.

7 Trade receivables

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

	Consolidated	
	09/30/2019	12/31/2018
Medical and hospital plans		
Health and dental care plans	175,782	183,166
Agreements and individuals	<u>10,204</u>	<u>8,319</u>
Subtotal	185,986	191,485
Impairment loss on trade receivables	<u>(39,857)</u>	<u>(38,738)</u>
Total operating income (expense)	<u>146,129</u>	<u>152,747</u>

Breakdown of amounts receivable by maturity age is as follows:

	Consolidated	
	09/30/2019	12/31/2018
Neither past due nor impaired	43,806	57,575
Overdue (days)		
Up to 30	61,802	63,380
31-60	35,517	22,672
61-90	14,261	12,698
>90	<u>30,600</u>	<u>35,160</u>
Total operating income (expense)	<u>185,986</u>	<u>191,485</u>

Changes in the provision for impairment losses in accounts receivable are as follows:

	Consolidated	
	09/30/2019	12/31/2018
Balances at the beginning of the period	38,738	19,770
Provisions	109,752	148,680
Net write-offs (a)	(108,720)	(129,712)
Total operating income (expense)	<u>39,857</u>	<u>38,738</u>

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

The Group has no concentration of revenue. It is worth noting that the Group's client base is not concentrated. In the period ended September 30, 2019., the major client represented 1.4% (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 September 30, 2019 and December 31, 2018 no clients represented more than 5% in net revenue.

8 Deferred commission

	Consolidated	
	09/30/2019	12/31/2018
Deferred commissions with Health Care Plan - Current	107,428	103,766
Deferred commissions with health care plan - Non-current	124,001	121,624
Total operating income (expense)	<u>231,429</u>	<u>225,390</u>

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 September 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	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Assets				
Interest on equity receivable from subsidiaries	86,701	74,341	-	-
	<u>86,701</u>	<u>74,341</u>	<u>-</u>	<u>-</u>
Related party receivable				
Amounts receivable from shareholders (a)	-	-	1,341	1,258
PPAR COM Investimentos Ltda - amounts receivable (g)	-	-	1,988	1,993
Other	74	74	86	86
Total operating income (expense)	<u>74</u>	<u>74</u>	<u>3,415</u>	<u>3,337</u>
Liabilities				
Dividends payable	1,959	65,126	12,023	77,730
Interest on equity capital	90,081	106,783	90,081	106,783
Subtotal	92,040	171,909	102,104	184,513

Hapvida Participações e Investimentos S.A.
Individual and consolidated interim financial
statements as of September 30, 2019

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Related party payables				
Amounts payable to individual shareholders(a)	2,517	41,145	2,552	41,181
Debts with investees (a)	12,293	30	-	-
Canadá Administradora de Bens Imóveis Ltda. - Purchase of property, plant and equipment	1,343	1,334	1,343	1,334
Other	142	142	143	142
Total operating income (expense)	16,295	42,651	4,038	42,657
Leases payable with related parties	144	-	627,371	-
Transactions	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Revenue from medical care services (d)	-	-	1,525	724
Revenue from administrative services (e)	-	-	-	371
Lease cost for "Canadá Administradora de Bens Imóveis Ltda." (b)	-	-	-	(12,735)
Lease cost for "Fundação Ana Lima" (b)	-	-	-	(1,821)
Media broadcasting expenses (c)	-	-	(909)	(913)
Reimbursement of shared use of goods (f)	-	(753)	(1,284)	(753)
Lease expenses for "Quixadá Participações Ltda."	-	-	-	(14,588)
Interest on leases with Canadá Administradora de Bens Imóveis Ltda (h)	(9)	-	(11,336)	-
Interest on leases with Fundação Ana Lima (h)	-	-	(423)	-
Interest on leases with Quixadá Participações Ltda (h)	-	-	(28,192)	-
	(9)	(753)	(40,619)	(29,715)

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 (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\$ 19,419 in the period ended September 30, 2019 (R\$ 18,131 as of September 30, 2018).

10 Investments

(i) Parent company

a. Breakdown

Investee	Capital	Shareholders' equity	Income (loss) for the period	Number of shares	Percentage Interest	Equity in net income of subsidiaries 09/30/2019	Equity in net income of subsidiaries 09/30/2018	Investments 09/30/2019	Investments 12/31/2018
Hapvida Assistência Médica Ltda.	921,720	1,648,754	172,588	921,720	99.99%	172,588	195,469	1,648,754	1,476,166
Mais Odonto Assistência Odontológica Ltda.	3,303	3,249	105	3,303	99.99%	105	(68)	3,249	3,144
Hospital Antônio Prudente Ltda.	53,180	67,937	19,260	53,180	99.99%	19,260	(14,726)	67,937	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	1,163,830	367,361	656,223	99.99%	367,361	84,554	1,163,830	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 Pessoa Ltda. (a)	-	-	-	-	-	-	388	-	-
OPS Administração e Participações Ltda.)	-	-	-	-	99.99%	-	(29)	-	1,120
Haptech Soluções Inteligentes Ltda. (c)	-	-	(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	28,748	7,083	400	99.99%	6,611	13,872	28,748	21,599
Vida & Imagem Serviços Médicos Ltda. (a)	-	-	-	-	-	-	19,250	-	-
Hapvida Participações em Tecnologia Ltda (b)	23,400	20,039	(3,362)	23,400	99.99%	(3,362)	-	20,039	-
	1,658,226	2,932,557	562,519	1,658,226		562,047	357,632	2,932,557	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.
- (d) In July 2019, the subsidiary was extinguished.

b. Changes

Investee	Balance at 12/31/2017	Equity in net income of subsidiaries	Dividends	Interest on own capital	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	Acquisition	Write-off	Balance at 09/30/2019
Hapvida Assistência Médica Ltda.	1,143,998	369,567	(98,319)	(42,400)	-	79,950	23,370	-	1,476,166	172,588	-	-	-	-	1,648,754
MaisOdonto Assistência Odontológica Ltda.	3,075	69	-	-	-	-	-	-	3,144	105	-	-	-	-	3,249
Hospital Antônio Prudente Ltda.	10,471	(13,441)	-	-	21,647	30,000	-	-	48,677	19,260	-	-	-	-	67,937
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	367,361	(14,542)	-	-	-	1,163,830
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	6,611	-	-	538	-	28,748
Vida & Imagem Serviços Médicos Ltda.	36,854	19,250	-	-	(56,104)	-	-	-	-	-	-	-	-	-	-
Hapvida Participações em Tecnologia Ltda	-	-	-	-	-	-	-	-	-	(3,362)	-	23,401	-	-	20,039
	1,421,051	698,823	(176,519)	(55,297)	-	417,950	67,263	(137)	2,373,134	562,047	(14,542)	23,401	538	(12,021)	2,932,557
Investments	1,422,187	-	-	-	-	-	-	-	2,373,134	-	-	-	-	-	2,932,557
Provision for investment loss	(1,136)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,421,051	-	-	-	-	-	-	-	2,373,134	-	-	-	-	-	2,932,557

c. Acquisition of companies

(i) San Francisco group

In May 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 period ended September 30, 2019, the Company made a down-payment of R\$ 200,000 to shareholders of Grupo São Francisco, registered as current assets, on “other assets” account.

The operation was approved by the National Agency of Supplemental Health (“ANS”) in August 2019, by the general shareholders’ meeting of the Company in August 2019, e by the Administrative Council for Economic Defense (“CADE”) in October 2019 (event subsequent to September 30, 2019).

(ii) Grupo América

In June 2019, the Group entered into agreements for the acquisition of companies comprising Grupo América, for the amount of R\$ 426,000. 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\$ 50,000 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.

The transaction was approved by the general shareholders’ meeting of the Company in August 2019 and by CADE in October 2019 (event subsequent to September 30, 2019). The consummation of the operation is subject to approval by ANS.

(iii) RN Saúde

In July 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 the Company. Such acquisition price was set at R\$ 53,500.

The operation was approved by the general shareholders’ meeting of the Company in August 2019 and by CADE in October 2019 (event subsequent to September 30, 2019). The completion of said transaction is subject to the approval of ANS.

(iv) **Maida Health Participações Societárias S.A.**

In September 2019, the Company, through its subsidiary Hapvida Participações em Tecnologia Ltda., started to control Maida Health Participações Societárias S.A. (“MAIDA”), with a 75% interest in the total of subscribed shares. MAIDA is a holding/controlling company of Infoway Tecnologia e Gestão em Saúde Ltda.. (“Infoway”) on the transaction date, a technology company that works in the development of innovative health technologies, mainly through an artificial intelligence-based technological platform, in addition to other proprietary software, aimed at bringing efficiency to the health care plan management processes.

The breakdown of share capital payment made in MAIDA is as follows:

- (a) R\$ 7,500 paid on the transaction date;
- (b) R\$ 5,000, which will be paid by 2020, in 12 installments of R\$ 417;
- (c) 100% of Haptech’ quotas, paid up at the book value as of August 31, 2019.

(v) **Hospital das Clínicas e Fraturas do Cariri Ltda**

In August 2019, the Company, through its subsidiary Ultra Som Serviços Médicos S.A., acquired for the amount of R\$ 16,5000, 100% of quotas of Hospital das Clínicas e Fraturas do Cariri Ltda., a hospital company headquartered in the city of Juazeiro do Norte, State of Ceará. The Hospital, which has 59 hospitalization beds located in 3,375 m² of built area and 7,300 m² of land, aims at expanding the service in the region.

11 Property, plant and equipment

Parent company					
	Annual depreciation rate	Cost	Accumulated depreciation	Net 09/30/2019	Net 12/31/2018
Right of use assets	8.6%	2,959	(416)	2,543	-
Vehicles	20.0%	5,097	(2,861)	2,236	2,656
IT equipment	14.7%	1,637	(1,626)	11	237
Machinery and equipment	9.7%	15	(7)	8	9
Furniture and fixtures	10.0%	98	(47)	51	55
Facilities	4.0%	200	(12)	188	90
Construction in progress		779	-	779	1,104
Total operating income (expense)		10,785	(4,969)	5,816	4,151
Consolidated					
	Annual depreciation rate	Cost	Accumulated depreciation	Net 09/30/2019	Net 12/31/2018
Right of use assets	7.1%	890,297	(39,602)	850,695	-
Real estate	4.0%	4,915	(1,237)	3,678	3,801
Vehicles	20.0%	5,102	(2,836)	2,266	2,656
IT equipment	14.7%	56,200	(30,910)	25,290	22,735
Machinery and equipment	9.7%	228,275	(82,491)	145,784	130,741
Furniture and fixtures	10.0%	58,641	(18,180)	40,461	35,253
Facilities	4.0%	244,935	(16,114)	228,821	171,633
Construction in progress		85,039	-	85,039	46,334
Other		-	-	-	1,375
Total operating income (expense)		1,573,404	(191,370)	1,382,034	414,528

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

	Parent company						
	12/31/2018	Addition	First adoption - CPC 06 (R2)	Net write-offs	Depreciation	Transfers	09/30/2019
Right of use assets	-	-	2,959	-	(416)	-	2,543
Vehicles	2,656	-	-	-	(788)	368	2,236
IT equipment	237	69	-	-	(295)	-	11
Machinery and equipment	9	-	-	-	(1)	-	8
Furniture and fixtures	55	4	-	-	(8)	-	51
Facilities	90	84	-	-	(6)	20	188
Construction in progress (a)	1,104	127	-	(64)	-	(388)	779
Total operating income (expense)	4,151	284	2,959	(64)	(1,514)	-	5,816

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)	4,741	722	(22)	(1,290)	-	4,151
Total operating income (expense)	-	-	-	-	-	-

	Consolidated							
	12/31/2018	Addition	First adoption - CPC 06 (R2)	Net write-offs	Depreciation	Transfers	Acquisition of companies	09/30/2019
Right of use assets	-	-	890,297	-	(39,602)	-	-	850,695
Real estate	3,801	-	-	-	(130)	(189)	196	3,678
Vehicles	2,656	-	-	-	(758)	368	-	2,266
IT equipment	22,735	4,938	-	(22)	(4,859)	2,441	57	25,290
Machinery and equipment	130,741	18,767	-	(238)	(17,915)	14,261	168	145,784
Furniture and fixtures	35,253	5,306	-	(54)	(3,984)	3,439	501	40,461
Facilities	171,633	1,051	-	7	(6,045)	61,601	574	228,821
Construction in progress (a)	46,334	123,480	-	(4,229)	-	(80,546)	-	85,039
Other	1,375	-	-	-	-	(1,375)	-	-
Total operating income (expense)	414,528	153,542	890,297	(4,536)	(73,293)	-	1,496	1,382,034

Consolidated							
	12/31/2017	Addition	Net write-offs	Depreciation	Transfer	Acquisition of companies	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)	(6,082)	1,633	69	22,735
Hospital machinery and equipment	98,904	37,998	(1,927)	(19,340)	13,568	1,538	130,741
Furniture and fixtures	27,528	11,152	(1,594)	(4,689)	2,529	327	35,253
Facilities	103,205	12,790	(3,403)	(5,038)	63,158	921	171,633
Construction in progress (a)	38,114	85,354	3,754	-	(80,888)	-	46,334
Other	-	1,375	-	-	-	-	1,375
Total operating income (expense)	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 September 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%	36,738	(12,008)	24,730	23,611
Software	20.00%	39,441	(9,629)	29,812	16,195
Patents and trademarks		1,704	-	1,704	1,701
<i>Non-competes</i>	20.0%	9,600	(4,070)	5,530	6,300
Goodwill (i)		80,969	-	80,969	36,452
Advances (ii)		35,821	-	35,821	30,835
Total operating income (expense)		<u>204,273</u>	<u>(25,707)</u>	<u>178,566</u>	<u>115,094</u>

Consolidated							
	12/31/2018	Additions	Amortization	Write-off	Transfer	Acquisition	09/30/2019
Acquisition of portfolio (iii)	23,611	23,595	(11,028)	(11,448)	-	-	24,730
Software	16,195	392	(4,415)	-	17,637	3	29,812
Patents and trademarks	1,701	-	-	-	-	3	1,704
<i>Non-competes</i>	6,300	600	(1,370)	-	-	-	5,530
Goodwill (i)	36,452	44,517	-	-	-	-	80,969
Advances (ii)	30,835	22,623	-	-	(17,637)	-	35,821
Total operating income (expense)	<u>115,094</u>	<u>91,727</u>	<u>(16,813)</u>	<u>(11,448)</u>	<u>-</u>	<u>6</u>	<u>178,566</u>

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
<i>Non-competes</i>	8,100	-	(1,800)	-	-	6,300
Goodwill (i)	23,158	13,294	-	-	-	36,452
Advances (ii)	4,684	26,458	-	-	(307)	30,835
Total operating income (expense)	<u>45,958</u>	<u>80,746</u>	<u>(6,199)</u>	<u>(5,411)</u>	<u>-</u>	<u>115,094</u>

- (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 Borrowings and financing

Breakdown and changes in balance

Parent company								
Loan	Maturity	Interest rate	Balance at 12/31/2018	Issuance of Debentures	Issuance costs	Interest accrual	Other (a)	Balance at 09/30/2019
Debenture - 1st series	July 2024	109% DI rate	-	1,764,888	(4,500)	19,372	-	1,779,760
Debenture - 2nd series	July 2026	110.55% DI rate	-	235,112	(600)	2,612	-	237,124
			-	2,000,000	(5,100)	21,984	-	2,016,884
Consolidated								
Loan	Maturity	Interest rate	Balance at 12/31/2018	Issuance of Debentures	Issuance costs	Interest accrual	Other (a)	Balance at 09/30/2019
Debenture - 1st series	July 2024	109% DI rate	-	1,764,888	(4,500)	19,372	-	1,779,760
Debenture - 2nd series	July 2026	110.55% DI rate	-	235,112	(600)	2,612	-	237,124
Itaú - Working capital	May 2021	12.68% p.a.	-	-	-	-	25	25
Santander - Overdraft	December 2019	13.99% p.a.	-	-	-	-	99	99
Banco do Nordeste	December 2019	IPCA + 2.37% p.a.	-	-	-	-	98	98
SICREDI	December 2019	28.17% p.a.	-	-	-	-	645	645
			-	2,000,000	(5,100)	21,984	867	2,017,751

(a) Amount related to loans of companies acquired by the Company during the period ended September 30, 2019.

Issuance of Debentures

In July 2019, the Company made the first issue of simple debentures, unsecured, not convertible into shares, in 2 series, with unit value of one thousand reais (R\$ 1,000), totaling R\$ 2,000,000, comprised of 1,764,888 debentures of the 1st series, with maturity on July 10, 2024 and 235,112 debentures of the 2nd series, maturing on July 10, 2026. The Company incurred costs directly attributable to the issue of debentures, in the amount of R\$ 5,100.

The debentures of the 1st series will be amortized in three annual installments, the first on maturing on July 10, 2022, and, the debentures of the 2nd series will be amortized in two annual installments, the first one maturing on July 10, 2025. The payment of interest is made on a half-yearly basis, with the first payment on January 10, 2020.

On September 30, 2019, the maturities of debentures are detailed as follows:

	Parent company	Consolidated
	09/30/2019	09/30/2019
2019	-	-
2020	21,820	22,687
2021	-	-
2022	586,838	586,838
2023	586,847	586,847
2024	586,847	586,847
2025	117,266	117,266
2026	117,266	117,266
	2,016,884	2,017,751

Guarantees

The debentures of the 1st and 2nd series have unsecured guarantee as suretyship provided by the guarantors Hapvida Assistência Médica Ltda. and Ultra Som Serviços Médicos S.A., the Company's controlled companies, as joint and several debtors and main payers of all obligations assumed.

Covenants

The debentures issued by the Company have contractual clauses and restrictions related to anticipated default, including, but not limited to, those that oblige the Company to keep a “financial index” equal or lower than 3.0, measure on a quarterly basis. This financial index is composed by the net debt divided by net income (loss) for the period before the financial result, income tax and social contribution, depreciation and amortization, stock option non-cash expenses, impairment, non-recurring revenues or expenses, gains (losses) in the sale of assets.

As of September 30, 2019, the Company was not required to measure the financial index of debentures, since such measure will be required as from December 31, 2019.

14 Leasing payable

As described in note - 4, the Company has lease agreements for Real estate rented from third parties and related parties, as well as other lease and service agreements with terms exceeding 12 months, which are recognized as leases, as required by CPC 06 (R2).

	Parent company	Consolidated
	09/30/2019	09/30/2019
Balance at 12/31/2018	-	-
Initial adoption	2,731	806,425
New contracts	24	31,946
Remeasurement of contracts	204	51,827
Interest accrual	169	54,643
Payments	(515)	(77,783)
Balance at 09/30/2019	2,613	867,058

Below we detail future payments of lease agreement considerations:

	Parent company	Consolidated
	09/30/2019	09/30/2019
2019	177	26,591
2020	698	104,595
2021	610	100,689
2022	610	95,254
2023	457	90,436
2024	280	87,049
2025 onwards	687	2,002,694
Total minimum payments of lease	3,519	2,507,308
Less total interest	(906)	(1,640,250)
Present value of minimum payments of lease	2,613	867,058
Current balance	508	32,206
Non-current balance	2,105	834,852

The weighted average rate used to calculate the discount to present value of lease minimum payments is 8.88% p.a. as of September 30, 2019. There are no significant differences between the present value of lease minimum payments and the market value of these financial liabilities.

15 Technical provisions for healthcare operations

	Consolidated	
	09/30/2019	12/31/2018
Unearned premium reserve - UPR (a)	107,694	36,537
Outstanding claims reserve (b)	80,950	58,028
Outstanding SUS claims reserve (c)	216,378	162,463
Incurred but Not Reported claims - IBNR (d)	107,159	151,097
Total operating income (expense)	512,181	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
- (b) 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 Entity. It is subsequently adjusted for reductions after the validation. The Group's employees (medical auditor).
- (c) 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 amendments.
- (d) Provision to cover payment of losses that occurred but had not yet been reported to the company 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. For certain providers, for which it is possible to measure the volume of unbilled services, this provision is not constituted on a statistical basis but rather at the real amount of accounts not yet submitted.

Hapvida Assistência Médica Ltda, a subsidiary of the Company, issues health insurance and dental assistance contracts under which insurance risks are assumed, which include the frequency of use and cost fluctuations.

If any insufficiency is identified, the Company immediately records the loss as an expense in the income (loss) for the year, first reducing acquisition costs to zero and then recording additional provisions for insurance liabilities already recorded at the test date

The last liability adequacy test was performed on the base date of December 31, 2018. Its result presented no insufficiency on the date of its performance. Therefore, there was no need to adjust the provisions recorded, and there was no need to record additional provision in relation to the liability adequacy test.

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 nº 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 nº 209/09. Adjusted equity is calculated as the total equity of the provider less non-current 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., pursuant to ANS Normative Instruction 373/15 and subsequent amendments.

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

	09/30/2019	12/31/2018
Minimum adjusted equity (MAS)	1,330,410	1,196,942
Solvency margin required (SM)	<u>808,121</u>	<u>671,107</u>
Sufficiency calculation	<u>522,289</u>	<u>525,835</u>

- **Collateral assets:** Under ANS Regulatory Instruction nº 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:

	09/30/2019	12/31/2018
Required collateral assets	332,219	343,427
Collateral assets (see Note 6-c)	<u>424,588</u>	<u>407,135</u>
Sufficiency calculation	<u>92,369</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)
Settlements	<u>-</u>	<u>-</u>	<u>(4,119,768)</u>	<u>-</u>	<u>(4,119,768)</u>
Balances at 12/31/2018	36,537	162,463	58,028	151,097	408,125
Provisions	4,116,166	56,548	1,393,579	22,248	5,588,541
Reversals	(4,045,009)	(2,633)	-	(66,186)	(4,113,828)
Settlements	<u>-</u>	<u>-</u>	<u>(1,370,657)</u>	<u>-</u>	<u>(1,370,657)</u>
Balances at 09/30/2019	<u>107,694</u>	<u>216,378</u>	<u>80,950</u>	<u>107,159</u>	<u>512,181</u>

16 Payroll obligations

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Provision for vacation pay and year-end bonus	-	-	108,034	63,716
Payroll payable	-	1,876	33,530	47,893
Other payroll obligations	803	905	1,141	1,338
Total operating income (expense)	803	2,781	142,705	112,947

17 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 Company record provisions for all proceedings, classified as probable risk of loss.

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Provision for tax risk (includes ANS)	35,209	34,890	196,203	171,324
Provision for civil risk	3	-	64,641	66,338
Provision for labor risk	26	-	32,303	25,779
Total operating income (expense)	35,238	34,890	293,147	263,441

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

	Parent company
Balances at January 1, 2018	46,125
Provisions	11,319
Reversals	(22,482)
Write-offs	(72)
Balances at December 31, 2018	34,890
Provisions	1347
Reversals	(881)
Write-offs	(118)
Balances at September 30, 2019	35,238

	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>
Provisions	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>
Provisions	24,977	10,207	29,060	64,244
Reversals	(5,836)	(1,685)	(955)	(8,476)
Write-offs	(20,630)	(2,206)	(3,226)	(26,062)
Transfers	(208)	208	-	-
Balances at September 30, 2019	<u>64,641</u>	<u>32,303</u>	<u>196,203</u>	<u>293,147</u>

Risks with probable loss forecast

The main issues of the lawsuits and administrative proceedings, classified as probable losses by the Company 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\$ 8,864 (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\$ 9,931 (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\$ 8,406 (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\$ 8,143 (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 have provisioned the amount of R\$ 17,190 (R\$ 12,284 as of December 31, 2018).
- **Theme: Labor amounts and severance pay** - Labor lawsuits individually or jointly filed by former employees or 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\$ 11,928 (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\$ 88,619 (R\$ 86,965 as of December 31, 2018), to support probable losses arising from lawsuits, and the amount of R\$ 67,740 (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\$ 2,537 (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 September 30, 2019 and December 31, 2018:

	Parent company		Consolidated	
Cases with possible loss - nature:	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Tax	2,659	2,591	627,510	653,941
Civil	794	784	282,271	232,674
Labor	695	768	76,294	68,945
	<u>4,148</u>	<u>4,143</u>	<u>986,075</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\$ 12,120 (R\$ 9,978 as of December 31, 2018), related to civil, judicial and administrative proceedings, classified as possible loss risk.
- **Them: Coverage Legal and/or Contractual Exclusion** - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R\$ 22,762 (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\$ 142,120 (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\$ 30,929 (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\$ 33,138 (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\$ 23,067 (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\$ 130,812 (R\$ 96,375 as of December 31, 2018), related to regulatory proceedings and R\$ 19,133 (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\$ 112,223 (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\$ 211,239 (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>	
	<u>09/31/2019</u>	<u>12/31/2018</u>	<u>09/30/2019</u>	<u>12/31/2018</u>
Tax judicial deposits	1	66	84,140	60,402
Civil judicial deposits	132	262	40,295	28,690
Labor judicial deposits	<u>857</u>	<u>110</u>	<u>9,486</u>	<u>7,799</u>
Total operating income (expense)	<u>990</u>	<u>438</u>	<u>133,921</u>	<u>96,891</u>

18 Shareholders' equity

a. Public offering for public distribution of shares

In July 2019 and August 2019, the Company held a public offering of primary distribution of 55,728,000 and 6,966,000 common shares, respectively registered, book-entry type, with no face value, free and clear from any liens or encumbrances, issued by the Company, with restricted efforts, pursuant to CVM Instruction CVM 476, resulting in a share capital net increase of R\$ 2,590,023, comprised of R\$ 2,664,495 related to the issue of shares, and R\$ 74,472 related to costs directly attributable to the issue of these shares.

b. Consolidated capital

Subscribed and paid-in share capital as of September 30, 2019 totals R\$ 5,400,242, comprised by 734,652,573 shares, (R\$ 2,810,219 as of December 31, 2018), comprised by 671,958,573 shares, distributed among the shareholders in the proportions of their equity interests in the Group.

c. Retained earnings (losses)

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

d. Legal reserve

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

e. 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	836,338
Dividends proposed on December 31, 2018 - Non-controlling shareholders	677
Dividends proposed on December 31, 2018 - 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	184,513
Dividends proposed on December 31, 2019 - minority shareholders	4,038
Dividends proposed on December 31, 2019 - owners of the company	14,541
Interest on own capital proposed to minority shareholders, net of corporate income tax (ii)	20,680
Interest on own capital proposed to the controlling shareholder, net of withholding corporate income tax (ii)	69,400
Dividends and interest on own capital effectively paid in the period	<u>(191,068)</u>

Balance of dividends and interest on own capital as of September 30, 2019.	102,104
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- (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.

f. 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 earning 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.

	09/30/2019	09/30/2018
Net income attributable to the Company (R\$ thousand)	641,238	553,273
Net income attributable to controlling shareholders (In thousands of Reais)	640,753	553,273
Weighted average number of shares (thousands of shares)	693.258	620,634
Basic and diluted earnings per share (R\$ thousand)	0.92	0.89

The basic and diluted earnings per share of September 30, 2018 is in effect with the stock split registered in June 2018 to allow comparability between the periods.

19 Net revenue from services provided

	Consolidated			
	09/30/2019		09/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Insurance revenue	4,031,964	1,394,433	3,510,224	1,213,626
Revenue from other activities	18,116	7,611	8,547	2,014
Deductions (a)	<u>(201,052)</u>	<u>(86,273)</u>	<u>(154,215)</u>	<u>(51,905)</u>
Total	<u>3,849,028</u>	<u>1,315,771</u>	<u>3,364,556</u>	<u>1,163,735</u>

(a) Deductions refer substantially to taxes on revenue.

20 Cost of services provided

	Consolidated			
	09/30/2019		09/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Medical, hospital and other costs	(2,340,288)	(847,642)	(1,998,021)	(721,573)
Change in IBNR	<u>43,938</u>	<u>29,063</u>	<u>(12,457)</u>	<u>(6,917)</u>
Total operating income (expense)	<u>(2,296,350)</u>	<u>(818,579)</u>	<u>(2,010,478)</u>	<u>(728,490)</u>

21 Sales expense

	Consolidated			
	09/30/2019		09/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Expenses on advertising and marketing	(36,147)	(9,128)	(24,935)	(9,231)
Commission expenses	(222,405)	(78,211)	(200,059)	(71,499)
Allowance for doubtful accounts	<u>(114,646)</u>	<u>(37,740)</u>	<u>(124,954)</u>	<u>(35,909)</u>
Total operating income (expense)	<u>(373,198)</u>	<u>(125,079)</u>	<u>(349,948)</u>	<u>(116,639)</u>

22 Administrative expenses

	Parent company			
	09/30/2019		09/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Own personnel expenses	(21,807)	(7,496)	(18,893)	(8,574)
Expenses on outsourced services	(3,645)	(2,060)	(6,240)	(556)
General services, rentals and utilities	(2,257)	(686)	(1,908)	(590)
Tax expense	(429)	(61)	(9,319)	(3,523)
Provision for tax, civil and labor risks	(383)	320	12,481	(540)
Other expense, net.	(68)	116	(54)	(6)
Total operating income (expense)	<u>(28,589)</u>	<u>(9,867)</u>	<u>(23,933)</u>	<u>(13,789)</u>

	Parent company			
	09/30/2019		09/30/2018	
	Accumulated	Quarter	Accumulated	Quarter
Own personnel expenses	(154,907)	(56,768)	(138,762)	(53,681)
Expenses on outsourced services	(71,835)	(25,937)	(66,213)	(22,969)
General services, rentals and utilities	(93,962)	(29,997)	(76,168)	(27,783)
Tax expense	(11,206)	(1,235)	(35,106)	(7,497)
Provision for tax, civil and labor risks	(66,648)	(20,978)	(40,066)	(23,482)
Other expense, net.	(8,001)	(3,510)	(5,865)	(3,674)
Total operating income (expense)	<u>(406,559)</u>	<u>(138,425)</u>	<u>(362,180)</u>	<u>(139,086)</u>

23 Financial income (loss)

	Parent Company				Consolidated			
	09/30/2019		09/30/2018		09/30/2019		09/30/2018	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Financial revenues								
Interest on investments - except								
Collateral Assets	94,969	59,784	53,897	34,285	185,213	89,250	103,554	52,833
Financial revenue from investments -								
Guarantee assets	-	-	-	-	14,112	6,564	17,063	5,474
Interest on overdue receivables	-	-	-	-	18,797	6,708	18,793	6,053
Decrease in charges - Refis	-	-	1,843	-	-	-	9,630	238
Other	10	6	-	-	10,358	(18)	650	476
	<u>94,979</u>	<u>59,790</u>	<u>55,740</u>	<u>34,285</u>	<u>228,480</u>	<u>102,504</u>	<u>149,690</u>	<u>65,074</u>
Financial expenses								
Interest on debentures	(21,933)	(21,933)	-	-	(21,933)	(21,933)	-	-
Interest on leases operations	(169)	(60)	-	-	(54,543)	(18,950)	-	-
Discounts	-	-	-	-	(17,701.)	(8,251)	(9,656)	(3,030)
Bank expenses	(90)	9	(9)	(3)	(6,416)	(5,500)	(5,755)	(1,810)
Tax on financial income	-	-	(2,700)	-	(165)	(62)	(9,842)	(378)
Inflation adjustment	(193)	(189)	-	-	(1,440)	2,772	(149)	(22)
Other	(18)	(18)	(43)	(41)	(18)	(11)	(6,197)	(768)
	<u>(22,403)</u>	<u>(22,191)</u>	<u>(2,752)</u>	<u>(44)</u>	<u>(102,216)</u>	<u>(51,935)</u>	<u>(31,599)</u>	<u>(6,008)</u>
Total operating income (expense)	<u>72,576</u>	<u>37,599</u>	<u>52,988</u>	<u>34,241</u>	<u>126,264</u>	<u>50,569</u>	<u>118,091</u>	<u>59,066</u>

24 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 Parent Company is not relevant, it is being presented only the consolidated reconciliation:

	09/30/2019				09/30/2018			
	Accumulated		Quarter		Accumulated		Quarter	
Income before income tax and social contribution	-	894,702	-	282,280	-	769,410	-	238,162
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%	304,199	34.00%	95,976	34.00%	261,599	34.00%	80,975
Permanent differences								
Tax loss for which a deferred tax asset was not formed	-	-	-	-	1.05%	8,088	0.53%	1,274
Expenditures with issuance of shares	-2.83%	(25,320)	-8.97%	(25,320)	-4.45%	(34,275)	-14.39%	(34,275)
Non-deductible provisions (i)	0.34%	3,049	0.49%	1,395	0.27%	2,052	2.07%	4,929
Other additions and exclusions (ii)	-3.18%	(28,415)	-0.75%	(2,112)	0.00%	(15)	-0.03%	(61)
Subtotal	-5.67%	(50,686)	-9.22%	(26,037)	-3.14%	(24,150)	-11.81%	(28,133)
Impacts of the tax on entities taxed by deemed profit (iii)								
Reversal of the tax effect by the actual profit	-0.06%	(565)	-0.15%	(419)	-3.77%	(29,023)	-2.89%	(6,892)
Income tax and social contribution calculated at deemed profit	0.06%	516	0.12%	325	-0.87%	6,704	0.85%	2,032
Subtotal	-0.01%	(49)	-0.03%	-94	-2.90%	(22,319)	-2.04%	(4,860)
Expense with income tax and social contribution (rate at %)	28.33%	<u>253,464</u>	24.74%	<u>69,845</u>	27.96%	<u>215,130</u>	20.15%	<u>47,982</u>
Current income tax and social contribution (iii)	34.00%	304,221	32.99%	93,134	30.27%	232,869	27.94%	66,533
Deferred income tax and social contribution	-5.67%	<u>(50,757)</u>	-8.25%	<u>(23,289)</u>	-2.31%	<u>(17,739)</u>	-7.79%	<u>(18,551)</u>
Expense with income tax and social contribution	28.33%	<u>253,464</u>	24.74%	<u>69,845</u>	27.96%	<u>215,130</u>	20.15%	<u>47,982</u>

- (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.

	Consolidated	
	09/30/2019	12/31/2018
Balance at the beginning of the period	33,860	54,479
Income tax and social contribution	304,221	315,089
Balance of income tax and social contribution of acquiree	715	383
(-) Payments made	<u>(265,052)</u>	<u>(336,091)</u>
Balance at end of the period	<u>73,744</u>	<u>33,860</u>

The Company and its subsidiaries do not have income tax or social contribution losses directly on equity.

b. Recoverable taxes

The balance refers mainly to income tax and social contribution credits 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.

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 09/30/2019
Provision for tax, civil and labor risks (i)	15,683	(3,820)	11,863	118	11,981
Credit on tax loss and negative basis (ii)	-	55,916	55,916	38,342	94,258
Issuance cost of debentures	-	-	-	1,661	1,661
Deferred tax on right-of-use assets	-	-	-	24	24
Other tax credits	-	12	12	29	41
Total operating income (expense)	15,683	52,108	67,791	40,174	107,965
Consolidated					
	Balance at 12/31/2017	Recognized in income (loss)	Balance at 12/31/2018	Recognized in income (loss)	Balance at 09/30/2019
Provision for tax, civil and labor risks (i)	84,586	4,983	89,569	9,870	99,439
Impairment loss on trade receivables (i)	6,722	6,449	13,171	(364)	12,807
Deferred commissions expenses	(33,156)	(13,499)	(46,655)	(200)	(46,855)
Credit on tax loss and negative basis (ii)	-	55,916	55,916	38,327	94,243
Deductible provisions	-	6,849	6,849	(6,849)	-
Issuance cost of debentures	-	-	-	1,661	1,661
Deferred tax on right-of-use assets	-	-	-	5,563	5,563
Other tax credits	6,765	390	7,155	2,749	9,904
Total operating income (expense)	64,917	61,088	126,005	50,757	176,762

- (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.

25 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 September 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.

		September 30, 2019			
		Value per level			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
Cash and cash equivalents		-	169,620	-	169,620
Short-term investments	6	-	8,076,033	-	8,076,033
Trade receivables	7	-	146,129	-	146,129
Related parties	9	-	3,415	-	3,415
Subtotal		-	8,395,197	-	8,395,197
Financial liabilities not valued at fair value					
Loans and financing	13	-	(2,017,751)	-	(2,017,751)
Trade payables		-	(40,198)	-	(40,198)
Leasing payable	14	-	(867,058)	-	(867,058)
Related parties	9	-	(4,038)	-	(4,038)
Dividends and interest on own capital	18	-	(102,104)	-	(102,104)
Other accounts payable		-	(52,156)	-	(52,156)
Subtotal		-	(3,083,305)	-	(3,083,305)
Total		-	5,311,892	-	5,311,892

		December 31, 2018			
		Value per level			
	Notes	Level 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 receivables	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 September 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 Group 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.

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.

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 September 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 09/30/2019	Risk	Scenario (2.70%)	Scenario (4.05%)	Probable scenario (5.40%)	Scenario (6.75%)	Scenario (8.10%)
Short-term and long-term investments							
Balance of pledged financial investments	424,588	100% CDI	11,464	17,196	22,928	28,660	34,392
Balance of investments (free)	7,651,445	100% CDI	206,589	309,884	413,178	516,473	619,767
Borrowings and financing							
Debenture - 1st series	(1,779,760)	109% CDI 110.55%	(52,378)	(78,568)	(104,757)	(130,946)	(157,135)
Debenture - 2nd series	(237,124)	of CDI	(7,078)	(10,617)	(14,156)	(17,694)	(21,233)

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, 20% of 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:

	September 30, 2019	December 31, 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.	2,515,368	614,280	F1+	AAA	BR-1	Aa1.br	brA-1+	brAAA
Banco Santander S.A.	2,433,465	1,106,235	-	-	BR-1	Aaa.br	brA-1+	brAAA
Banco do Brasil S.A.	1,817,052	480,353	F1+	AA	BR-1	Aa1.br	B	BB-
Banco Bradesco S.A.	358,324	761,623	F1+	AAA	BR-1	Aa1.br	brA-1+	brAAA
Caixa Econômica Federal	504,183	394,098	F1+	AA	BR-1	Aa1.br	brA-1+	brAAA
Banco Safra S.A.	443,452	215,911	F1+	AA+	BR-1	Aa1.br	brA-1+	brAAA
Other	4,189	37,849	-	-	-	-	-	-
	8,076,033	3,610,349						

(1) Most recent financial disclosure of each financial institution . National scale.

(2) Ratings List Brazil, published on October 1, 2019.

(3) Ratings from several Brazilian financial institutions reviewed after action on sovereign ratings published on October 13, 2018.

Cash and cash equivalents

The Group held Cash and cash equivalents in the amount of R\$ 169,620 as of September 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		(40,198)	(40,198)	-	-	(40,198)
Related parties	9	(4,308)	(4,308)	-	-	(4,038)
Other accounts payable		(52,156)	(39,616)	(12,540)	-	(52,156)
Dividends and interest on shareholders' equity payable	9.18	<u>(102,104)</u>	<u>(102,104)</u>	<u>-</u>	<u>-</u>	<u>(102,104)</u>
		(198,766)	(186,226)	(12,540)	-	(397,532)

26 Insurance coverage

In July 2019, the Group renewed 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 06/2019 to 06/2020 and maximum guarantee limit of R\$ 50,000. The coverage includes pain and suffering, assets, personal guarantees, emergency costs, among other.

27 Subsequent events

Acquisition of Grupo São Francisco

On November 1, 2019, after all precedent conditions on the acquisition contract are met, was concluded the acquisition of the GSFRP by Ultra Som, Company's subsidiary. This date, the Group did:

- (i) Payment of acquisition price accrued by CDI rate, on amount of R\$ 4,608,708, realized to GSFRP shareholders;
- (ii) Issue of 8,333,333 Company's common shares to GSFRP shareholders, on amount of R\$ 250,000.

Acquisition of Hospital das Clínicas de Parauapebas Ltda.

On November 8, 2019, the Company entered into an agreement for the acquisition of the entire voting capital of Hospital das Clínicas de Parauapebas Ltda., a hospital company headquartered in the city of Parauapebas, Serra dos Carajás, southeast of the state of Pará, for amount of R\$ 16,000. This transaction will be carried out through Ultra Som, subsidiary of the Company.

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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