Earnings Release - 3Q18

Fortaleza (CE), November 13th 2018 – Hapvida Participações e Investimentos S.A. (B3:HAPV3), one of the largest health and dental plan operator in Brazil, and absolute leader in the country's North and Northeast regions in number of beneficiaries, announces today its results from the third quarter of 2018. The operating and financial information contained in this report is presented in IFRS and in Reais (R$), except where otherwise indicated.

Hapvida Participações e Investimentos S.A.

B3:HAPV3 - "New Market"
Stock price: R$ 26.22
Shares outstanding: 671,958,573
Market cap: R$ 17.6 billion
(closing: 11/12/2018)

3Q18 Conference Call

November 14th 2018
In Portuguese and English:
(Simultaneous translation)
11:00am (Brasília time)
08:00am (US EDT)
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Highlights

- **Members (health):** 2.29 million
  +5.5% when compared to 3Q17

- **Members (dental):** 1.60 million
  +18.4% higher than 3Q17

- **Medical Loss Ratio:** 62.0% in 3Q18 and 59.4% in 9M18
  +3.0p.p. when compared to 3Q17
  +0.8p.p when compared to 9M17

- **Adj. Medical Loss Ratio[1]:** 59.5% in 3Q18 and 57.5% in 9M18
  +0.7p.p. when compared to 3Q17
  -0.4p.p when compared to 9M17

- **Net revenues:** R$ 1,163.7 million in 3Q18 and R$ 3,364.5 million in 9M18
  +17.6% when compared to 3Q17
  +20.0% when compared to 9M17

- **Adj. EBITDA:** R$ 199.6 million & 17.2% margin in 3Q18 and R$ 720.1 million & 21.4% margin in 9M18
  -4.1% & -3.9p.p. lower than 3Q17
  +14.5% & -1.0p.p. lower than 9M17

- **Net income:** R$ 190.2 million & 16.3% margin in 3Q18 and R$ 554.3 million & 16.5% margin in 9M18
  +22.5% & +0.6p.p. when compared to 3Q17
  +16.1% & -0.5p.p. when compared to 9M17

- **Cash flow generation:** R$ 90.0 million in 3Q18 and R$ 323.9 million in 9M18
  +50.7% compared to 3Q17
  +2.4% when compared to 9M17

[1] Detailed in this document.

Message from management

It is with great satisfaction that we present to our shareholders and to the market in general Hapvida's earnings release report for the third quarter of 2018.

In the third quarter of 2018, the company kept the strategy adopted throughout its history, prioritizing the expansion of its own service network, through the opening of new units, expansion and reform of existing ones and investments in information technology, assuring a service focused on the efficiency of the service and member satisfaction. In the third quarter, a new hospital unit was inaugurated in Manaus (AM).

In addition, the company signed the Protocol of Understanding for Voluntary Transfer of the Client Portfolio, already approved by the National Supplementary Health Agency (ANS), through which it will hold in 4Q18 the entire portfolio of Uniplam, headquartered in Teresina in Piauí state. This acquisition will strengthen the Company's presence in the region, whose medical operation was extended in January 2018 with the inauguration of the Rio Poty Hospital.

Also in the third quarter, the health plans market maintained stable the number of members covered by some type of supplementary health care when compared in annual basis. The dental plans market, in turn, grew by 7.8% in the same period, based on the latest consolidated information released by ANS for September 2018. However the company continues to a high annual growth rate of the number of health and dental plans members above the sector, with an increase of 5.5% and 18.4%, respectively, at the end of 3Q18.

Exclusively among medical plans, corporate plans showed a growth of 6.8% when compared to 3Q17, and individual plans grew by 2.1% in the same comparison. As a result, the company's market share in the North and Northeast regions increased by 1.3p.p. and 1.5p.p. in relation to 3Q17, reaching 23.3% and 28.5%, respectively. Considering dental plans alone, also in the annual comparison, corporate plans grew 40.5% and the individual plans remained stable. Therefore, market share reached 25.0% in the North and Northeast in 2Q18, a growth of 0.9p.p. in relation to the same period of the previous year.

In terms of financial results, the company ended the first nine months of 2018 reaching a R$ 3.4 billion net revenues, an increase of 20.0% when compared to the same period of previous year, due to the portfolio growth combined with the increase in average ticket in the comparative period.

It should be mentioned that, due to the characteristic seasonality related to the rainy season in the North and Northeast regions, the second and the third quarters have a historically higher medical loss ratio in the year. In 3Q18 the rate was at 62.8%, 3.0p.p. higher than the same quarter of last year. This is mainly due to the prolongation of the incidence of virus period in comparison with previous years, making it necessary, for example, to extend temporary employment contracts, to increase the volume of exams, to increase the use of materials and drugs. This indicator was also impacted by the opening of new units of

Message from management (cont.)

the own service network which gradually absorb the demands of beneficiaries in the first months of operation, presenting a lower dilution of contracted fixed costs. The expansion of the own service network ratifies company’s non-negotiable commitment to offer a high quality service and hospitality to our members.

In addition to the presented factors, as broadly communicated to the market, there was an increase of R$ 12.0 million in the related party rent between the 9M17 and 9M18, to reflect the market value calculated by specialized consultants, which is part of the own network cost, given the formalization of several renting agreements. Adjusting the medical loss ratio for the aforementioned items, between January and September 2018, the number presented was 57.5%, 0.4p.p. lower than the figure disclosed in the first nine months of 2017.

Additionally, there was an increase in the representation of the accredited network in company’s total cost as a result of the expansion strategy for the interior of some states in the North and Northeast regions, where the company does not yet operate with its own service network.

The increase in MLR, together with the representativeness maintenance of commercial and administrative expenses during the year, which are detailed in this document, resulted in a 16.7% higher EBITDA in the first nine months of 2018 reaching R$ 682,1 million with a 20.3% margin, a contraction of 0.6p.p. compared to the first nine months of 2017. The adjusted EBITDA in the first nine months of the year was R$ 720.1 million, an increase of 14.5% over the accumulated figure until September 2017.

Net income for the year to September increased 16.1% when compared to the same period in 2017, totaling R$ 554.3 million with a net margin of 16.5%, practically stable compared to the same period. The result of 2018 still had a positive influence on the higher financial income from the amount raised in the IPO and on the use of the tax benefit related to commissions paid to banks, also referring to the company's IPO, explained in detail in this document.

The aforementioned result reflects the company's growth trend and the implementation of its strategy.

We would like to highlight the main noticeable events of this third quarter:

Feel Good Program. Preventive medicine program that aims to monitor and follow closely the treatment of patients with predisposition or chronic kidney disease in order to decrease the progression of the disease and the number of patients who start chronic hemodialysis. In this extent, the beneficiaries will be accompanied by nephrologists and nutritionists, gaining more life quality and being better welcomed during the treatment.

Message from management (cont.)

Protocols. In order to improve the care and member treatment, 34 new protocols for the identification of diseases in emergency procedures were implemented into company's own system throughout 2018, being 5 only in 3Q18. 78% of the emergency care are already performed through those systemic protocols. The company is committed to work continuously to expand the number of protocols and to deploy them in all units of own network.

Medical consultation through mobile app. Members can now conveniently schedule medical appointments through the Hapvida mobile app, a procedure that is already in operation in 7 different cities.

Partnership with Pague Menos drugstore chain. In addition to discounts on the purchase of medication customers will have access to 780 treatment rooms and pharmaceutical services where they can follow the treatment prescribed by their doctors.

We will continue to pursue our goal of ensuring access to quality, careful and cost efficiency health care. This is our mission!

Operating performance

Item	Unit	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18
Members	**# million**	**3.89**	**3.52**	**10.5%**	**3.81**	**2.0%**
Health plan	# million	2.29	2.17	5.5%	2.28	0.4%
Dental plan	# million	1.60	1.35	18.4%	1.53	4.5%
Market share (health)	**%**					
North	%	23.3%	22.0%	1.3p.p.	23.3%	0.0p.p.
Northeast	%	28.5%	27.0%	1.5p.p.	28.4%	0.1p.p.
Market share (dental)	**%**					
North	%	22.6%	21.2%	1.4p.p.	23.3%	-0.7p.p.
Northeast	%	25.6%	22.8%	2.8p.p.	25.1%	0.5p.p.
IGR - Hapvida (per 10.000 lives)	**#**	**2.62**	**2.39**	**-100.0%**	**2.92**	**-100.0%**
Average ticket (health)	**R$**	**168.69**	**150.93**	**11.8%**	**162.75**	**3.6%**
Individual	R$	254.04	227.26	11.8 %	246.32	3.1%
Corporate	R$	137.23	121.58	12.9%	130.78	4.9%
Average ticket (dental)	**R$**	**11.93**	**12.60**	**-5.3%**	**12.48**	**-4.4%**
Individual	R$	14.56	13.70	6.3%	14.14	30%
Corporate	R$	9.61	11.26	-14.6%	10.85	-11.4%

The number of members presented it's based on the company's own system and no longer according to the ANS database, due to the delay in the processing of member addition and exclusion. The numbers in this document already reflect this change.

Members (health): the number of members in health plans presented a growth of 5.5%, leading to a market share increase of 1.3p.p. and 1.5p.p in the North and Northeast regions respectively when compared to 3Q17. With emphasis for growth in the states of Bahia, Amazonas and Piauí.

Members (dental): the number of members in dental plans presented an annual growth of 18.4% in the last quarter both in North and Northeast regions, with market share of 25.0p.p. an increase of 0.9p.p.. It is worth mentioning that the company seeks to offer dental plans to all corporate clients that already have contracted health plans, which favors the sale of this product in the North and Northeast regions and explains the greater market share gain in this region.

Average ticket (health): the average ticket for the health segment showed a 11.8% growth when compared to 3Q17. It is worth noting that the sales mix influences the average ticket, since prices are different in each city that the company operates. In corporate plans, the average ticket can also be influenced by different negotiations and contractual conditions.

Own service network

Values in # (units)

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
Units of own network	**203**	**190**	**6,8%**	**202**	**0,5%**	**203**	**190**	**6,8%**
Hospitals	26	24	8,3%	25	4,0%	26	24	8,3%
Number of beds	1.789	1.432	24,9%	1.698	5,4%	1.789	1.432	24,9%
Emergency Units	19	19	0,0%	19	0,0%	19	19	0,0%
Clinics	75	73	2,7%	75	0,0%	75	73	2,7%
Image diagnosis and labs	83	74	12,2%	83	0,0%	83	74	12,2%

The company keep focusing on the continuous expansion of its own service network, through acquisitions of new units, expansion and reform of existing ones and investments in information technology, guaranteeing the accomplishment of a service focused on the efficiency of customer service and satisfaction of members. As anticipated in the latest earnings release, the company inaugurated the Rio Amazonas hospital in Manaus (AM) in the third quarter.

In the first nine months of 2018 came into operation two new hospitals (Teresina/PI and Manaus/AM) and four walk-in emergency units, two units in the state of Pernambuco and two units in the state of Bahia. In this period, three units were closed or replaced by others with greater capacity, as was the case of Garcia Dávila walk-in emergency unit, which was closed due to the Rio Poty hospital opening.

In addition, the company usually maintains an idle capacity in hospitals of major cities to allow growth and maintain the service quality to health plan members.

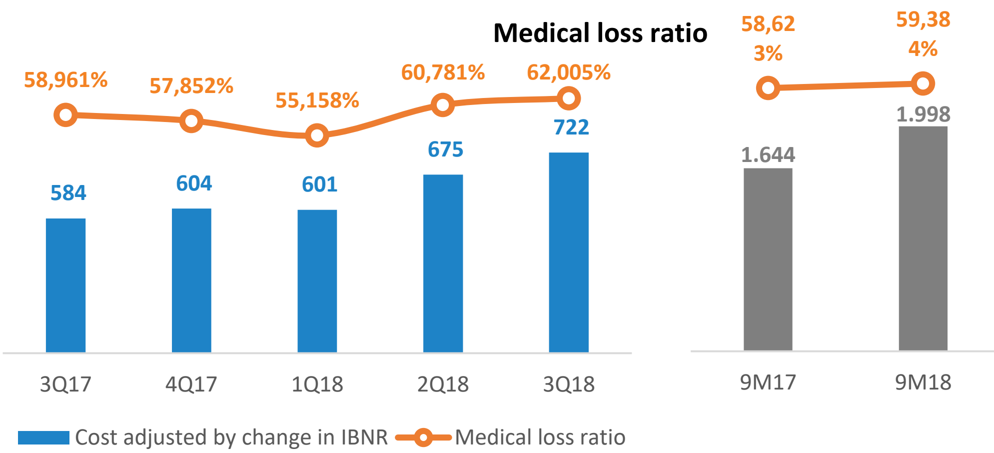
Hospital Rio Amazonas - Manaus (AM)

Medical loss ratio

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
(=) Total cost	(728,5)	(591,6)	23,1%	(678,1)	7,4%	(2.010,5)	(1.652,1)	21,7%
(-) Change in IBNR	(6,9)	(8,1)	-14,5%	(2,8)	143,1%	(12,5)	(8,2)	52,4%
(=) Adjusted cost **(a)**	(721,6)	(583,5)	23,7%	(675,3)	6,9%	(1.998,0)	(1.643,9)	21,5%
(=) Net revenues **(b)**	1.163,7	989,7	17,6%	1.111,0	4,7%	3.364,6	2.804,2	20,0%
Medical loss ratio (c) = (a)/(b)	**62,0%**	**59,0%**	**3,0p.p.**	**60,8%**	**1,2p.p.**	**59,4%**	**58,6%**	**0,8p.p.**

Following the evolution of the medical loss ratio recent periods:



The portfolio's medical loss ratio of the 3Q18 was 62.0%, higher than the 3Q17 and 2Q18 mainly due to **(i)** the occurrence of the higher number of visits related to viruses and for a longer period than in the previous year, making it necessary, for example, to extend temporary employment contracts, to increase the volume of exams, to increase the use of materials and drugs., **(ii)** the expansion of the company's own service network, which results in higher fixed costs without being fully balanced by revenues in the same period and **(iii)** due to the adjustments of the rental agreements with related parties to reflect the market value calculated by specialized consultants.

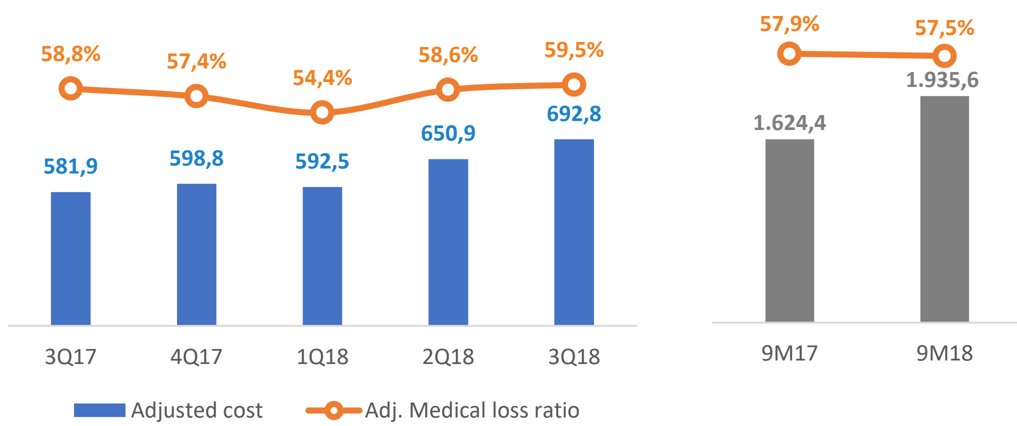
The medical loss ratio adjusted by the effects described above is detailed on the next page.

Additionally, there was an increase in the accredited network share in company's total cost as a result of the expansion strategy to the countryside of some states in the North and Northeast regions, where the company does not yet operate with its own service network.

Adjusted Medical loss ratio

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
(=) Total cost	(728.5)	(591.6)	23.1%	(678.1)	7.4%	(2,010.5)	(1,652.1)	21.7%
(-) Change in IBNR	(6.9)	(8.1)	-14.5%	(2.8)	143.1%	(12.5)	(8.2)	52.4%
(-) Change in SUS reimbursement	(5.1)	1.4	-473.9%	(7.5)	-31.8%	(13.6)	(12.4)	9.7%
(-) Diff. of rent with related parties	(7.0)	-	N/A	(4.3)	64.0%	(12.0)	-	N/A
(-) Cost of new units, inaugurated in the last 12 months	(16.6)	(3.0)	454.2%	(12.6)	31.6%	(36.8)	(7.1)	419.8%
(=) Adjusted cost (a)	(692.8)	(581.9)	19.1%	(650.9)	6.4%	(1,935.6)	(1,624.4)	19.2%
(=) Net revenues (b)	1,163.7	989.7	17.6%	1,111.0	4.7%	3,364.6	2,804.2	20.0%
Medical loss ratio (c) = (a)/(b)	**59.5%**	**58.8%**	**0.7p.p.**	**58.6%**	**0.9p.p.**	**57.5%**	**57.9%**	**-0.4p.p.**

Adjusted Medical loss ratio



Here are the reasons that led the company to adjust the medical loss ratio calculation:

Change in SUS reimbursement provision: this item does not depend directly from company's management, the amount disclosed by ANS is fully provisioned in the result. It should be noted that the average term of the expenses sent by the ANS is about 20 months after members procedure occur.

Differential of rent with related parties: as widely disclosed, the rental agreements with related parties were adjusted to reflect the market value calculated by specialized consultants, which is why this item presented an increase in the last two quarters compared to the same periods of last year.

Cost of new units, inaugurated in the last 12 months: the opening of the own service network new units increases the medical loss ratio momentarily, since the initial fixed costs are not entirely diluted in the same period of the operation start.

Medical loss ratio (cont.)

The number of procedures performed is shown below:

Values in # million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
Exams	9.11	7.64	19.1%	8.32	9.5%	25.09	20.99	19.6%
Treatments	1.11	0.87	28.0%	0.99	12.5%	2.92	2.31	26.3%
Medical appointment	3.22	2.96	8.6%	3.11	3.5%	9.28	8.64	7.4%
Hospitalization	0.09	0.09	4.4%	0.08	12.4%	0.25	0.24	5.16%

The number of exams and treatments increased, respectively, 19.6% and 26.3% between 9M18 and 9M17. This increase was due to the virus period, the increase of procedures in accredited network and the increase in the member base.

Financial performance

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
Revenues from gross payments	1,213.6	1.024.8	18.4%	1,160.5	4.6%	3,510.2	2,915.5	20.4%
Revenue from other activities	2.0	8.3	-75.8%	3.5	-42.5%	8.6	12.9	-33.5%
Deductions	(51.9)	(43.4)	19.5%	(53.0)	-2.1%	(154.2)	(124.2)	24.2%
Net revenues	**1,163.7**	**989.7**	**17.6%**	**1,111.0**	**4.8%**	**3,364.6**	**2.804,2**	**20.0%**
Medical cost and others	(716.5)	(584.9)	22.5%	(667.8)	7.3%	(1,984.4)	(1,631.5)	21.6%
Own service network	(460.4)	(373.9)	23.1%	(432.4)	6.5%	(1,285.5)	(1,057.5)	21.6%
Rent with related parties	(13.2)	(6.2)	113.1%	(9.6)	38.5%	(28.6)	(16.6)	72.2%
Accredited network	(256.1)	(210.9)	21.4%	(235.3)	8.8%	(698.9)	(573.9)	21.8%
Change in IBNR	(6.9)	(8.1)	-14.5%	(2.8)	143.1%	(12.5)	(8.2)	52.4%
Change in SUS reimbursement provision	(5.1)	1.4	-473.9%	(7.5)	-31.8%	(13.6)	(12.4)	9.7%
Total cost	**(728.5)**	**(591.6)**	**23.1%**	**(678.1)**	**7.4%**	**(2,010.5)**	**(1,652.1)**	**21.7%**
Gross profit	**435.2**	**398.1**	**9.4%**	**432.9**	**0.6%**	**1,354.1**	**1,152.1**	**17.5%**
Gross margin	***37.4%***	***40.2%***	***-2.8p.p.***	***39.0%***	***-1.6p.p.***	**40.2%**	**41.1%**	***-0.8p.p.***

Net revenues: 9M18 net revenues grew by 20.0% when compared to 9M17, mainly influenced by **(i)** an increase of 5.5% in the number of members of health plans with a 11.8% increase in the average ticket and by **(ii)** an increase of 18.4% in the number of members of dental plans with a reduction of 4.4% in the average ticket in the same comparison.

Medical cost and others: in 9M18, the evolution of total cost in relation to 9M17 was 21.6%, higher than the 20.0% growth of net revenues in the same period, contributing to a medical loss ratio increase, as detailed at “Medical loss ratio” and “Adjusted medical loss ratio” sections.

Rent with related parties: According to what had been widely disclosed by the company since the IPO, the rental agreements with related parties were adjusted to reflect the market value calculated by specialized consultants, which explain the change in this item in relation to 2Q17 and 3Q17. It is worth mentioning that some of these agreements did not start at the beginning of 2Q18, which is why the amount presented in 3Q18 is higher than in 2Q18.

Change in IBNR: the provision of events incurred but not reported in 9M18 grew 52.4% in relation to 9M17, in the comparison between 3Q18 and 3Q17 there was a decrease of 14.5%. The company has been continually improving its medical billing processes so that IBNR remains negligible in terms of cost.

Change in SUS reimbursement provision: this item includes the updated amount indicated by the ANS of events arising from the company’s members assisted by the public health system. It should be noted that the average term of the expenses sent by the ANS is about 20 months after members’ procedure occur.

Financial performance (cont.)

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
Selling expenses	**(116.6)**	**(103.3)**	**13.0%**	**(111.4)**	**4.7%**	**(349.9)**	**(292.0)**	**19.8%**
Marketing	(9.2)	(8.3)	11.0%	(8.4)	10.3%	(24.9)	(26.4)	-5.4%
Commissions	(71.5)	(70.9)	0.9%	(79.2)	-9.7%	(200.1)	(175.5)	14.0%
Provision for doubtful accounts	(35.9)	(24.1)	49.2%	(23.8)	50.9%	(125.0)	(90.2)	38.5%
Administrative expenses	**(139.1)**	**(115.4)**	**20.5%**	**(132.2)**	**5.2%**	**(362.2)**	**(298.7)**	**21.3%**
Personnel	(53.7)	(40.2)	33.6%	(52.7)	1.8%	(138.8)	(105.6)	31.4%
Third party services	(23.0)	(22.8)	0.6%	(25.4)	-9.7%	(66.2)	(55.5)	19.3%
Location and operation	(27.8)	(23.7)	17.3%	(26.5)	4.7%	(76.2)	(72.3)	5.3%
Taxes	(7.5)	(15.6)	-52.1%	(19.5)	-61.6%	(35.1)	(22.6)	55.2%
Provisions for civil. labor and tax risks	(23.5)	(10.1)	133.5%	(7.8)	201.3%	(40.1)	(29.0)	38.3%
Miscellaneous expenses	(3.7)	(3.0)	22.1%	(0.2)	1600.2%	(5.9)	(13.7)	-57.1%
Other expenses/revenues	**(0.4)**	**0.3**	**-226.6%**	**9.5**	**-104.5%**	**9.4**	**1.8**	**431.0%**
Total expenses	**(256.1)**	**(218.3)**	**17.3%**	**(234.2)**	**9.4%**	**(702.8)**	**(589.0)**	**19.3%**

Marketing: marketing expenses totaled R$ 24.9 million in 9M18, a reduction of 5.4% over 9M17. This item is composed mainly of expenses with marketing campaigns where the company operates, as well as advertisements in radio, television, newspaper, online vehicles and social media.

Commissions: commission expenses totaled R$ 200.1 million in 9M18, in line with the evolution of net revenues in the period. In 3Q18, the ratio of commission expenses to net revenue was 6.1%, a similar level to that presented in 2017. It is worth remember that this metric reached 7.1% in 2Q18, mainly due to the improvement in the customer cancellation process, resulting in a higher volume of cancellation in 2Q18, causing higher commission deferral reversal. Whenever there is a customer cancellation, the deferred commission that would continue to be recognized in the result for the average term of the contract must be fully recognized in the result by the time of the cancellation.

Provision for doubtful accounts: provision for doubtful accounts totaled R$ 125.0 million in 9M18. However, excluding the net effect of R$ 8.7 million – a R$ 21.2 million constitution in 1Q18 and a R$ 12.5 million reversal in 2Q18 – due to the default of a single corporate client, this item would have had an accumulated annual growth of 18.6%, lower than the net revenue evolution in the same comparison.

Financial performance (cont.)

Personnel: personnel expenses totaled R$ 138.8 million in 9M18, an increase of 31.4% when compared to 9M17 mainly due to **(i)** the appropriation of R$ 10.0 million related to the compensation of controlling shareholders who exercise an executive role at the company, **(ii)** the increase resulting from the annual labor agreement of company`s employees and **(iii)** expansion of staff in key departments, such as the area responsible for the integration of new units, management of company's own service network and M&A.

Third party services: the main change in relation to 9M17 is related to the R$ 7.1 million spent on legal, tax and accounting services that supported the preparation and revision of the documentation required for the IPO. Disregarding these services, the share of this item in relation to net revenues in 9M18 would have been similar to 9M17.

Location and operation: the location and operating expenses, mainly comprised by rents, electricity, telephones and cleaning and office materials, totaled R$ 76.2 million in 9M18, showing a dilution in relation to net revenues when compared to 9M17, reflecting the company's effort to continuously monitor these expenses to identify opportunities for improvement that could result in financial savings.

Taxes: the main change of this item in 9M18 in relation to 9M17 is due to the payment of R$ 14.2 million related to federal tax debts due to the reassessment of the loss probability mainly related to the collection of unpaid taxes in previous years whose impact occurred in 2Q18. Excluding this effect, tax expenses would have totaled R$ 19.0 million in 9M18, a reduction of 16.0% when compared to the same period in 2017.

Provisions for risks: the expenses of provisions for risks totaled R$ 40.1 million in 9M18, an increase of 11.1 million in comparison to 9M17, mainly due to tax processes. However, it should be noted that the ratio between this item and net revenues increased by 0.2p.p. to 1.2% in the 9M18.

Financial performance (cont.)

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
Financial revenues	65.1	34.9	86.5%	50.5	28.9%	149.7	108.3	38.2%
Financial expenses	(6.0)	(9.9)	-39.3%	(13.2)	-54.6%	(31.6)	(20.6)	53.5%
Financial result	**59.1**	**25.0**	**136.3%**	**37.3**	**58.5%**	**118.1**	**87.8**	**34.6%**

Financial result: the financial result was mainly influenced by the net inflow of approximately R$ 2.53 billion in proceeds from the public offering occurred in 2Q18. With a significant increase in investment positions, the financial result in 9M18 was higher than in 9M17, partially offset by **(i)** the reduction in the Selic rate, from 8.5% at the end of 3Q17 to 6.4% at the end of 3Q18 and **(ii)** the monetary adjustment of tax debts totaling R$ 7.7 million, as indicated in the "Taxes" section.

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
Income before IR and CSLL	**238.2**	**204.8**	**16.3%**	**236.0**	**0.9%**	**769.4**	**650.9**	**18.2%**
IR e CSLL	(48.0)	(49.4)	-3.0%	(86.0)	-44.2%	(215.1)	(173.5)	24.0%
Effective tax rate	20.1%	24.1%	-4.0p.p.	36.4%	-16.3p.p.	28.0%	26.7%	1.3p.p.
Net income	**190.2**	**155.3**	**22.5%**	**150.0**	**26.8%**	**554.3**	**477.4**	**16.1%**
Net margin	***16.3%***	***15.8%***	***0.6p.p.***	***13.5%***	***2.8p.p.***	***16.5%***	***17.0%***	***-0.5p.p.***

IR and CSLL: the effective rate of IR and CSLL recorded in 9M18 was 28.0%, 1.3p.p. higher than the rate calculated in 9M17, mainly due to the process of corporate restructuring of healthcare companies that are part of the own service network whose tax regime is gradually migrating from presumed profit to real profit. In 3Q18, the effective rate of IRPJ and CSLL registered was 20.1%, 16.3p.p. lower than the rate calculated in 2Q18, mainly due to the use of the tax benefit related to the commissions paid to investment banks related to company's IPO. Although these expenses have not been recognized in the income statement, the Normative Instruction 1,700/17 of Brazilian IRS allows the deduction from the income tax calculation.

Net income: net income reached R$ 554.3 million in 9M18, an increase of 16.1% over the same period of the previous year. In 3Q18, net income increased 22.5% over the result recorded in 2Q18 and reached R$ 190.2 million.

EBITDA and Adjusted EBITDA

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
EBIT	**179.1**	**179.8**	**-0.4%**	**198.7**	**-9.9%**	**651.3**	**563.2**	**15.7%**
Depreciation and Amortization	11,1	8,0	39,6%	10,3	8,2%	30,8	21,2	45,1%
EBITDA	**190.2**	**187.7**	**1.3%**	**209.0**	**-9.0%**	**682.1**	**584.4**	**16.7%**
EBITDA margin	***16.3%***	***19.0%***	***-2.6p.p.***	***18.8%***	***-2.5p.p.***	***20.3%***	***20.8%***	***-0.5p.p.***
Financial revenue from ANS Investments	5.5	6.6	-17.6%	5.8	-5.6%	17.1	22.0	-22.4%
Revenue from overdue receivables	6.1	5.8	3.9%	6.3	-3.9%	18.8	17.8	5.5%
Discounts given	(3.0)	(1.9)	60.3%	(2.7)	12.2%	(9.6)	(5.3)	83.1%
Non-recurring events	0.9	10.0	-91.0%	(10.4)	-108.7%	11.7	10.0	19.0%
Adjusted EBITDA	**199.6**	**208.3**	**-4.1%**	**208.0**	**-4.0%**	**720.1**	**628.9**	**14.5%**
Adjusted EBITDA margin	***17.2%***	***21.0%***	***-3.9p.p.***	***18.7%***	***-1.6p.p.***	***21.4%***	***22.4%***	***-1.0p.p.***

EBITDA: the EBITDA reached R$ 682.1 million in 9M18, up 16.7% when compared to 9M17, with margin of 20.3%, a 0.5p.p. decrease in relation to the same period.

Adjusted EBITDA: the company understands that the financial income from investments related to the collateral assets (restricted cash), as well as the income from overdue receivables and possible discounts granted to customers are an integral part of the operation and should therefore be considered in the Adjusted EBITDA calculation. In addition to these adjustments there were non-recurring events in 9M18 related to **(i)** to the net effect of a provision and partial reversal of doubtful accounts associated to a single corporate client totaling R$ 8.7 million, **(ii)** the expenses related to the IPO process totaling R$ 7.1 million, **(iii)** the net effect of the tax payment from previous periods of R$ 6.0 million and **(iv)** a receipt due to a partnership agreement for company`s health and dental plans commercial representation in certain regions totaling R$ 10.0 million. Thus, Adjusted EBITDA grew 14.5% in 9M18 totaling R$ 720.1 million with a 21.4% margin.

Capex and cash generation

Capex: the investments resulting from additions to property, plant and equipment and intangible assets net of depreciation and amortization totaled R$ 185.4 million in 9M18 mainly due to the operating and administrative structure of the own service network expansion, with the opening of four walk-in emergency units and two new hospitals as well as the investments related to the new integrated ERP system implementation.

Free cash flow: the free cash flow reached R$ 323.9 million in 9M18, 2.4% higher than the same period of 9M17.

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
EBIT	**179.1**	**179.7**	**-0.4%**	**198.7**	**-9.9%**	**651.3**	**563.2**	**15.7%**
Effective tax rate	20.1%	24.1%	-4.0p.p.	36.4%	-16.3p.p.	28.0%	26.7%	1.3p.p.
NOPAT	**143.8**	**136.3**	**5.5%**	**126.3**	**13.8%**	**469.9**	**413.0**	**13.8%**
(+) Depreciation and amortization	11.1	7.9	39.6%	10.3	8.7%	30.8	21.2	44.9%
(+/-) Change in working capital[4]	(9.1)	(35.6)	81.8%	9.6	-195.9%	(21.2)	(4.2)	400.3%
(-) Cash CAPEX	(55.8)	(49.0)	13.8%	(47.1)	18.4%	(155.6)	(113.6)	37.0%
Free cash flow	**90.0**	**59.7**	**50.7%**	**99.0**	**-9.1%**	**323.9**	**316.4**	**2.4%**

[4] Includes variations: (i) current assets: accounts receivable, inventories, other receivables and advances to suppliers and (ii) current liabilities: loans, suppliers, technical provisions for health care operations net of IBNR, debts of health care operations net of prepayments, other accounts payable and social obligations.

Income Statement

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17	9M18 x 9M17
Revenues from gross payments	1,213.6	1,024.8	18.4%	1,160.5	4.6%	3,510.2	2,915.5	20.4%
Revenue from other activities	2.0	8.3	-75.8%	3.5	-42.5%	8.6	12.9	-33.5%
Deductions	(51.9)	(43.4)	19.5%	(53.0)	-2.1%	(154.2)	(124.2)	24.2%
Net revenues	**1,163.7**	**989.7**	**17.6%**	**1,111.0**	**4.8%**	**3,364.6**	**2,804.2**	**20.0%**
Medical cost and others	(716.5)	(584.9)	22.5%	(667.8)	7.3%	(1.984.4)	(1.631.5)	21.6%
Own service network	(460.4)	(373.9)	23.1%	(432.4)	-100.1%	(1.285.5)	(1.057.5)	21.6%
Rent with related parties	(13.2)	(6.2)	113.1%	(9.6)	-111.8%	(28.6)	(16.6)	72.2%
Accredited network	(256.1)	(210.9)	21.4%	(235.3)	-100.1%	(698.9)	(573.9)	21.8%
Change in IBNR	(6.9)	(8.1)	-14.5%	(2.8)	143.1%	(12.5)	(8.2)	52.4%
Change in SUS reimbursement provision	(5.1)	1.4	-473.9%	(7.5)	-31.8%	(13.6)	(12.4)	9.7%
Total cost	**(728.5)**	**(591.6)**	**23.1%**	**(678.1)**	**7.4%**	**(2.010.5)**	**(1.652.1)**	**21.7%**
Gross profit	**435.2**	**398.1**	**9.3%**	**432.9**	**0.5%**	**1.354.1**	**1.152.1**	**17.5%**
Gross margin	***37.4%***	***40.2%***	***-2.8p.p.***	***39.0%***	***-1.6p.p.***	***40.2%***	***41.1%***	***-0.8p.p.***
Selling expenses	**(116.6)**	**(103.3)**	**13.0%**	**(111.4)**	**4.7%**	**(349.9)**	**(292.0)**	**19.8%**
Administrative expenses	**(139.1)**	**(115.4)**	**20.5%**	**(132.2)**	**5.2%**	**(362.2)**	**(298.7)**	**21.3%**
Personnel	(53.7)	(40.2)	33.6%	(52.7)	1.8%	(138.8)	(105.6)	31.4%
Third party services	(23.0)	(22.8)	0.6%	(25.4)	-9.7%	(66.2)	(55.5)	19.3%
Location and operation	(27.8)	(23.7)	17.3%	(26.5)	4.7%	(76.2)	(72.3)	5.3%
Taxes	(7.5)	(15.6)	-52.1%	(19.5)	-61.6%	(35.1)	(22.6)	55.2%
Provisions risks	(23.5)	(10.1)	133.5%	(7.8)	201.3%	(40.1)	(29.0)	38.3%
Miscellaneous expenses	(3.7)	(3.0)	22.1%	(0.2)	1600.2%	(5.9)	(13.7)	-57.1%
Other expenses/operational revenues	**(0.4)**	**0.3**	**-226.6%**	**9.5**	**-104.5%**	**9.4**	**1.8**	**431.0%**
Total expenses	**(256.1)**	**(218.3)**	**17.3%**	**(234.2)**	**9.4%**	**(702.8)**	**(589.0)**	**19.3%**
Operational income	**179.1**	**179.8**	**-0.4%**	**198.7**	**-9.9%**	**651.3**	**563.2**	**15.7%**
Financial revenues	65.1	34.9	86.5%	50.5	28.9%	149.7	108.3	38.2%
Financial expenses	(6.0)	(9.9)	-39.3%	(13.2)	-54.6%	(31.6)	(20.6)	53.5%
Financial result	**59.1**	**25.0**	**136.3%**	**37.3**	**58.5%**	**118.1**	**87.8**	**34.6%**
EBIT	**238.2**	**204.8**	**16.3%**	**236.0**	**0.9%**	**769.4**	**650.9**	**18.2%**
IR and CSLL current	(66.5)	(53.2)	25.1%	(75.3)	-11.6%	(232.9)	(172.2)	35.3%
IR and CSLL deferred	18.6	3.8	394.5%	(10.7)	-273%	17.7	(1.4)	-1391.0%
IR and CSLL	**(48.0)**	**(49.4)**	**-3.0%**	**(86.0)**	**-44.2%**	**(215.1)**	**(173.5)**	**24.0%**
Net income	**190.2**	**155.3**	**22.5%**	**150.0**	**26.8%**	**554.3**	**477.4**	**16.1%**
Net margin	***16.3%***	***15.7%***	***0.6p.p.***	***13.5%***	***2.8p.p.***	***16.5%***	***17.0%***	***-0.5p.p.***

Balance Sheet (Assets)

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18
Assets	**4,925.2**	**2,393.0**	**105.8%**	**5,033.1**	**-2.1%**
Current assets	**1,385.7**	**1,380.1**	**0.4%**	**1,412.8**	**-1.9%**
Cash and cash equivalents	89.2	62.5	42.7%	113.0	-21.1%
Short-term investments	620.0	765.5	-19.0%	671.9	-7.7%
Trade receivables	443.1	370.0	19.8%	407.4	8.8%
Inventory	12.4	14.7	-15.4%	14.9	-16.7%
Recoverable tax	35.9	20.4	76.2%	23.3	54.2%
Other assets	33.9	13.1	158.2%	35.0	-3.2%
Advances to suppliers	27.6	30.1	-8.2%	29.7	-6.9%
Deferred commission	123.6	103.8	19.1%	117.6	5.1%
Non-current assets	**3,539.5**	**1,012.9**	**249.4%**	**3,620.3**	**-2.2%**
Long-term investments	2.784.8	466.5	497.0%	2.938.4	-5.2%
Deferred taxes	82.7	65.9	25.5%	64.1	28.9%
Judicial deposits	87.9	66.1	33.0%	74.6	17.9%
Deferred commission	87.8	85.5	2.7%	90.9	-3.4%
Related party receivable	3.3	3.4	-0.9%	3.4	-1.9%
Other assets	1.8	0.2	1083.6%	2.1	-14.3%
Property. plant and equipment	395.7	283.1	39.8%	361.6	9.4%
Intangible assets	95.5	42.3	125.7%	85.2	12.1%

Balance Sheet (Liabilities and shareholders' equity)

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18
Liabilities and shareholders' equity	**4,925.2**	**2,393.0**	**105.8%**	**5,033.1**	**-2.1%**
Current liabilities	**1,050.3**	**1,112.6**	**-5.6%**	**1,359.9**	**-22.4%**
Loans and financing	4.1	-		6.1	
Trade payables	58.3	50.9	14.7%	63.5	-8.1%
Technical provisions for health care operations	689.3	606.6	13.6%	648.8	6.2%
Health care payables	60.3	54.3	11.1%	62.3	-3.2%
Payroll obligations	118.1	99.7	18.5%	105.4	12.0%
Taxes and contributions payable	58.2	53.5	8.8%	50.8	14.6%
Income and social contribution taxes	35.0	48.2	-27.4%	43.7	-20.0%
Dividends and interest on shareholders’ equity payable	14.7	179.0	-91.8%	367.3	-96.0%
Other accounts payable	12.2	20.5	-40.4%	12.0	2.0%
Non-current liabilities	**319.3**	**320.1**	**-0.3%**	**307.8**	**3.7%**
Taxes and contributions payable	11.9	22.3	-46.4%	11.9	0.3%
Provision for tax. civil and labor risks	256.2	241.6	6.0%	245.5	4.3%
Related party payables	42.6	47.7	-10.7%	42.6	0.0%
Other accounts payable	8.5	8.6	-0.4%	7.8	9.3%
Shareholders' equity	**3,555.9**	**960.3**	**270.3%**	**3,365.4**	**5.7%**
Capital	2.810.2	280.0	903.6%	2.810.0	0.0%
Legal reserve	55.6	23.0	141.3%	55.6	-0.1%
Accumulated profits	553.3	449.8	23.0%	363.4	52.2%
Profit reserves	136.3	207.3	-34.2%	136.3	0.0%
Equity attributable to controlling shareholders	3.555.4	960.1	270.3%	3.365.2	5.7%
Non-controlling interest	0.5	0.1	120.8%	0.2	64.5%

Cash Flow Statement

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17
Net income	**190.2**	**155.3**	**22.5%**	**150.0**	**26.8%**	**554.3**	**477.4**
Adjustments to reconcile net income with cash	**5.3**	**74.3**	**-92.8%**	**144.7**	**(1.0)**	**297.0**	**240.8**
Depreciation and amortization	11.1	7.9	40.6%	10.2	9.3%	30.7	21.2
Technical provisions for health care operations	12.0	8.1	48.9%	10.4	15.5%	26.2	8.2
Provision for losses on receivables	35.9	24.1	49.0%	23.8	50.9%	125.0	90.2
Write-off of property. plant and equipment	0.3	0.1	143.3%	0.1	192.0%	0.4	2.3
Write-off of intangible assets	0.0	(0.0)	-103.0%	-	-	-	0.1
Provision for tax. civil and labor risks	15.6	2.5	529.6%	0.7	2127.0%	19.7	13.8
Income from financial investments	(117.6)	(17.9)	557.7%	13.6	-964.8%	(119.9)	(68.5)
Tax income and social contribution	66.5	53.2	24.9%	75.2	-11.5%	232.9	172.2
Deferred taxes	(18.6)	(3.8)	392.9%	10.7	-273.4%	(17.7)	1.4
(Increase) decrease in asset accounts	**(100.0)**	**(12.9)**	**678.1%**	**(95.4)**	**4.9%**	**(232.6)**	**(213.8)**
Accounts receivable	(71.6)	(26.6)	168.9%	(65.7)	9.0%	(144.5)	(164.2)
Inventory	2.5	(0.5)	-648.7%	(2.1)	-220.2%	2.1	(0.8)
Taxes recoverable	(12.6)	(4.1)	209.9%	(1.7)	642.9%	(9.4)	(3.3)
Financial investments	(0.7)	18.1	-103.7%	(1.4)	-52.6%	(1.9)	(2.3)
Judicial deposits	(18.3)	(3.4)	437.0%	(13.2)	38.4%	(41.7)	(6.3)
Other assets	1.4	(3.5)	-141.0%	(13.8)	-110.3%	(18.2)	(3.6)
Advance payments	2.1	2.3	-12.2%	(1.0)	-305.4%	(1.5)	(8.8)
Deferred taxes	-	-	-	(0.5)	-100.0%	-	-
Deferred Sales Expense	(2.9)	4.7	-160.6%	4.0	-171.5%	(17.6)	(24.4)
Increase (decrease) in liability accounts:	**(32.9)**	**(30.8)**	**6.8%**	**(49.9)**	**-34.1%**	**(241.9)**	**(66.7)**
Technical provisions for health care operations	28.4	(11.3)	-350.9%	44.5	-36.2%	24.9	51.7
Debts of health care operations	(2.0)	(4.4)	-53.9%	7.6	-126.7%	5.1	7.4
Social obligations	12.7	14.9	-14.7%	14.8	-14.3%	20.0	39.0
Suppliers	(5.2)	3.5	-246.2%	(0.5)	933.6%	(0.2)	7.5
Taxes and contributions payable	7.5	18.2	-58.6%	2.8	169.2%	(13.5)	12.8
Other accounts payable	1.0	3.5	-71.8%	(17.7)	-105.5%	(25.4)	(13.6)
Income tax and social contribution paid	(75.3)	(55.2)	36.6%	(101.4)	-25.7%	(252.9)	(171.4)

Cash Flow Statement (Cont.)

Values in R$ million

Item	3Q18	3Q17	3Q18 x 3Q17	2Q18	3Q18 x 2Q18	9M18	9M17
Net cash provided by operating activities	**62.6**	**185.9**	**-66.3%**	**149.4**	**-58.1**	**376.9**	**437.7**
Cash flow from investing activities	**268.2**	**(158.9)**	**-268.7%**	**(2.507.2)**	**-110.7%**	**(2.089.8)**	**(275.9)**
Payments to related parties	0.1	(0.1)	-225.5%	5.6	-98.6%	5.9	(0.7)
Acquisition of property. plant and equipment	(44.1)	(28.8)	53.1%	(36.5)	20.9%	(129.6)	(87.8)
Acquisition of intangibles	(11.7)	(20.4)	-42.4%	(10.6)	10.6%	(26.0)	(25.8)
Acquisition/sale of investments	-	0.0	-100.0%	-	-	-	0.0
Dividends received	-	-	-	-	-	-	-
Financial investments	(614.3)	(109.7)	460.1%	(5.071)	-87.9%	(5.747.7)	(161.6)
Redemption of financial investments	938.2	-	-	2.604.8	-64.0%	3.807.7	-
Cash flow from financing activities	**(354.6)**	**(20.6)**	**1621.6%**	**2.122.9**	**-116.7%**	**1.697.7**	**(156.2)**
Receipt of related parties	(0.0)	0.3	-100.1%	(5.7)	-100.0%	(5.4)	0.9
Payment/Acquisition of loans and financing	(2.0)	-	-	(0.5)	305.6%	(2.5)	-
Payment of dividends and interest on own capital	(352.5)	(20.9)	1589.3%	(401.1)	-12.1%	(823.8)	(156.0)
Expenses with share issuance	0.2	-	-	(101.0)	-100.2%	(100.8)	-
Capital contribution	0.0	-	-	2.631.0	-100.0%	2.631.0	-
Non-controlling shareholding stake	(0.2)	(0.0)	1088.2%	0.2	-201.0%	(0.8)	(1.1)
Change in cash and cash equivalents	**(23.8)**	**6.3**	**-479.3%**	**(234.8)**	**-89.8%**	**(15.0)**	**5.6**
Cash and cash equivalents at the beginning of the period	113.0	56.2	101.1%	347.8	-67.5%	104.2	56.9
Cash and cash equivalents at the end of the period	89.2	62.5	42.7%	113.0	-21.1%	89.2	62.5

Glossary

Adjusted Medical loss ratio: similar to Medical loss ratio, but adjusting the calculation by (i) provision for compensation to the SUS, (ii) rent differential with related parties and (iii) cost of new units inaugurated in the last 12 months.

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.