Hapvida Participações e Investimentos S.A.

Parent company and consolidated interim condensed financial statements December 31, 2019

Contents

São Francisco Hospital - Ribeirão Preto/São Paulo

Quarterly Results – 4th Quarter 2019

Hapvida (ex-acquisitions)

- Net revenues of R$ 1.4 billion (+14.9%) in the quarter and R$ 5.2 billion (+14.5%) in the year
- Health and dental net enrollment grows 5.1% compared to 2018
- MLR ex-SUS of 56.1% (-4.2 p.p.) in 4Q19 and 58.4% (-1.2 p.p.) in the year
- EBITDA of R$278.5 million (+20.6%) in the quarter and R$1,059.3 million (+16.0%) in 2019
- EBITDA margin of 20.0% (+0.9 p.p.) in 4Q19 and 20.2% (+0.2 p.p.) in the year
- Net income of R$173.2 million in the quarter and R$ 825.2 million (+4.7%) in 2019

Hapvida (including acquisitions)

- Net revenues of R$1.8 billion (+47.4%) and R$5.6 billion (+23.1%), respectively in 4Q19 and 2019
- Health and dental net enrollment grows 56.8% compared to 4Q18
- MLR ex-SUS of 58.7% (-1.6 p.p.) in the quarter and 59.1% (-0.5 p.p.) in the year
- EBITDA of R$344.3 million (+49.1%) in 4Q19 and R$1,125.1 million (+23.2%) in 2019
- EBITDA margin of 19.3% (+0.2 p.p.) in the quarter and 20.0% (0.0 p.p.) in the year
- Net income of R$ 866.6 million (+9.9%)

Conference Call
March 26th, 2020 (Thursday)
Portuguese (with simultaneous translation into English)
10am (Brazil) | 9am (US/DST)
Webcast: ri.hapvida.com.br
Phone number: Brazil: +55 (11) 3181-8565 | **USA:** +1 (412) 717-9627

MESSAGE FROM MANAGEMENT

2019 was an intense and transformational year for Hapvida. We have reached important milestones in our history, having at year-end around 6 million customers, 30 thousand employees, more than 15 thousand doctors and over 14 thousand dentists. We also ended the year as the first and only Brazilian healthcare operator to have its own service network in all five regions of the country. Our infrastructure consists of 39 hospitals, 42 emergency units, 185 clinics and 179 diagnostic and laboratories centers.

Large and relevant acquisitions marked our year. In May, we announced the acquisition of Grupo São Francisco with its headquarters located in the city of Ribeirão Preto (State of São Paulo). Also in May, we announced the acquisition of Hospital das Clinicas e Fraturas do Cariri in Juazeiro do Norte (State of Ceará). In June we announced the acquisition of Grupo América, in the metro region of Goiânia (State of Goiás). Then, in July, we announced the acquisition of the healthcare operator RN Saúde, headquartered in the city of Uberaba (State of Minas Gerais), in the Triângulo Mineiro region. In November, we signed a purchase agreement for the Hospital das Clínicas de Parauapebas (State of Pará). In December, we announced the acqusition of the healthcare operator Medical located in Limeira (State of São Paulo) and Plamed's customer portfolio in Aracajú (State of Sergipe), the latter two still pending regulatory approvals.

All of the aforementioned acquisitions contributed to our geographic expansion, reinforced our proprietary healthcare structure and increased the portfolios of beneficiaries in several regions. The Company's exposure is now nationwide and will follow a different dynamic from the one it has followed until now. The implementation of our business model in those new regions will connect the Company to millions of customers who will have access to an intelligent health plan like Hapvida. It was also a year of strong organic expansion and investments to strengthen our operations. Our investments in physical structure totaled more than R$ 150 million in 2019, including the opening of the Joinville hospital (State of Santa Catarina), which marked our entry into the Southern region of Brazil. Our proprietary infrastructure more than doubled last year, both due to acquisitions and organic growth. Our permanent investments in increasing our own network and the consequent verticalization of claims will allow us to continue offering a quality product at an affordable cost to all while preserving our margins.

In July, we concluded our first issuance of debentures in the amount of R$ 2.0 billion, contributing to a better capital structure. For this issue, we obtained the maximum investment grade (AAA) from the risk rating agency Fitch Ratings. Also in July, we concluded a follow-on share offering in the amount of R$ 2.6 billion, which became one of the most successful capital market operations in Brazil. The proceeds from this offer will be used to support our geographic expansion strategy, strengthen our own health delivery structures and restabilish our cash and working capital position.

We were also recognized by the market and received important awards with an emphasis on the “Campeões da Década” (Gamechanger category), “Top of Mind” in the state of Manaus and “Marcas que eu gosto” in the state of Pernambuco. Another important recognition was Hapvida's entry into the new Ibovespa portfolio that is in force in the first four months of 2020. For us, this moment was quite celebrated because it reinforces the solidity and good practices that we are carrying out throughout the Company.

Some important Hapvida programs were created last year and some continue to be improved. These programs exist to offer quality care and ensure the safety of our patients, such as VidaHap (group of wellness promotion programs focused on preventive medicine and health promotion), Qualitotal (quality seal with emphasis on patient safety and continuous improvement of processes) that have been implemented in 14 of our hospitals and the “5-star service” (satisfaction survey with the purpose of measuring the customers’ opinion) which obtained more than 2 million evaluations so far. We also seek to reinforce the standardization of our procedures, implementing 75 medical protocols in emergency units in addition to constant improvements in surgical kits, special drugs and materials, that guarantee a smarter control.

Net revenues in the quarter increased by 47.4% (including the acquisitions of Grupo São Francisco and Grupo América) and 14.9% (ex-acquisitions) compared to the same quarter last year. MLR ex-SUS (ex-acquisitions) in 4Q19 was 56.1%, a reduction of 4.2 p.p., even considering the additional costs of new healthcare facilities that came online in the period and the reclassification of expenses with certain employees previously recorded as administrative expenses that started to be accounted for as medical losses. The proper management of selling expenses reaching a rate of 8.9% and administrative expenses with a rate of 16.4% contributed to an EBITDA of R$ 278.5 million (ex-acquisitions), growth of 20.6%. EBITDA including acquisitions was R$ 344.3 million for the quarter, an increase of 49.1%. Both in the quarter and in the year, we managed to show strong EBITDA growth even considering an extraordinarily high level of reimbursements to SUS and with certain non-recurring administrative expenses.

MESSAGE FROM MANAGEMENT (continued)

The Company maintained its growth rate of enrollment for health and dental beneficiaries above the sector growth. Compared to the previous period, membership grew 3.7% (ex-acquisitions) and 49.0% (including acquisitions), reaching a market share of 7.4%. The number of dental beneficiaries also grew significantly, increasing by 7.0% (ex-acquisitions) and 67.7% (including acquisitions) reaching 9.6% of market share. The company's growth performance stands out specially when we consider the adverse market scenario for 2019 in which the number of beneficiaries covered by private plans recorded a reduction of more than 60 thousand lives.

We are very optimistic about the integration process because we are seeing our planning being followed without having any surprises so far. We remain confident that we will deliver the promised synergies and with great chances of reducing the time to integrate the assets, both for Grupo São Francisco and for Grupo América.

We are pioneers in creating, using and improving new technologies here at Hapvida. Disruptive changes in our industry are happening and we are aware that a corporate success story no longer guarantees the future. As a leading healthcare company, we believe that innovation can promote people's health, improve care quality and increase accessibility. For this reason, we have incorporated “innovation” to the pillars of the Company so that we can continue to take advantage of the opportunities brought by the use of artificial intelligence, automation and new technologies, always maintaining our essence of serving our customers with hospitality, quality and cost efficiency.

In 2019, in addition to the creation of Maida Health, Hapvida’s healthtech, several projects were implemented that reinforce the Company's focus on innovation and digital transformation, such as the use of facial recognition in addition to biometrics, new technology for monitoring vital signs of fetuses, medical audit using artificial intelligence (machine learning), SAP - corporate management system (ERP) - deployment in all units of Hapvida, authorization of exams and surgeries online or through our app and the digital sale of health plans. Everything to prepare Hapvida for the future.

We understand that this is a very delicate moment because of the current situation caused by the coronavirus pandemic in Brazil and in the world. Therefore, the Company put together a special working scheme for the coming months. Hapvida has a proprietary healthcare structure fully capable of assisting patients with viral syndromes of any nature. Our own network has available hospital beds, trained teams, updated medical protocols and the latest equipment. Management also initiated some systematic procedures to monitor and receive pandemic-related information.

Hapvida is using its experience of more than 40 years of medical-hospital management to minimize possible impacts on our operations and to continue taking care of our customers and employees with the usual care, which is characteristic of the Hapvida system. We will remain vigilant, monitoring the impact of covid-19 on the Brazilian economy and acting proactively to mitigate the effects caused by the potential spread of the virus in the country.

We are confident in our business model and we are certain that all achievements in 2019 are the result of engaged and inspired people working together. To all employees, medical and dental providers, brokers, business partners, shareholders, members of the board, other stakeholders and specially our clients who were part of each of those achievements, our thank you.

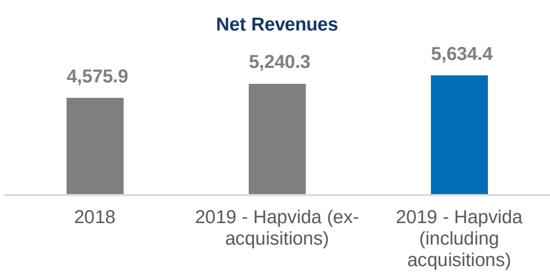
Jorge Pinheiro
CEO

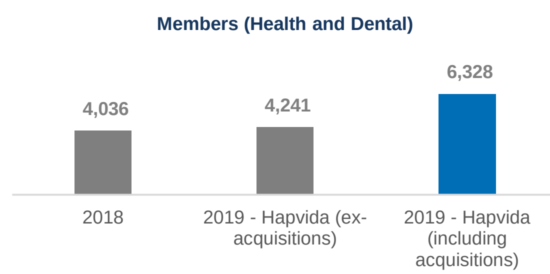
1. INTEGRATION AND REPORTING CRITERIA

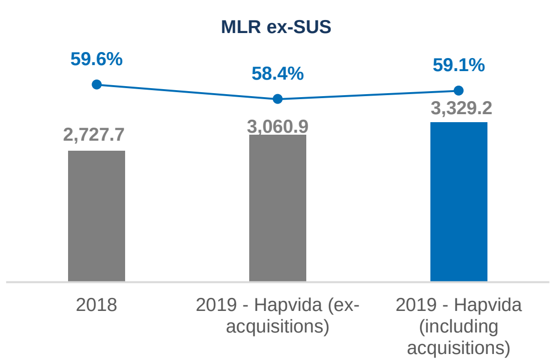
On November 1st, 2019, we have completed the acquisition of GSFRP Participações S.A. (São Francisco Group) after the fulfillment of all conditions precedent, and all of its assets were integrated into our platform that same day. Grupo São Francisco was consolidated as a subsidiary of Ultra Som Serviços Médicos S.A. in November and it became part of the financial statements of Hapvida Participações e Investimentos S.A. that same month. Consequently, São Francisco Group's assets and liabilities are fully reflected on our balance sheet and cash flow. Following the same rationale, on December 2nd, 2019, we have concluded the acquisition of the companies that make up Grupo América after all the conditions precedent had been met, all of its assets were integrated into our platform that same day. The companies that make up the América Group were consolidated as subsidiaries of Ultra Som Serviços Médicos S.A. and Hapvida Assistência Médica Ltda. in December, which became part of the financial statements of Hapvida Participações e Investimentos S.A. that same month. Therefore, Grupo América's assets and liabilities are fully reflected on our balance sheet and cash flow.

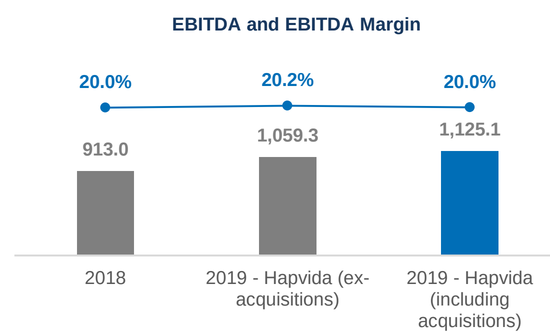
Regarding Hapvida's income statement, two months (November and December) of operations of Grupo São Francisco and one month (December) of operations of Grupo América were consolidated onto our results. Consequently, Hapvida’s consolidated results considers a combination of Hapvida’s full year standalone results added by São Francisco Group and América Group. In order to report a clear view on the impact of the operations of the acquired companies within Hapvida Participações e Investimentos S.A., we will present operating and financial data in this release with and without the acquisitions. Thus, we will present Hapvida's results individually considering the results prior to the acquisitions and to facilitate identification in the release, we will identify it as “Hapvida ex-acquisitions”. We will also present all Hapvida numbers on a consolidated basis, identified as “Hapvida Consolidated” or “Hapvida including acquisitions”. In addition, we also present information of São Francisco Group (GSF) and América Group (America) identified as “Acquired Companies”.

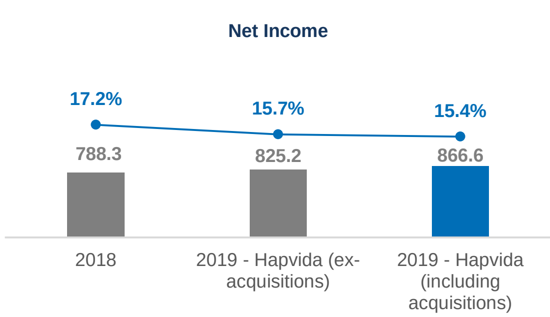
2. HIGHLIGHTS

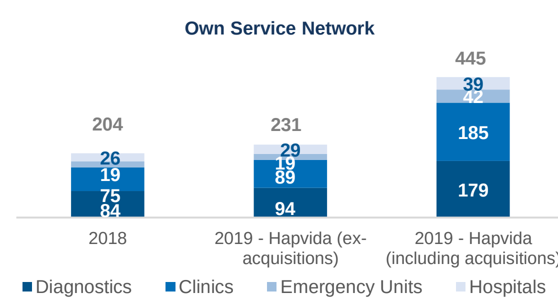












3. QUALITY OF CARE

Hapvida's culture values operational excellence, cost control, innovation and, above all, high quality care. Our efforts seeking for new solutions through several ongoing initiatives always aim to increase operational efficiency and improve the customer's perception of the quality of the services we provide. We created innovative solutions with substantial results in our operations and the level of service offered to our beneficiaries.

5-STAR SERVICE

In 2019 Hapvida implemented 5-star Customer Service, which is a satisfaction survey that allows evaluations between 1 and 5 stars carried out by our customers after each eligible interaction. This program is a valuable tool for the entire Company because it will enable us to see opportunities for improvement and recognize the best performances in serving our customers.This program includes evaluation for clinics, diagnostics units, walk-in emergency centers, laboratory collection stations, hospitals, dentistry services, preventive medicine units, telemedicine and our wellness and well-being promotion programs. Over the second half of 2019, we have received more than 2.6 million evaluations. The overall average grade for December 2019 based on more than 450 thousand evaluations, was 4.46.

4.46

Overall average rating

WAITING TIME FOR URGENT/EMERGENCY CARE

Hapvida has a technological platform which involves a system integration of all its units in real time 24x7. Through this tool, helped by video cameras in all of our units, service and waiting times in all walk-in emergency centers, for example, are monitored by the Company's Observation and Control Center. If the waiting time exceeds 15 minutes, the system signals the Control Center to take immediate actions to speed up the operation. In 4Q19, 79.8% of all of 1.2 million urgent and emergency consultations carried out in our hospitals and walk-in emergency centers took place within 15 minutes.

79.8%

Service in 15 minutes or less

VIVER BEM - A *VIDAHAP* PROGRAM

Viver Bem is a wellness program for Hapvida's beneficiaries that offers a resolutive and efficient service, aiming to reduce diabetes complications. A robot system identifies through patients' blood tests with some alterations that indicate that they have or may have type 2 diabetes mellitus. The contact with the patient is carried out by a trained professional from our exclusive call center for the Vidahap programs. Available in Fortaleza, Recife and Salvador, is composed of doctors, nursing technicians and nutritionists specialized in the treatment of people with diabetes and aims to encourage a change in the people's lifestyle. The program also has a management center conducted by a nursing team trained in the remote care of patients with diabetes. Until December 2019, the group of patients monitored by the program achieved a very significant reduction in glycated hemoglobin when compared to that of unaccompanied patients. At the end of 2019, around 5,300 beneficiaries were part of the program.

74.2%

Reduction of glycated hemoglobin

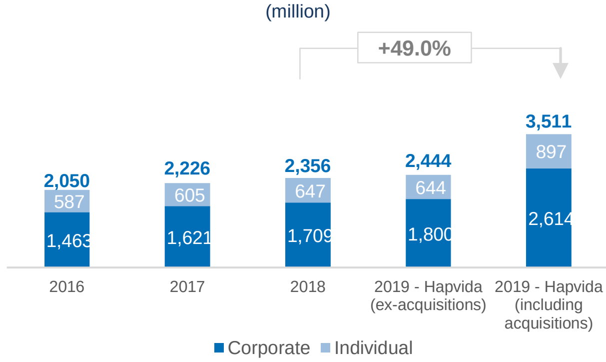
4. MEMBERS

The number of health plan beneficiaries increased by 49.0% in the quarter compared to 4Q18. Inorganic growth highlights are the portfolio of 853 thousand beneficiaries (149 thousand in individual plans and 704 thousand in group plans) resulting from the acquisition of the São Francisco Group; the portfolio of 214 thousand beneficiaries (104 thousand in individual plans and 110 thousand in group plans) resulting from the acquisition of Grupo América.

The organic growth highlight was a net increase of 88 thousand beneficiaries in group plans, driven by the states of Santa Catarina (with the start of operations in Joinville), Bahia, Pernambuco and Manaus. The portfolio of individual plans was impacted by a more rigorous contracting procedure in some regions, which was implemented in order to better qualify the sale with a potential increase in contract retention.

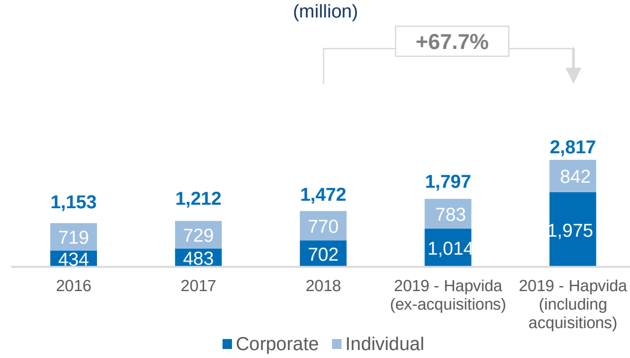
Hapvida consolidated - Members (Health)

(million)

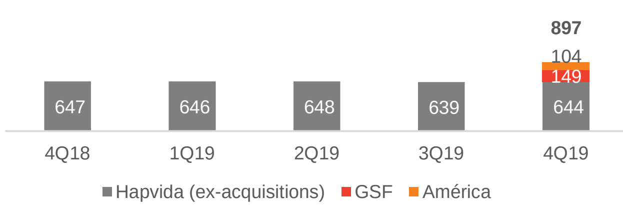


Hapvida consolidated - Members (Dental)

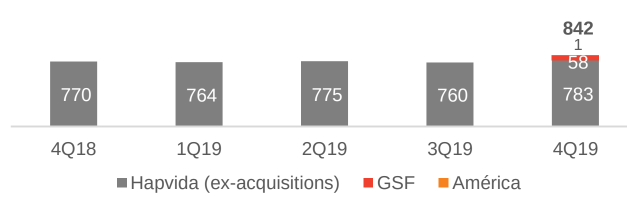
(million)



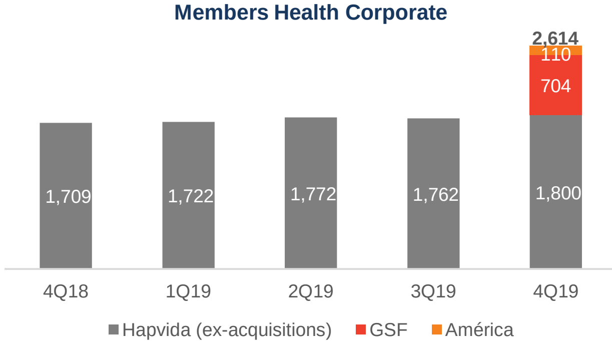
Members Health Individual



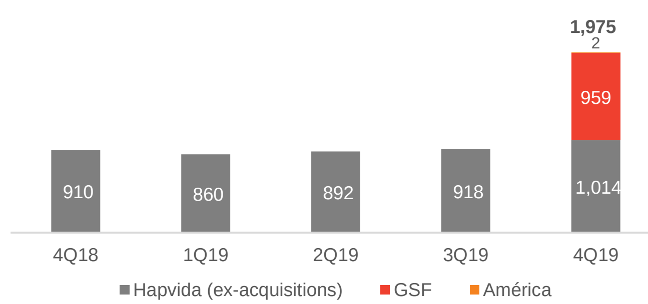
Members Dental Individual



Members Health Corporate



Members Dental Corporate

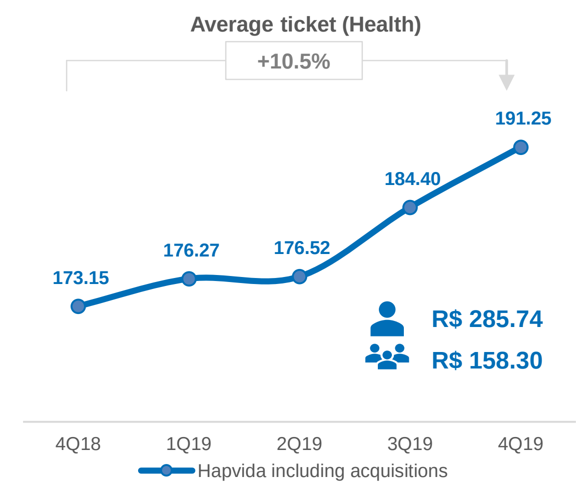


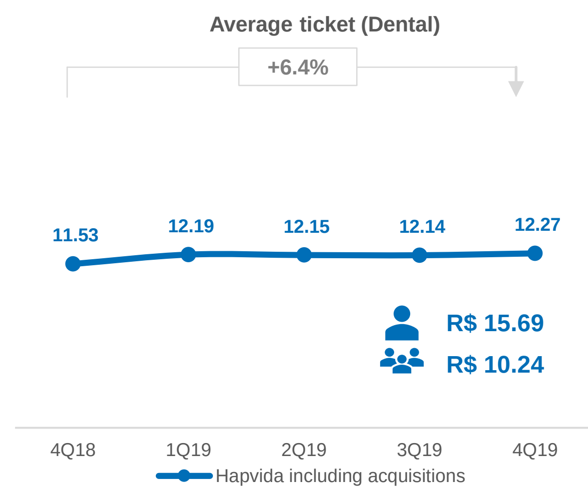
The number of dental plan beneficiaries grew by 67.7% in the quarter compared to the same period last year. A portfolio of 1.017 million beneficiairies (58 thousand in individual plans and 959 thousand in group plans) came with the acquisition of the São Francisco Group and a portfolio of around 3 thousand beneficiaries (1 thousand in individual plans and 2 thousand in collective plans) with the acquisition of Grupo América.

In terms of Hapvida's ex-acquisitions organic growth, there was a net increase of 13 thousand beneficiaries in individual plans and 104 thousand beneficiaries in group plans. Growth was concentrated in the states of Ceará, Bahia, Pernambuco, Amazonas and the Federal District.

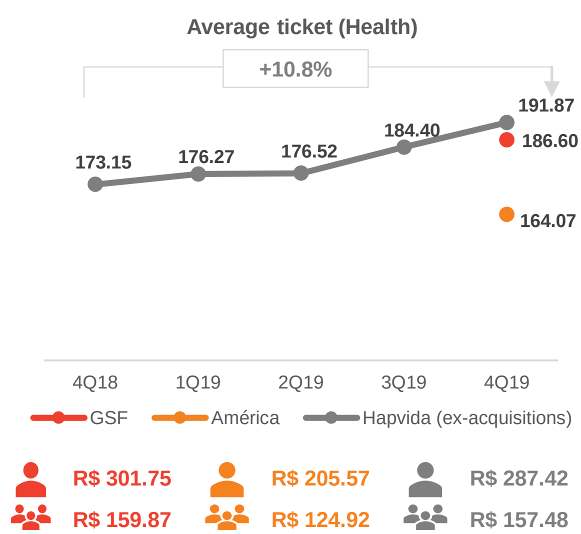
5. AVERAGE TICKET

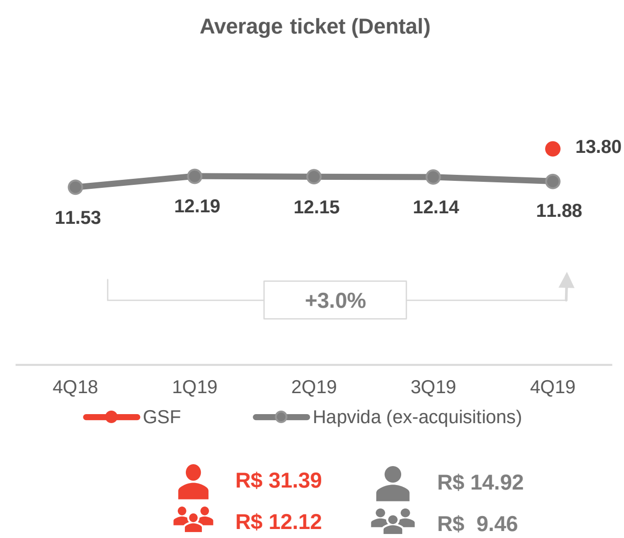
The consolidated average ticket for the health segment (Hapvida including acquisitions) grew 10.5% compared to 4Q18, mainly due to the price readjustments of existing contracts and new sales at Hapvida, since the average ticket of acquired companies is lower. The average ticket in the dental segment grew by 6.4% compared to 4Q18, mainly due to a higher average ticket from the acquired companies.





Hapvida's ex-acquisitions average ticket grew by 10.8% compared to 4Q18, mainly due to price adjustments in existing contracts and new sales.





In the dental segment, Hapvida's average ticket ex-acquisitions increased by 3.0% compared to the same period last year, mainly due to the net entry of 13 thousand beneficiaries of individual plans with an average ticket higher than the group plans.

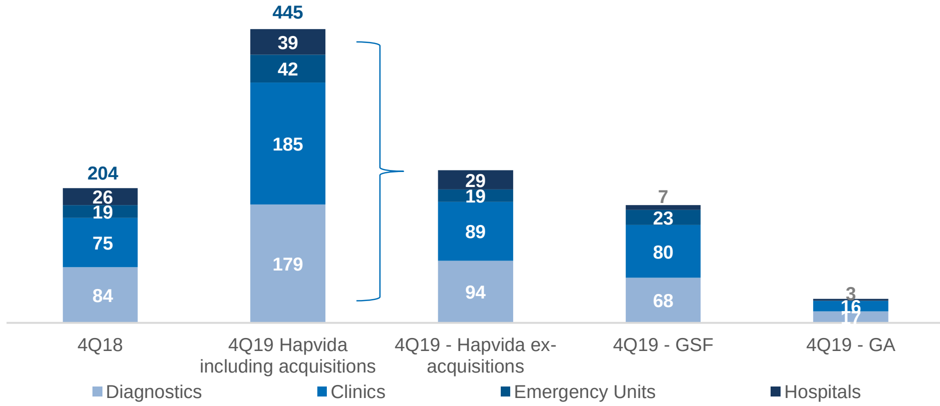
The portfolio of dental plans of América Group did not have a meaningful number of beneficiaries at year-end so average ticket will not be presented. New sales for America have been already discontinued and replaced by plans with the Hapvida brand.

6. OWN SERVICE NETWORK

Hapvida 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 increasing verticalization levels to guarantee the quality of care, cost efficiency, better control losses and frequency of utilization (usage).

Own service network - Hapvida consolidated

(units)

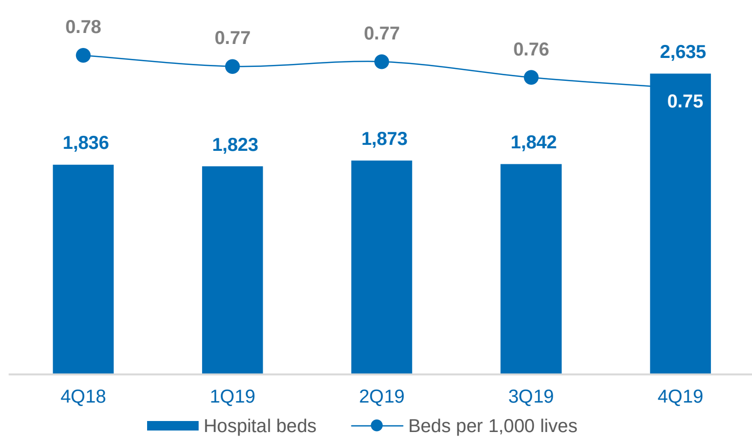


Including assets from acquired companies, the Company ended 4Q19 with 39 hospitals, 42 emergency care units, 185 clinics and 179 diagnostic imaging and laboratory collection units, thus totaling 445 service points accessible to our beneficiaries, in all five regions of Brazil.

Throughout 2019, we continued to strongly expand and requalify our proprietary health structures, adding 3 hospitals (Hospital Geral de Joinville/SC, Hospital Geral Padre Cícero/CE and Hospital das Clínicas de Parauapebas/PA), the latter two by acquisition. We also added 14 new medical clinics and 10 new diagnostic units.

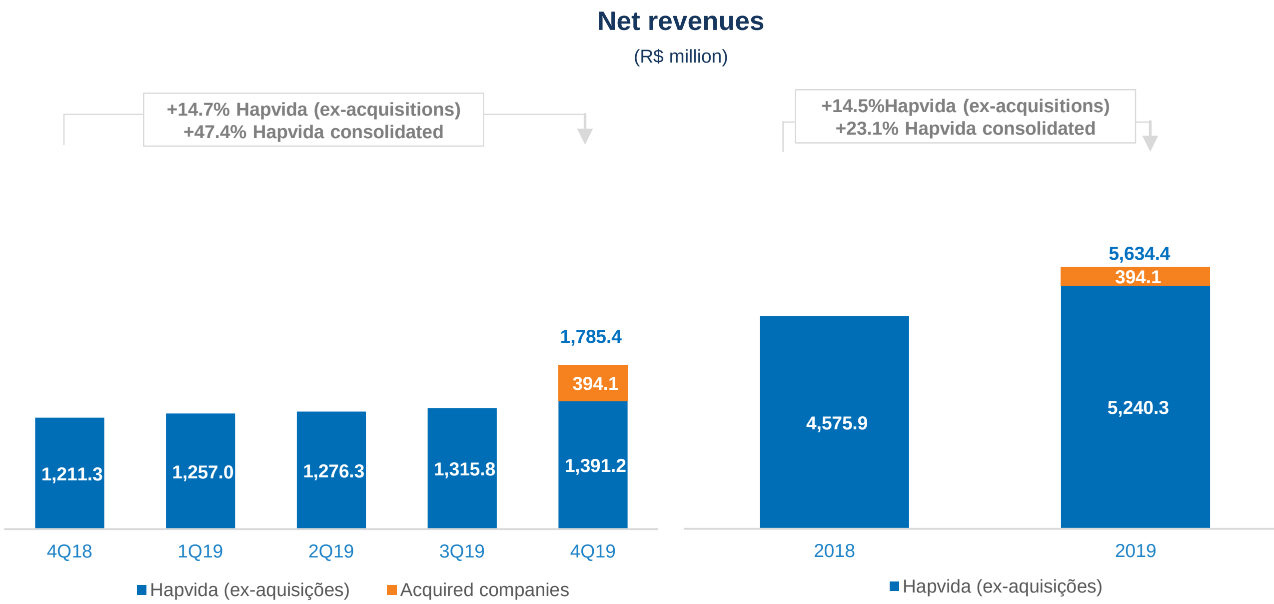
Beds per 1,000 lives - Hapvida consolidated

(units)



The company ended 4Q19 with 2,635 hospital beds in operation, which represents 0.75 bed per 1,000 beneficiaries. The increase in the number of beds in comparison to 4Q18 is mainly due to the start of the operation of 29 beds at the Joinville General Hospital (with capacity to expand to about 140 beds), 24 beds at the General Hospital Padre Cícero (in Juazeiro do Norte, in the south of the state of Ceará) and 33 beds at the Hospital das Clínicas de Parauapebas, in addition to the 520 beds resulting from the acquisition of São Francisco and 185 beds from the acquisition of Grupo América. The reduction in the number of beds for each 1,000 beneficiaries from 0.78 to 0.75 is a reflection of the acquisitions already mentioned, which operated with an index of about 0.69 bed per 1,000 beneficiaries.

7. NET REVENUES



In 4Q19, net revenues increased by 47.4% when compared to 4Q18, mainly influenced by: (i) R$ 358.4 million from Grupo São Francisco related to 2 (two) months' revenues; (ii) R$ 35.8 million from Grupo América for 1 (one) month's revenue; (iii) growth of 5.1% in the number of beneficiaries of dental care plans at Hapvida ex-acquisitions; and (iv) increases of 10.8% in the average ticket of medical plans and 3.0% in the average ticket of dental plans of Hapvida ex-acquisitions, reflecting the price adjustments implemented in the existing contracts necessary for the economic, and new sales.

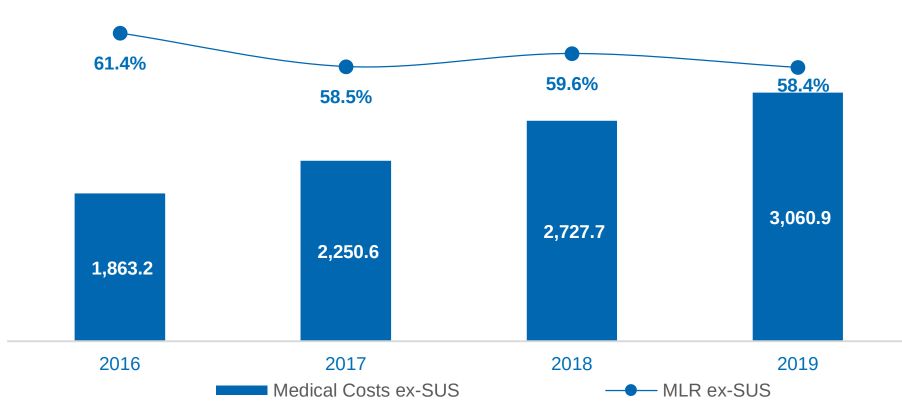
In 2019 total net revenues were R$ 5.6 billion, an increase of 23.1% compared to 2018, influenced by the aforementioned points above.

8. MLR, MEDICAL COSTS AND TECHNICAL RESERVES

Cost of services comprises cash medical costs and some non-cash items, such as depreciation and amortization (D&A), provision for events Incurred but Not Reported (IBNR) and SUS reimbursement provision.

To better facilitate the understanding and evolution of the Company's medical loss ratio (MLR), we are presenting below the composition of Hapvida standalone total medical losses (excluding acquisitions). We then show Hapvida consolidated numbers which will show all aggregated losses, including those of the acquired companies. Additionally, we disclose in a separate topic the rationale of the SUS reimbursement provisions.

8.1 Medical costs and MLR – Hapvida (ex-acquisitions)



8. MEDICAL COSTS, MLR AND TECHNICAL RESERVES (continued)

Composition of Total Medical Costs Hapvida (ex-acquisitions) *(R$ million)*	**4Q19**	**4Q18**	**4Q19 x 4Q18**	**2019**	**2018**	**2019 x 2018**
Medical Costs - Cash	(784.5)	(710.6)	10.4%	(3,078.3)	(2,669.6)	15.3%
Depreciation and Amortization (D&A without IFRS16)	(12.2)	(10.1)	20.8%	(42.8)	(35.5)	20.6%
Change in IBNR provision	16.3	(10.1)	-261.4%	60.2	(22.6)	-366.4%
Change in SUS reimbursement provision	(63.5)	(13.3)	377.4%	(117.4)	(27.0)	334.8%
Medical Costs – Total	(843.9)	(744.2)	19.1%	(3,178.3)	(2,754.7)	15.4%
Cash MLR (ex-Peona; ex-SUS; ex-D&A)	**56.4%**	**58.7%**	**-2.3 p.p.**	**58.7%**	**58.3%**	**0.4 p.p.**
MLR ex-SUS	**56.1%**	**60.3%**	**-4.2 p.p.**	**58.4%**	**59.6%**	**-1.2 p.p.**
MLR Total	**60.7%**	**61.4%**	**-0.7 p.p.**	**60.7%**	**60.2%**	**0.5p.p.**

MLR ex-SUS (ex-acquisitions), which is the ratio that represents the quality of our operations and that excludes the variation in the SUS reimbursement provision, was 56.1% in 4Q19 and 58,4% in 2019, an improvement of 4.2 p.p. and 1.2 p.p. compared to the same period of the previous year. Positively impacted by: **(i)** efficiency gains from claims management initiatives and wellness promotion programs; and **(ii)** positive movement of IBNR provision (R$ 16.3 million in 4Q19 and R$ 60.2 in 2019) as a result of improvements in the presentation and processing of medical bills, as a result of the improvement carried out in our operating systems to adapt them to the interfaces with SAP. The index showed significant improvements even when negatively impacted by: **(i)** a reclassification of expenses with certain employees previously recorded as administrative expenses that started at 2Q19 to be accounted for as medical losses (negative impact of R$ 6.9 million in the quarter and R$ 25.3 million in 2019, both offset by a positive effect in G&A expenses by the same amount); and **(ii)** collective bargaining agreement and hiring of new employees (R$ 9.5 million in 4Q19 and R$ 35.6 million in 2019).

Total MLR (which includes D&A, changes in IBNR and in reimbursement to SUS provisions) was 60.7% both in 4Q19 and in 2019, a decrease of 0.7 p.p. versus 4Q18 and an increase of 0.5 p.p. versus 2019. The improvement in the index in 4Q19 was only possible due to the permanent efficiency gains from several initiatives in claims management and a positive change in IBNR provision, explained previously. This more than offset the significant and extraordinary increase in the SUS reimbursement provision (R$ 63.5 million in 4Q19 versus R$ 13.3 million in 4Q18, and R$ 117.4 million in 2019 versus R$ 27.0 million in 2018).

8.2 Medical costs and MLR – Acquired Companies (Grupo São Francisco and Grupo América)

Composition of Total Medical Costs Acquired Companies* *(R$ million)*	**4Q19**	**2019**
Medical Costs - Cash	(257.0)	(257.0)
Depreciation and Amortization (D&A without IFRS16)	(2.0)	(2.0)
Change in IBNR provision	(9.4)	(9.4)
Change in SUS reimbursement provision	(5.5)	(5.5)
Medical Costs - Total	(273.9)	(273.9)
Cash MLR (ex-Peona; ex-SUS; ex-D&A)	**65.2%**	**65.2%**
MLR ex-SUS	**68.1%**	**68.1%**
Total MLR	**69.5%**	**69.5%**

* Figures for 4Q19 and 2019 refer to November and December 2019 for Grupo São Francisco and December 2019 for Grupo América.

MLR ex-SUS from acquired companies was 68.1%. Total MLR in 4Q19 (which includes D&A, changes in IBNR and in reimbursement to SUS provisions) was 69.5%. Cash MLR (which excludes all non-cash provisions) was 65.2%.

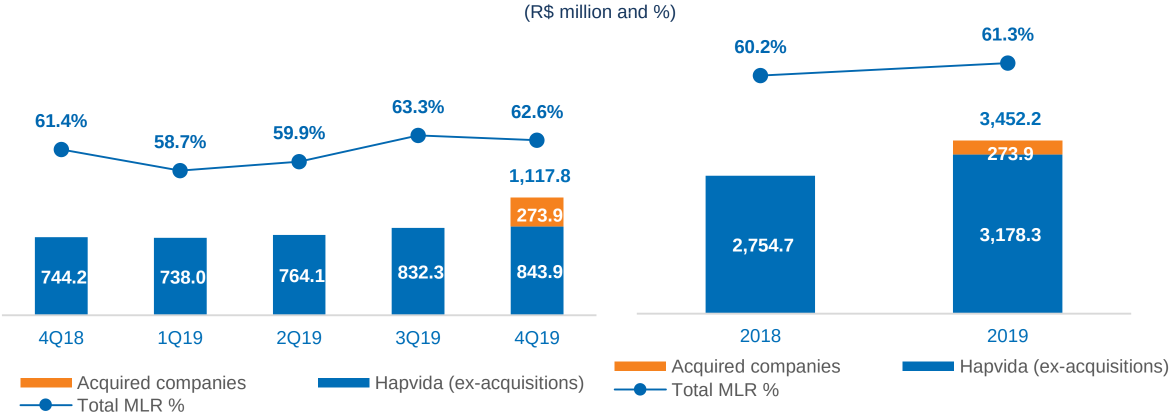
8. MEDICAL COSTS, MLR AND TECHNICAL RESERVES (continuation)

Composition of Total Medical Costs Hapvida including acquisitions* *(R$ million)*	**4Q19**	**4Q18**	**4Q19 x 4Q18**	**2019**	**2018**	**2019 x 2018**
Medical Costs - Cash	(1,041.5)	(710.6)	46.6%	(3,335.3)	(2,669.6)	24.9%
Depreciation and Amortization (D&A without IFRS16)	(14.2)	(10.1)	40.6%	(44.8)	(35.5)	26.2%
Change in IBNR provision	6.9	(10.1)	-168.3%	50.8	(22.6)	-324.8%
Change in SUS reimbursement provision	(69.0)	(13.3)	418.8%	(122.9)	(27.0)	355.2%
Medical Costs - Total	(1,117.8)	(744.2)	50.2%	(3,452.2)	(2,754.7)	25.3%
Cash MLR (ex-Peona; ex-SUS; ex-D&A)	**58.3%**	**58.7%**	**-0.4 p.p.**	**59.2%**	**58.3%**	**0.9 p.p.**
MLR ex-SUS	**58.7%**	**60.3%**	**-1.6 p.p.**	**59.1%**	**59.6%**	**-0.5 p.p.**
Total MLR	**62.6%**	**61.4%**	**1.2 p.p.**	**61.3%**	**60.2%**	**1.1 p.p.**

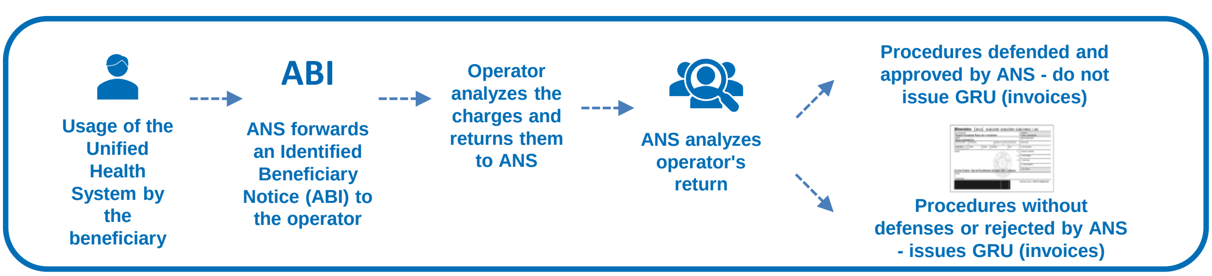
Our consolidated Total MLR in 4Q19 and 2019 was 62.6% and 61.3%, an increase of 1.2 p.p. and 1.1 p.p. compared to the same period last year, mainly impacted by costs arising from the acquired companies in R$ 273.9 million, which operate with a loss ratio above Hapvida (ex-acquisitions), in addition to the impacts previously explained at Hapvida ex-acquisitions topic.

Total Medical Costs compositon x MLR - Hapvida consolidated

(R$ million and %)



8.4 SUS reimbursements provision



In accordance with the National Supplementary Health Agency (ANS) joint normative instruction 5, of September 30, 2011, and subsequent amendments, the Company must record in its liabilities with a corresponding entry in the results (Total Medical Costs) a provision related to the Identified Beneficiaries Notices (ABIs) face value multiplied by a percentage defined by ANS itself, which is unique for each healthcare operator and varies with each new batch of ABIs received. Subsequently, if that specific ABI is rejected by ANS, the Company records a supplement to the provision at the new value of the GRU (Federal invoice) generated. GRUs, when generated, include, in addition to the principal, interest. Moreover, GRUs not paid after a certain date are also subject to fines and additional interest for the elapsed period of time. Interest and eventual fines will be recorded in financial expenses. The total amount of interest and fines were not relevant up until 3Q19.

The following table shows the total impact of SUS reimbursement provisions:

8. MEDICAL COSTS, MLR AND TECHNICAL RESERVES (continuation)

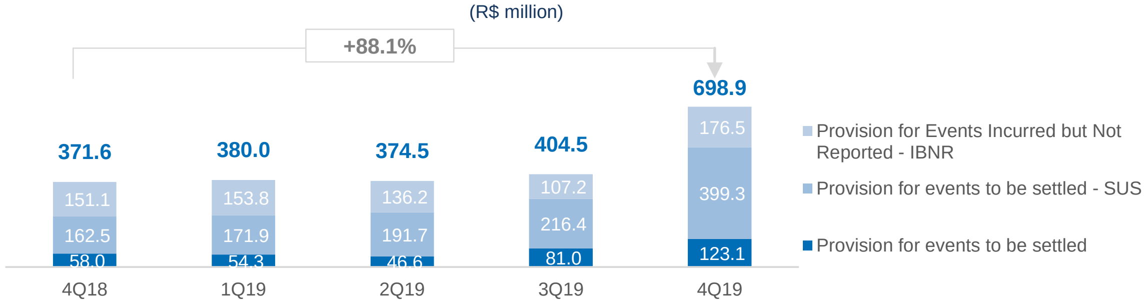
(R$ million)	4Q19	2019
ABIs provision	44.6	61.0
Principal charged through GRUs	35.0	56.4
Interest, monetary restatement and fines	32.3	48.4
Reclassification of Interest, monetary restatement and fines to Financial results	(48.4)	(48.4)
SUS reimbursement – Acquired companies	5.5	5.5
SUS reimbursement – Medical costs	64.6	122.9
Interest, monetary restatement and fines	48.4	48.4
SUS reimbursement – Financial results	48.4	48.4
SUS reimbursement provision	117.4	171.3

8.5 Technical reserves

Total technical reserves for healthcare costs ended the quarter at R$ 698.9 million, an increase of 88.1% over 4Q18, mainly due to the balance of technical provisions transferred from the acquired companies in the amount of R$ 229.2 million. The SUS reimbursement provision balance increased by R$ 236.8 million, impacted by an increase in the receipt of ABIs and an acceleration of the number of ABIs transformed into GRU (invoices) in the period, as demonstrated in the previous topic.

Technical Reserves

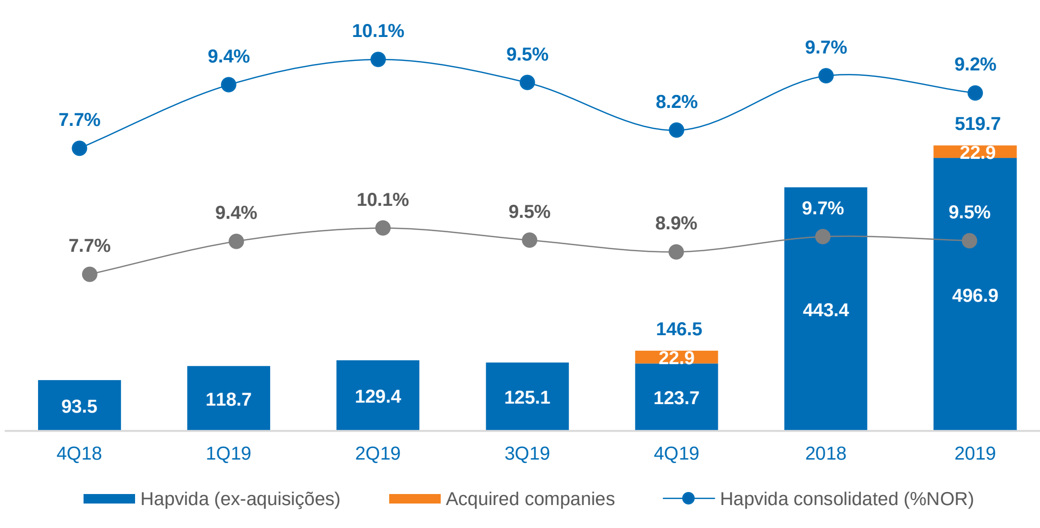
(R$ million)



9. SELLING EXPENSES

Selling Expenses and Selling Expenses Ratio (% NOR)

(R$ million and %)



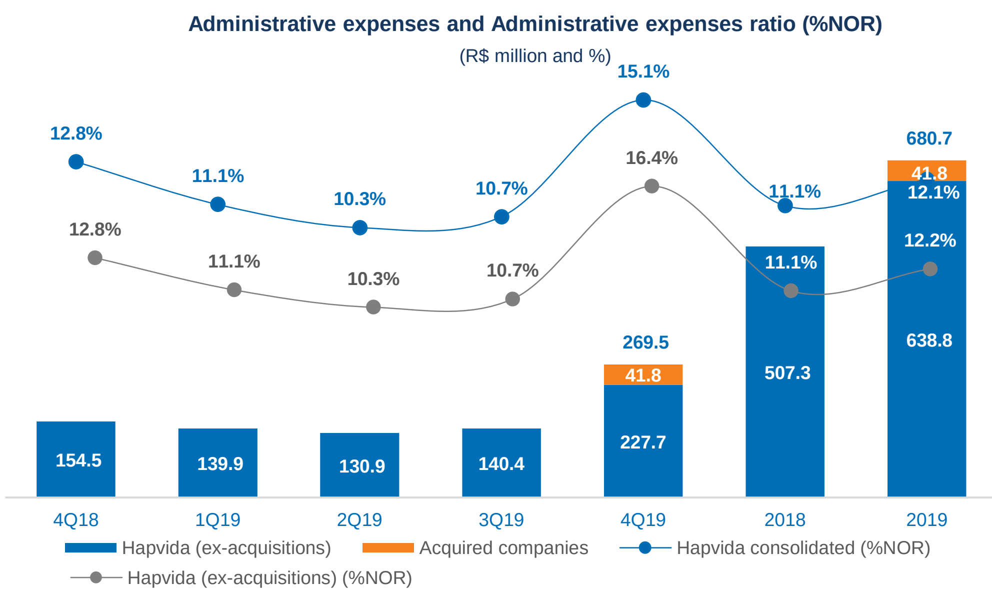
9. SELLING EXPENSES (continuation)

Regarding to Hapvida (ex-acquisitions) numbers, the selling expenses ratio (measured by dividing total selling expenses by net revenues) was 8.9% in 4Q19, 1.2 pp higher than 4Q18, mainly due to the increase in the deferral period for commissions in the previous comparative period, since as of 4Q18, commissions on health plan contracts were adjusted in line with the average terms of the contracts, which caused a concentrated effect in 4Q18). As we do every year, we reassessed the average life of our contracts and now at the end of 2019 there was no significant change in the period for deferral of commissions in comparison with the previous year.

For the year 2019, this index was 9.5%, an improvement of 0.2 pp, mainly due to the increase in the period for deferral of commissions (positive impact of R$ 6.4 million), the reduction in the allowance for loan losses. collective plans (positive impact of R$ 8.6 million) substantially explained by a provision related to the default of a single corporate client occurred in 2018 that was not repeated.

The consolidated selling expenses ratio, which includes acquisitions, was 8.2% in 4Q19 and 9.2% In 2019. Acquired Companies operate until then with a lower index than Hapvida (ex-acquisitions).

10. ADMINISTRATIVE EXPENSES

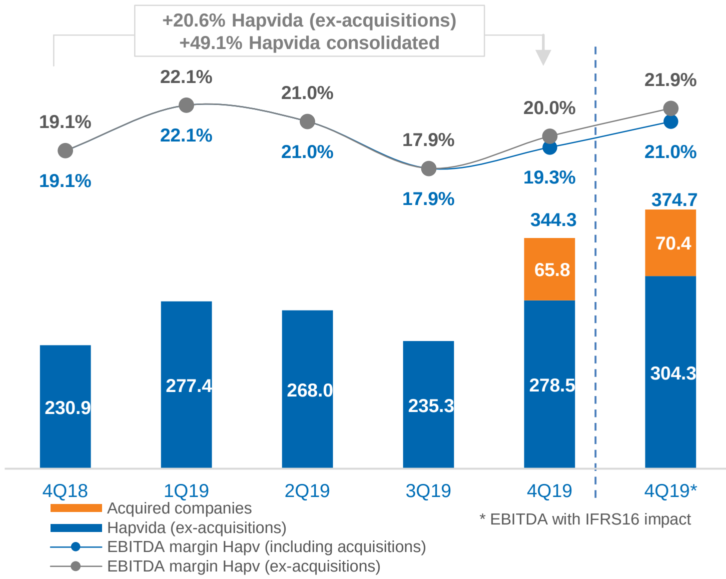


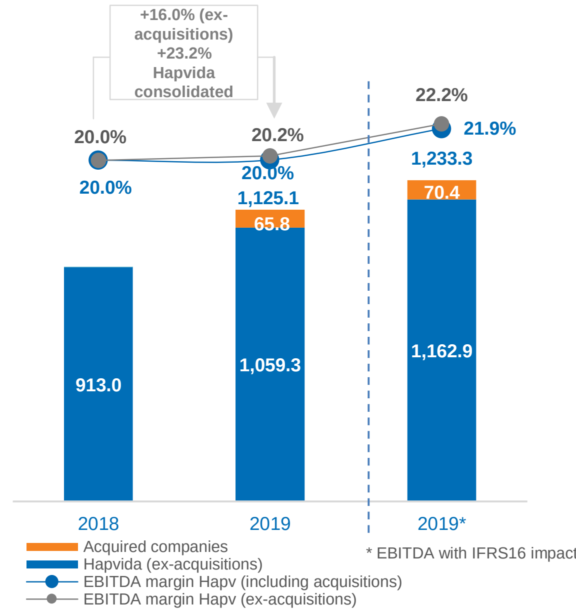
The administrative expenses ratio (measured by the ratio of total administrative expenses to net revenues) for Hapvida (ex-acquisitions) was 16.4% in 4Q19 and 12.2% in 2019, 3.6 pp and 1.1 pp higher than 4Q18 and previous year, respectively. The index was impacted by: **(i)** the amortization of the value added from acquired companies (R$ 65.3 million in the quarter and in the year); **(ii)** the amortization of beneficiary portfolios acquired Uniplan and Freelife (R$ 2.6 million in 4T19 and R$ 13.6 million in the year); **(iii)** collective bargaining and hiring new employees (R$ 2.9 million in 4T19 and R$ 12.7 million in the year), and **(iv)** expenses related to our M&A initiatives - Grupo São Francisco and Grupo América (R$ 39.0 million in the year).

The administrative expenses ratio for Hapvida Consolidated was 15.1% in 4Q19 and 12.1% in 2019, 2.3 p.p. and 1.0 p.p. higher compared to the previous year, mainly due to the administrative expenses of the acquired companies in the amount of R$ 41.8 million, M&A expenses already mentioned above (R$ 39.0 million), which are non-recurring, and the amortization of the value added from acquired companies (R$ 65.3 million), which is a non-cash impact. Acquired Companies operate until then with a higher index than Hapvida (ex-acquisitions).

11. EBITDA

Regarding Hapvida (ex-acquisitions), EBITDA (excluding IFRS16 impact) reached R$ 278.5 million and R$ 1,059.3 million in 4Q19 and 2019, respectively, with growth of 20.6% and 16.0% related to the same comparative periods of 2018 due to the factors already explained above. EBITDA margin in 4Q19 was 20.0%, an increase of 0.9 p.p. compared to 4Q18, and 20.2% in 2019, an increase of 0.2 p.p. compared to 2018.





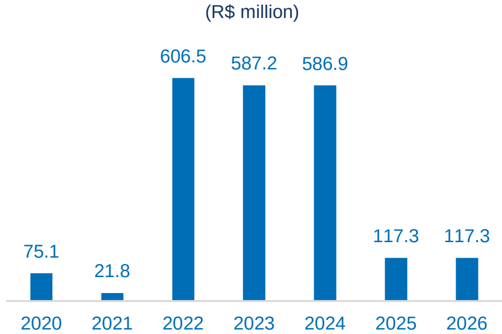
Regarding Hapvida Consolidated, EBITDA (ex-impact of IFRS 16) reached R$ 344.3 million and R$ 1,125.1 million in 4Q19 and 2019, respectively, with growth of 49.1% and 23.2% versus same comparative periods of 2018 due to the factors previously explained. EBITDA margin in 4Q19 was 19.3%, an increase of 0.2 p.p. compared to 4Q18, and 20.0% in 2019, stable compared to 2018.

12. 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, totaling a balance on December 31, 2019 of R$ 2,044.5 million. The funds raised through this issue were used in full for the acquisition of the São Francisco Group, announced in May this year and completed in November 2019. On December 31, 2019, the Company has, in addition to the debentures, a debt balance of R$ 67.5 million from the balance sheet of the acquired companies. The chart below shows the payment schedule of the consolidated debt. The Net debt/EBITDA ratio calculated pro forma after the cash disbursements for paying our recent acquisitions is (-1.23) due to the net cash position of R$ 1.5 billion.

Indebtedness schedule

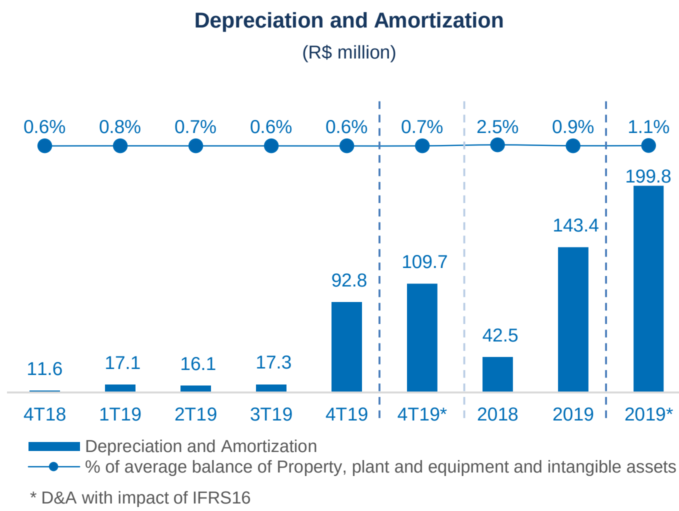
(R$ million)



Net debt/ EBITDA (R$ million)	4Q19
Short-term debt*	75.1
Long-term debt*	2,036.9
Gross debt	**2,112.0**
(-) Cash and cash equivalentes and short-term and long-term investments (proforma)	3,630.2
Net debt	**(1,518.2)**
Net debt/ EBITDA LTM	(1.23)x

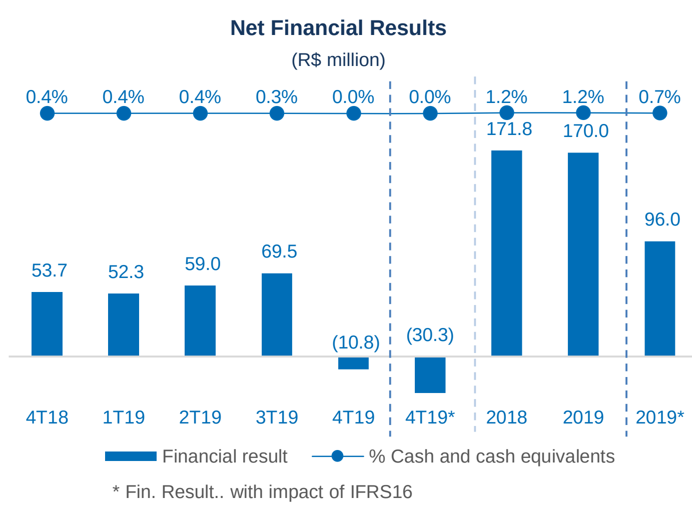
* Debt balance considers the value of debentures net of its respective transaction costs plus other financing lines.

13. DEPRECIATION AND AMORTIZATION



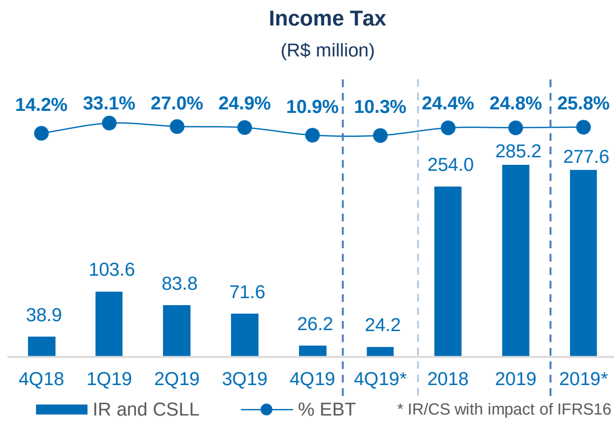
Depreciation and amortization expenses and costs totaled R$ 92.8 million in 4Q19, equivalent to 0.6% of the average balance of the respective equity assets. This indicator was influenced by the amortization of the added value of the acquired companies (R$ 65.3 million) and by the depreciation and amortization from acquired companies (R$ 9.0 million). In 2019, depreciation and amortization expenses and costs totaled R$ 143.4 million according to the same explanations above. Considering the IFRS 16, depreciation totaled R$ 109.7 million in 4Q19 and R$ 199.8 million in 2019, due to the recognition of rights of use assets of R$ 15.9 million and R$ 56.5 million, respectively.

14. FINANCIAL RESULTS



Net financial results in 4Q19 were an expense of R$ 10.8 million influenced by the pro rata recognition of accrued interest in the amount of R$ 49.2 million regarding to the first debentures issuance, by financial expenses from acquired companies (R$ 1.3 million) and by the recognition of interest and fines totaling R$ 48.4 million related to the reimbursement to SUS, as explained in topic 8.4. In 2019, net financial results totalled R$ 170.0 million, in line with 2018, impacted by the same factors of 4Q19. Under the IFRS 16, net financial results were an expense of R$ 24.2 million in 4Q19 and R$ 277.6 million in 2019, due to recognition of lease interest of R$ 19.5 million and R$ 74.0 million, respectively.

15. INCOME TAX



The effective income tax rate in 4Q19 was 10.9% in the 4Q19 and 24.8% in 2019, mainly due to the financial expenses with the issuance of debentures (R$ 27.3 million in 4Q19 and R$ 49.2 million in the year), the amortization of the added value of the acquired companies (R$ 65.3 million in 4Q19 and 2019) and the declaration of interest on equity (R$ 118.6 million in 4Q19 and R$ 223.0 million in 2019).

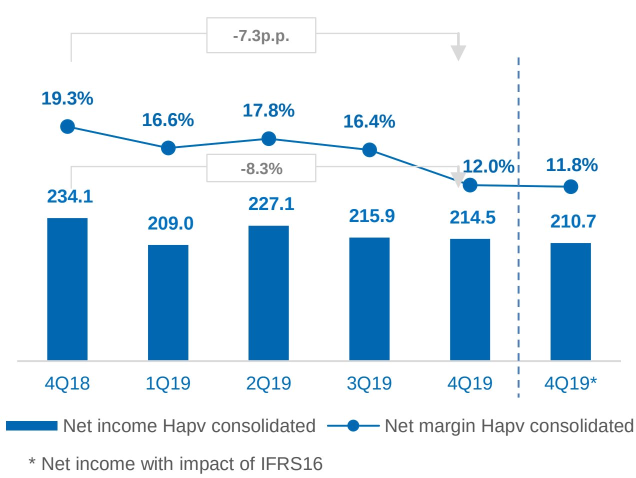
The IFRS 16 does not change the effective tax base, as the mismatch between the "cash" and the accrued income taxes is booked as a deferred asset. The amount recognized in this quarter is R$ 1.8 million.

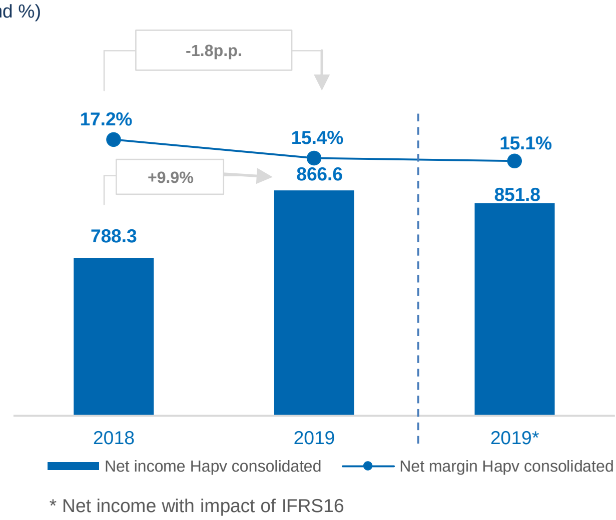
16. NET INCOME

Hapvida (ex-acquisitions) net income in 4Q19 reached R$ 214.5 million with an increase of 8.3% compared to 4Q18 with 7.3p.p. increase in net income margin. In 2019, net income for Hapvida Consolidated was R$ 866.6 million, an increase of 9.9% compared to the same period last year, with a net margin of 15.4%, a decrease of 1,8 p.p., mainly impacted by an increase in provisions and higher financial expenses, both related to the reimbursement to SUS.

Net income and Net income margin

(R$ million and %)





17. IFRS16

The financial statements for 4Q19 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$ 932.7 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 4Q19 :

Value in R$ million

Item	4T19 without IFRS 16	Rent Reversion	Depreciation and amortization	Financial expenses	4T19 with IFRS 16
Total cost	(1,117.8)	28.1	(14.4)	-	(1,104.1)
Gross profit	**667.6**	**28.1**	**(14.4)**	**-**	**681.3**
Administrative expenses	(269.3)	2.3	(2.5)	-	(269.5)
Operational income	**251.5**	**30.4**	**(16.9)**	**-**	**265.0**
Financial result	(10.8)	-	-	(19.5)	(30.3)
Tax effects	-	(10.3)	5.7	6.7	2.1
Net income	**214.5**	**20.1**	**(11.2)**	**(12.8)**	**210.7**
EBITDA	**344.4**	**30.4**	**N/A**	**N/A**	**374.8**

We show below the effects resulting from the application of the standard in the 2019 income statement:

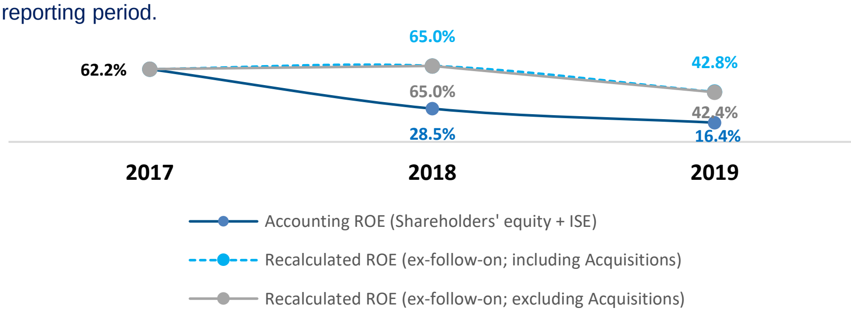
Value in R$ million

Item	2019 without IFRS 16	Rent Reversion	Depreciation and amortization	Financial expenses	2019 with IFRS 16
Total cost	(3,452.2)	100.0	(48.2)	-	(3,400.4)
Gross profit	**2,182.2**	**100.0**	**(48.2)**	**-**	**2,234.0**
Administrative expenses	(676.0)	8.2	(8.3)	-	(676.1)
Operational income	**981.8**	**108.2**	**(56.5)**	**-**	**1,033.5**
Financial result	170.0	-	-	(74.1)	96.0
Tax effects	-	(36.8)	19.2	25.2	7.6
Net income	**866.6**	**71.4**	**(37.3)**	**(48.9)**	**851.8**
EBITDA	**1,125.1**	**108.2**	**N/A**	**N/A**	**1,233.3**

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

18. ROE

ROE (Return on Average Equity) recalculated in the last 12 months was 42.4% at the end of 4Q19, 22.6 p.p. below from 65.0% in 2018, mainly due to the full consolidation of the equity of the companies acquired at the end of 2019 and partial consolidation of the results (only 2 months for the São Francisco Group and 1 month for the América Group). Recalculated ROE excludes the amount of R$ 2.6 billion from the subsequent share offer (follow-on) which had not yet been invested until the end of this reporting period.



Values in R$ million

Item	2017	2018	2019
Net income (a) with IFRS16	650.6	788.3	85.,8
Equity (including ISE)	1,308.3	3,605.9	7,476.4
Average equity(b)[1]	1,045.8	2,337.0	5,227.3
ROE (LTM) (c) = (a)/(b)	**62.2%**	**28.9%**	**16.4%**
Equity excluding IPO and Follow on	1,308.3	1,075.9	4,671.9
Average equity excluding IPO and Follow on (d)	1,045.8	1,212.9	2,009.3
ROE (LTM) Recalculated (e) = (a)/(d)	**62.2%**	**65.0%**	**42.8%**

[1]2017, 2018 e 2019 = Average equity of the previous 5 quarters.

19. CASH GENERATION AND CAPEX

Free cash flow for Hapvida (ex-acquisitions) reached R$ 36.7 million in 4Q19 and R$ 370.9 million in 2019, an decrease of 70,8% and 16.5%, respectively, when compared to same periods of the previous year, negatively impacted by change in working capital (affected by the greater variation in SUS reimbursement) and positively impacted by higher depreciation and amortization amounts resulting from the amortization of the added value of the acquired companies (R$ 65.3 million) and by the depreciation and amortization from the acquired companies (R$ 9.0 million). Free cash flow including acquisitions was negative by R$ 4,699.5 million in 2019 due to the payment of company acquisitions (São Francisco Group, America, Hospital das Clínicas de Parauapebas, Hospital Geral Padre Cícero and Infoway) and investments for expansion in our own network structure. Capex resulting from additions to property, plant and equipment and intangible assets totaled R$ 236.6 million in 2019, an increase of 14.5%, mainly due to investments in our own network, especially the opening or acquisition of 3 hospitals (Joinville, Padre Cícero and Parauapebas), 14 clinics and 10 diagnostic units.

Values in R$ million

Item	4Q19	4Q18	4Q19 x 4Q18	2019	2018	2019 x 2018
EBIT	**251.5**	**219.2**	**14.7%**	**981.8**	**870.5**	**12.8%**
Effective income tax rate (*)	10.9%	14.2%	**-3.3 p.p**	24.8%	24.4%	**0.4 p.p**
NOPAT	**224.1**	**188.1**	**19.2%**	**738.3**	**658.2**	**12.2%**
(+) Depreciation and amortization	92.8	11.7	**694.4%**	143.4	42.5	**237.4%**
(+/-) Change in working capital[1]	(229.8)	(15.5)	**1,382.5%**	(274.3)	(50.0)	**448.5%**
(-) Cash CAPEX	(50.4)	(58.7)	**-14.1%**	(236.6)	(206.5)	**14.5%**
Free cash flow (ex-acquisitions)	**36.7**	**125.6**	**-70.8%**	**370.9**	**444.2**	**-16.5%**
(-) Companies acquisitions	(5,053.4)	-	**n/a**	(5,070.4)	-	**n/a**
Free cash flow	**(5,016.7)**	**125.6**	**-4,095.7%**	**(4,699.5)**	**442.4**	**-1,157.9%**

([1]) 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.

18. INCOME STATEMENT – SUMMARY – Hapvida consolidated

Item	4Q19	AV 4Q19	4Q18	AV 4Q18	4Q19 x 4Q18	3Q19	AV 3Q19	4Q9 x 3Q19	4Q19 - IFRS 16	2019	2018	2019 x 2018
Revenues from gross payments	1.845,1	103,3%	1.247,9	103,0%	47,9%	1.394,5	106,0%	32,3%	1.845,1	5.877,2	4.758,2	23,5%
Revenue from other activities	36,0	2,0%	17,0	1,4%	111,5%	7,5	0,6%	379,5%	36,0	54,0	25,6	111,2%
Deductions	(95,7)	-5,4%	(53,6)	-4,4%	78,6%	(86,3)	-6,6%	11,0%	(95,7)	(296,8)	(207,8)	42,8%
Net revenues	**1.785,4**	**100,0%**	**1.211,3**	**100,0%**	**47,4%**	**1.315,8**	**100,0%**	**35,7%**	**1.785,4**	**5.634,4**	**4.575,9**	**23,1%**
Medical cost and others	(1.055,7)	59,1%	(720,7)	59,5%	46,5%	(836,7)	63,6%	26,2%	(1.042,0)	(3.380,1)	(2.705,1)	25,0%
Rent with related parties	(13,4)	0,8%	(13,2)	1,1%	1,1%	(14,1)	1,1%	-100,1%	-	(42,0)	(41,9)	0,3%
Change in IBNR	6,9	-0,4%	(10,1)	0,8%	-168,2%	29,1	-2,2%	-76,3%	6,9	50,8	(22,6)	-325,2%
Change in SUS reimbursement provision	(69,0)	3,9%	(13,3)	1,1%	417,1%	(24,6)	1,9%	180,1%	(69,0)	(122,9)	(27,0)	355,8%
Total cost	**(1.117,8)**	**62,6%**	**(744,2)**	**61,4%**	**50,2%**	**(832,3)**	**63,3%**	**34,3%**	**(1.104,1)**	**(3.452,2)**	**(2.754,7)**	**25,3%**
Gross profit	**667,6**	**37,4%**	**467,2**	**38,6%**	**42,9%**	**483,5**	**36,7%**	**38,1%**	**681,3**	**2.182,2**	**1.821,2**	**19,8%**
Gross margin	***37,4%***	-	***38,6%***	-	***-1,2p.p.***	***36,7%***	-	***0,6p.p.***	***38,2%***	***38,7%***	***39,8%***	***-1,1p.p.***
Selling expenses	**(146,5)**	**8,2%**	**(93,5)**	**7,7%**	**56,8%**	**(125,1)**	**9,5%**	**17,1%**	**(146,5)**	**(519,7)**	**(443,4)**	**17,2%**
Administrative expenses	**(269,4)**	**15,1%**	**(145,0)**	**12,0%**	**85,8%**	**(138,4)**	**10,5%**	**94,7%**	**(269,5)**	**(676,1)**	**(507,2)**	**33,3%**
Personnel	(67,6)	3,8%	(56,6)	4,7%	19,5%	(56,8)	4,3%	19,1%	(67,6)	(222,5)	(195,3)	13,9%
Third party services	(86,4)	4,8%	(32,7)	2,7%	164,1%	(25,9)	2,0%	233,0%	(86,4)	(158,2)	(98,9)	59,9%
Location and operation	(108,7)	6,1%	(27,0)	2,2%	302,9%	(29,9)	2,3%	263,0%	(108,8)	(202,8)	(103,2)	96,6%
Taxes	5,6	-0,3%	(3,0)	0,2%	-290,1%	(1,2)	0,1%	-556,5%	5,6	(5,6)	(38,1)	-85,4%
Provisions for civil, labor and tax risks	(9,8)	0,5%	(22,4)	1,8%	-56,3%	(21,0)	1,6%	-53,3%	(9,8)	(76,4)	(62,4)	22,4%
Miscellaneous expenses	(2,6)	0,1%	(3,4)	0,3%	-23,5%	(3,5)	0,3%	-26,3%	(2,6)	(10,6)	(9,2)	14,5%
Other expenses/operational revenues	**(0,2)**	**0,0%**	**(9,5)**	**-0,8%**	**-98,0%**	**(2,0)**	**0,2%**	**-90,3%**	**(0,2)**	**(4,7)**	**(0,1)**	**3515,5%**
Total expenses	**(416,2)**	**23,3%**	**(248,0)**	**20,5%**	**67,8%**	**(265,4)**	**20,2%**	**56,8%**	**(416,2)**	**(1.200,5)**	**(950,7)**	**26,3%**
Operational income	**251,4**	**14,1%**	**219,2**	**18,1%**	**14,7%**	**218,1**	**16,6%**	**15,3%**	**265,0**	**981,7**	**870,5**	**12,8%**
Financial revenues	102,5	-4,6%	63,4	5,2%	29,5%	102,5	-7,8%	-19,9%	82,1	310,6	213,1	45,8%
Financial expenses	(33,0)	5,2%	(9,7)	0,8%	860,3%	(33,0)	2,5%	181,5%	(112,4)	(140,5)	(41,3)	240,5%
Financial result	**(10,8)**	**-0,6%**	**53,7**	**4,4%**	**-120,0%**	**69,5**	**5,3%**	**-115,5%**	**(30,3)**	**170,0**	**171,8**	**-1,0%**
EBIT	**240,7**	**13,5%**	**272,9**	**22,5%**	**-11,8%**	**287,6**	**21,9%**	**-16,3%**	**234,8**	**1.151,7**	**1.042,3**	**10,5%**
IR and CSLL current	(93,1)	3,3%	(82,2)	-6,8%	-28,7%	(93,1)	7,1%	-37,0%	(58,6)	(362,8)	(315,1)	15,1%
IR and CSLL deferred	21,4	-1,8%	43,3	3,6%	-25,2%	21,4	-1,6%	51%	34,4	77,6	61,1	27,0%
IR and CSLL	**(26,2)**	**1,5%**	**(38,9)**	**3,2%**	**-32,6%**	**(71,6)**	**5,4%**	**-63,4%**	**(24,2)**	**(285,2)**	**(254,0)**	**12,3%**
Net income	**214,5**	**12,0%**	**234,1**	**19,3%**	**-8,4%**	**215,9**	**16,4%**	**-0,7%**	**210,6**	**866,5**	**788,3**	**9,9%**
Net margin	***12,0%***	-	***19,3%***	-	***-7,3p.p.***	***16,4%***	-	***-4,4p.p.***	***11,8%***	***15,4%***	***17,2%***	***-1,8p.p.***

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20. BALANCE SHEET - SUMMARY – Hapvida consolidated

Item	4Q19 - IFRS 16	4Q19	4Q18	4Q19 x 4Q18	3Q19	4Q19 x 3Q19
Assets	**12.453,7**	**11.512,1**	**4.876,7**	**136,1%**	**10.039,8**	**14,7%**
Current assets	**2.161,3**	**2.161,3**	**1.276,0**	**69,4%**	**1.934,2**	**11,7%**
Cash and cash equivalents	224,2	224,2	185,5	20,9%	169,6	32,2%
Short-term investments	1.180,4	1.180,4	702,4	68,1%	1.151,6	2,5%
Trade receivables	297,0	297,0	152,7	94,4%	146,1	103,2%
Other assets	314,5	314,5	131,6	139,0%	359,4	-12,5%
Deferred commission	145,2	145,2	103,8	39,9%	107,4	35,1%
Non-current assets	**10.292,4**	**9.350,8**	**3.600,7**	**159,7%**	**8.105,6**	**15,4%**
Long-term investments	2.225,6	2.225,6	2.685,6	-17,1%	6.924,4	-67,9%
Deferred taxes	289,5	280,6	126,0	122,7%	171,2	63,9%
Judicial deposits	187,6	187,6	96,9	93,7%	133,9	40,1%
Deferred commission	127,5	127,5	121,6	4,8%	124,0	2,8%
Derivative financial instruments	2,0	2,0	-	-	-	-
Other assets	54,0	54,0	40,9	32,0%	42,2	28,1%
Property, plant and equipment	2.100,3	1.167,6	414,5	181,7%	531,3	119,7%
Intangible assets	5.305,9	5.305,9	115,1	4510,0%	178,6	2871,4%

Item	4Q19 - IFRS 16	4Q19	4Q18	4Q19 x 4Q18	3Q19	4Q19 x 3Q19
Liabilities and shareholders' equity	**12.453,7**	**11.512,1**	**4.876,7**	**136,1%**	**10.039,8**	**14,7%**
Current liabilities	**1.745,4**	**1.708,6**	**987,5**	**73,0%**	**1.007,0**	**69,7%**
Lending and Financing	75,0	75,0	-	-	21,0	257,2%
Trade payables	95,0	95,0	61,4	54,8%	40,2	136,4%
Technical provisions for health care operations	858,1	858,1	408,1	110,3%	512,2	67,5%
Health care payables	8,8	8,8	65,2	-86,5%	2,1	324,5%
Payroll obligations	172,5	172,5	112,9	52,7%	142,7	20,9%
Taxes and contributions payable	152,4	152,4	55,9	172,7%	69,3	119,9%
Income and social contribution taxes	62,0	62,0	33,9	83,1%	73,7	-15,9%
Dividends and interest on shareholders' equity payable	220,0	220,0	184,5	19,2%	102,1	115,5%
leases payable	36,9	-	-	-	-	-
Related party payables	4,0	4,0	42,7	-90,5%	4,0	0,0%
Other accounts payable	60,6	60,6	22,9	164,1%	39,6	52,9%
Non-current liabilities	**3.446,4**	**2.524,4**	**283,3**	**791,0%**	**2.314,5**	**9,1%**
Lending and Financing	2.037,0	2.037,0	-	-	1.996,7	2,0%
Taxes and contributions payable	26,1	26,1	12,0	118,5%	12,1	116,6%
leases payable	921,9	-	-	-	-	-
Provision for tax, civil and labor risks	388,7	388,7	263,4	47,5%	293,1	32,6%
Other accounts payable	72,7	72,7	7,9	818,2%	12,5	479,5%
Shareholders' equity	**7.261,9**	**7.279,1**	**3.605,9**	**101,9%**	**6.718,3**	**8,3%**
Capital	5.650,5	5.650,5	2.810,2	101,1%	5.400,2	4,6%
Profit reserves	1.609,1	1.626,3	795,6	104,4%	1.318,1	23,4%
Equity attributable to controlling shareholders	7.259,6	7.276,8	3.605,9	101,8%	6.718,3	8,3%
Non-controlling interest	2,3	2,3	0,0	-	0,00	-

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21. CASH FLOW STATEMENT – SUMMARY – Hapvida consolidated

Item	4Q19 - IFRS 16	4Q19	4Q18	4Q19 x 4Q18	3Q19	4Q19 x 3Q19	2019	2018	2019 x 2018
Net income	**210,6**	**214,5**	**234,1**	**-8,4%**	**215,9**	**-0,7%**	**866,5**	**788,3**	**9,9%**
Adjustments to reconcile net income with cash	**143,7**	**109,2**	**95,3**	**14,6%**	**66,9**	**63,4%**	**438,7**	**392,3**	**11,8%**
Depreciation and amortization	92,9	92,9	11,7	694,6%	17,3	437,7%	143,4	42,5	237,6%
Depreciation of usage rights	16,9	-	-	-	-	-	-	-	-
Technical provisions for health care operations	(60,8)	(60,8)	23,5	-359,2%	(4,4)	1274,5%	(50,8)	49,5	-202,6%
Provision for losses on receivables	52,3	52,3	23,7	120,5%	37,7	38,6%	167,0	148,7	12,3%
Write-off of property, plant and equipment	0,8	0,8	3,2	-75,5%	4,2	-81,7%	5,3	3,5	51,2%
Write-off of intangible assets	12,3	12,3	5,4	127,5%	1,3	844,2%	23,8	5,4	338,9%
Write-off of intangible assets	-	-	-	-	-	-	-	-	-
Provision for tax, civil and labor risks	15,2	15,2	16,5	-7,8%	16,5	-8,0%	71,8	36,1	98,9%
Income from financial investments	(60,7)	(60,7)	(27,5)	120,9%	(99,4)	-38,9%	(260,0)	(147,4)	76,4%
Earning on derivative financial instrur	0,2	0,2	-	-	-	-	0,2	-	-
Interest and monetary restatement of leases	19,4	-			-				
Interest and financial charges on loans and financing	28,4	28,4	-	-	22,0	29,0%	50,3	-	-
Exchange rate	2,7	2,7	-	-	-	-	2,7	-	-
Tax income and social contribution	58,6	58,6	82,2	-28,7%	93,1	-37,1%	362,8	315,1	15,1%
Deferred taxes	(34,4)	(32,5)	(43,3)	-24,9%	(21,5)	51,4%	(77,7)	(61,1)	27,2%
(Increase) decrease in asset accounts	**(194,3)**	**(194,3)**	**(59,4)**	**226,9%**	**(8,9)**	**2072,7%**	**(412,3)**	**(292,0)**	**41,2%**
Accounts receivable	(59,0)	(59,0)	(12,1)	386,3%	(7,9)	646,2%	(164,8)	(156,7)	5,2%
Inventory	(21,8)	(21,8)	(6,8)	220,8%	(0,8)	2781,1%	(23,6)	(4,6)	407,8%
Taxes recoverable	(55,3)	(55,3)	(29,4)	88,5%	(13,2)	319,4%	(86,3)	(38,8)	122,6%
Financial investments	-	-	42,4	-100,0%	-	-	-	40,4	-100,0%
Judicial deposits	(38,1)	(38,1)	(18,2)	109,9%	(33,2)	14,8%	(102,7)	(59,8)	71,7%
Other assets	(11,6)	(11,6)	(22,8)	-49,0%	52,4	-122,2%	(20,3)	(41,0)	-50,4%
Advance payments	-	-	1,4	-100,0%	-	-	-	-	-
Deferred Sales Expense	(8,4)	(8,4)	(14,0)	-39,6%	(6,3)	34,6%	(14,5)	(31,5)	-54,1%
Increase (decrease) in liability accounts:	**(135,4)**	**(135,4)**	**(130,1)**	**4,0%**	**(46,0)**	**194,5%**	**(344,5)**	**(371,9)**	**-7,4%**
Technical provisions for health care operations	150,5	150,5	(25,8)	-683,3%	75,7	98,8%	221,6	(0,9)	-25314,4%
Debts of health care operations	(22,9)	(22,9)	4,9	-570,1%	(41,3)	-44,4%	(63,1)	10,0	-729,6%
Social obligations	(158,6)	(158,6)	(5,1)	2987,3%	13,6	-1262,8%	(132,2)	14,8	-993,2%
Suppliers	(21,2)	(21,2)	3,0	-796,4%	(6,0)	250,2%	(43,3)	2,9	-1583,3%
Taxes and contributions payable	45,6	45,6	(19,4)	-335,1%	7,6	500,5%	57,4	(32,9)	-274,7%
Other accounts payable	(52,1)	(52,1)	(4,4)	1081,0%	14,9	-449,5%	(43,2)	(29,8)	44,7%
Income tax and social contribution paid	(76,7)	(76,7)	(83,3)	-7,9%	(110,5)	-30,5%	(341,8)	(336,1)	1,7%
Net cash provided by operating activities	**24,6**	**(6,0)**	**139,8**	**-104,3%**	**227,9**	**-102,6%**	**548,4**	**516,7**	**6,1%**
Cash flow from investing activities	**60,9**	**60,9**	**(49,1)**	**-224,1%**	**(4.761,7)**	**-101,3%**	**(4.898,7)**	**(2.138,8)**	**129,0%**
Payments to related parties	(4,8)	(4,8)	(0,0)	479500,0%	(38,6)	-87,6%	(43,4)	5,8	-842,8%
Acquisition of property, plant and equ	(45,4)	(45,4)	(31,2)	45,6%	(53,6)	-15,4%	(198,9)	(160,8)	23,7%
Acquisition of intangibles	(27,6)	(27,6)	(19,7)	39,9%	(29,0)	-4,8%	(74,8)	(45,7)	63,6%
Acquisition/sale of investments	(4.837,8)	(4.837,8)	-	-	(17,2)	28044,7%	(5.070,4)	-	-
Redemption of financial investments	4.969,5	4.969,5	1,8	273100,9%	(4.624,1)	-207,5%	480,9	(1.938,1)	-124,8%
Cash flow from financing activities	**(30,9)**	**(0,5)**	**5,7**	**-108,6%**	**4.560,5**	**-100,0%**	**4.388,9**	**1.703,4**	**157,7%**
Receipt of related parties	-	-	0,0	-100,0%	(0,0)	-100,0%	-	(5,4)	-100,0%
Issuance of Debentures	-	-	-	0,0%	2.000,0	0,0%	2.000,0	-	0,0%
Obtaining loans	(0,5)	(0,5)	-	0,0%	-	0,0%	(0,5)	-	0,0%
Expenses with share issuance	0,2	0,2	0,0	N/A	(79,6)	-100,3%	(79,3)	(100,8)	-21,3%
Payment / Acquisition of loans and financing	-	-	2,5	-100,0%	-	-	-	-	-
Payment of dividends and interest on own capital	(1,7)	(1,7)	0,1	-1441,9%	(2,5)	-32,1%	(192,7)	(823,8)	-76,6%
Principal payments - Leases	(30,4)	-	-	-	-	-	-	-	-
Capital contribution	-	-	(0,0)	N/A	2.664,5	-100,0%	2.664,5	2.631,0	1,3%
Treasury shares	(0,0)	(0,0)	-	N/A	-	-	(0,0)	-	-
Non-controlling shareholding stake	1,4	1,4	3,0	N/A	(22,0)	-106,5%	(3,1)	2,3	-231,3%
Change in cash and cash equivalents	**54,6**	**54,6**	**96,3**	**-43,3%**	**26,7**	**104,8%**	**38,7**	**(15,1)**	**-357,4%**
Cash and cash equivalents at the beginning of the period	169,6	169,6	89,2	90,3%	143,0	18,7%	185,5	104,2	78,0%
Cash and cash equivalents at the end of the period	224,2	224,2	185,5	20,9%	169,6	32,2%	224,2	89,2	151,5%

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Independent auditor's report on the parent company and consolidated financial statements

To the Directors and Shareholders of the Company

Hapvida Participações e Investimentos S.A.

Fortaleza – CE

Opinion

We have audited the parent company and consolidated financial statements of Hapvida Participações e Investimentos S.A. ("Company") and its subsidiaries ("the Group"), which comprise the statement of financial position as at December 31, 2019 the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the parent company and consolidated financial position of the Group as at December 31, 2019, and its parent company and consolidated financial performance and its parent company and consolidated cash flows for the years then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company and consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the parent company and consolidated financial statements in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Technical reserves for health insurance contracts	
Notes 4.I. and 22 to the parent company and consolidated financial statements	
Key audit matters	**How the matter was addressed in our audit**
Hapvida Group health operators has Technical Provisions related to regulatory obligations. Determining and measuring the Provision for Incurred but not Reported Claims and Liability Adequacy Test are complex procedures that require a high level of judgment, particularly to determine the methods, assumptions and estimates that include, among others, the expectation of loss rate and life, frequency of use and cost of medical procedures. Because of the above factors, the significance of the amounts involved and the impact that possible changes in methods and assumptions could have on financial statements, we considered this a key audit matter.	We obtained an understanding of the design of significant internal controls over the calculation of technical provisions. With the help of our actuarial experts, we evaluated the methods used for measuring the Provision of Incurred but Not Reported Claims and for Liability Adequacy Test to check the consistency of data and the reasonableness of assumptions. Moreover, we recalculated technical provisions applying an actuarial method. Our procedures included evaluating the disclosures made in the financial statements in the notes referred to above. Based on the evidence we obtained by applying the procedures summarized above, we considered that technical provision are acceptable in the context of the financial statements for the year ended December 31, 2019 taken as a whole.

Provisions and contingent liabilities	
Notes 9.I (i). and 24 to the parent company and consolidated financial statements	
Key audit matters	**How the matter was addressed in our audit**
The Group is party to judicial and administrative proceedings that discuss civil, tax and labor matters, for which the Company recognized provision in its balance sheet for cases whose unfavorable outcome is probable (more likely than not), and discloses the amounts discussed in proceedings whose unfavorable outcome was considered as possible. Determining the likelihood of unfavorable outcome involves critical judgment, because it depends on future events that are not under the Company's control. Accordingly, these proceedings may progress differently from what is expected by the Company and by its legal counsels. Moreover, changes in law may also cause changes in the estimates made by the Company. For that reason, we considered this a key audit matter.	We evaluated the design of significant internal controls over the identification and accrual of provisions and their disclosures in notes. Our procedures also included an analysis of a sample of the provisions and contingent liabilities to check for the adequacy of their measurement and recognition, reversals and sufficiency, and to assess the risk posed by the cases sponsored by the Company's in-house legal counsel. We compared the likelihood of loss evaluated by the Company with the formal confirmation made with the Group's external legal counsels. Our procedures included evaluating the disclosures made by the Company in the financial statements described in the notes referred to above. Based on the evidence we obtained by applying the procedures summarized above, we considered that the amount of provisions and related disclosures are acceptable in the context of the financial statements for the year ended December 31, 2019 taken as a whole.

Business Combinations – Acquisition of São Francisco Group	
Note nº 2.1 to the consolidated financial statements	
Key audit matters	**How the matter was addressed in our audit**
During 2019, the Hapvida Group acquired three operations controls in its segment , containing health operators, clinics and hospitals. The most relevant was the acquisition of 100% of GSFRP Participações S.A. and its investees (São Francisco Group). This acquisition was completed on November 1, 2019, after approval by regulatory bodies, in compliance with legal formalities. The accounting standards requires the fair value measurement attributed to the assets acquired and liabilities assumed for the purposes of determining goodwill for the expectation of future profitability, as well as the shares issued. Such measurement involves the Company judgment and includes the projection of future cash flows, calculation of discount rates and definition of useful life for the identified assets. Due to the relevance and high degree of judgment involved in the accounting registration process for the acquisition, we consider this matter to be significant for our audit work.	We analyzed the acquisition contracts of São Francisco Group, and with the technical support of our specialists in corporate finance, we evaluated the reasonableness and consistency of the methodology used to measure the transitory fair value attributed to the acquired assets and assumed liabilities, identified intangibles, as well as assumptions used in the projection of future cash flows, discount rates and useful life estimates. Also part of our procedures was the evaluation of the disclosures made by the Company in the consolidated financial statements described in note 2.1. Based on the evidence obtained through the procedures described above, we believe that the recognition and disclosure of the business combination is reasonable in the context of the financial statements taken as a whole.

Other matters - Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2019, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted to the same audit procedures followed together with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled to the financial statements and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been adequately prepared, in all material respects, according to the criteria set on this Technical Pronouncement and are consistent with the individual company and consolidated financial statements taken as a whole. Other information that accompanies the individual company and consolidated financial statements and the independent auditors' report.

The Company's management is responsible for the other information. The other information comprises the Management’s Report and the Performance Report. Our opinion on the individual company and consolidated financial statements does not cover the Management’s Report and the Performance Report and we do not express any form of assurance conclusion thereon. In connection with our audit of the individual company and consolidated financial statements, our responsibility is to read the Management’s Report and the Performance Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is material misstatement in the Management’s Report and in the Performance Report, we are required to report on such fact. We have nothing to report on this respect.

Responsibilities of Management and Those Charged with Governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group´s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is greater than the one deriving from error, as fraud may involve the act of circumventing internal control, collusion, forgery, omission or deliberate false representations.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances,

We determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fortaleza, March 25, 2020

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.

Balance sheets at December 31, 2019 and 2018

(Amounts stated in thousands of Reais)

		Parent company		Consolidated	
Assets	**Notes**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Cash and cash equivalents		1,625	4,832	224,229	185,484
Short-term investments	13	-	104,193	1,180,418	702,363
Trade accounts receivable	14	-	-	296,987	152,747
Inventories		-	-	72,704	19,187
Recoverable taxes	31	59,385	25,566	160,483	65,287
Dividends and interest on own capital receivable	16	86,701	74,341	-	-
Other assets		689	41	81,312	47,120
Deferred sales expenses	15	-	-	145,169	103,766
Total current assets		148,400	208,973	2,161,302	1,275,954
Long-term investments	13	1,344,854	1,205,974	2,225,563	2,685,643
Deferred income tax	31	150,544	67,791	289,489	126,005
Judicial deposits	24	1,198	438	187,636	96,891
Deferred sales expenses	15	-	-	127,505	121,624
Derivative financial instruments		-	-	2,000	-
Other related party credits	16	4,638	74	8,135	3,337
Other assets		-	-	45,881	37,598
Total non-current assets		1,501,234	1,274,277	2,886,209	3,071,098
Investments	17	7,928,378	2,373,134	-	-
Property, plant and equipment	18	10,135	4,151	2,100,319	414,528
Intangible assets	19	175	305	5,305,856	115,094
Total non-current assets		9,439,922	3,651,867	10,292,384	3,600,720
Total assets		9,588,322	3,860,840	12,453,686	4,876,674

		Parent company		Consolidated	
Liabilities and equity	**Notes**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Loans and financing ST	20	48,234	-	75,038	-
Suppliers		156	295	95,032	61,381
Technical reserves for health care operations	22	-	-	858,143	408,125
Debts from health care operations		-	-	8,808	65,181
Payroll obligations	23	948	2,781	172,474	112,947
Taxes and contributions payable (ST)		17,293	5,280	152,432	55,890
Current income tax and social contribution	31	-	-	61,982	33,860
Dividends and interest on shareholders’ equity payable	25	206,732	171,909	220,020	184,513
Lease payable (ST)	21	1,078	-	36,866	-
Other debits with related parties	16	16,314	42,651	4,040	42,657
Other accounts payable (ST)		524	490	60,588	22,942
Total current liabilities		291,279	223,406	1,745,423	987,496
Loans and financing (ST)	20	1,996,260	-	2,036,955	-
Taxes and contributions payable (ST)		-	-	26,146	11,967
Deferred taxes (liabilities)		-	-	-	-
Lease payable (ST)	21	5,197	-	921,945	-
Provision for tax, civil and labor risks	24	35,983	34,890	388,658	263,441
Other accounts payable (ST)		-	-	72,674	7,915
Total non-current liabilities		2,037,440	34,890	3,446,378	283,323
Equity					
Capital	25	5,650,526	2,810,219	5,650,526	2,810,219
Treasury shares		(2)		(2)	-
Legal reserve		137,423	94,932	137,423	94,932
Capital reserve		222,917	-	222,917	-
Profit reserves		1,248,739	697,393	1,248,739	697,393
Equity attributable to controlling shareholders		7,259,603	3,602,544	7,259,603	3,602,544
Non-controlling interest		-	-	2,282	3,311
Total equity		7,259,603	3,602,544	7,261,885	3,605,855
Total liabilities and equity		9,588,322	3,860,840	12,453,686	4,876,674
		-	-	-	-

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statement of Profit or Loss

Periods ended December 31, 2019 and 2018

(Amounts stated in thousands of Reais)

	Notes	Parent company 12/31/2019	Parent company 12/31/2018	Consolidated 12/31/2019	Consolidated 12/31/2018
Net income from services rendered	26	-	-	5,634,383	4,575,898
Costs of the services provided	27	-	-	(3,400,425)	(2,754,662)
Gross Profit		-	-	2,233,958	1,821,236
Sales expenses	28	-	(1,124)	(519,727)	(443,414)
Administrative expenses	29	(35,434)	(39,507)	(676,080)	(507,178)
Equity in income of subsidiaries	17	723,776	698,823	-	-
Other net operating income (expense)		551	(127)	(4,675)	(129)
Total operating income (expense)		688,893	658,065	(1,200,482)	(950,721)
Income (loss) before financial income (loss) and taxes		688,893	658,065	1,033,476	870,515
Finance revenues	30	128,612	80,051	310,580	213,089
Finance expense	30	(50,433)	(2,754)	(214,585)	(41,269)
Total finance income, net		78,179	77,297	95,995	171,820
Income (loss) before income tax and social contribution		767,072	735,362	1,129,471	1,042,335
Current income tax and social contribution	31	-	-	(362,818)	(315,089)
Deferred income tax and social contribution	31	82,753	52,108	85,193	61,088
Net income for the year		**849,825**	**787,470**	**851,846**	**788,334**
Attributable to					
Non-controlling interest		-	-	2,021	864
Controlling shareholders		849,825	787,470	849,825	787,470
Earnings per share - basic and diluted	25	-	-	1.21	1.24

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of comprehensive income

Periods ended December 31, 2019 and 2018

(Amounts stated in thousands of Reais)

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
	Accumulated	Accumulated	Accumulated	Accumulated
Net income for the period	849,825	787,470	851,846	788,334
Comprehensive income	-	-	-	-
Total comprehensive income	849,825	787,470	851,846	788,334
Non-controlling interest	-	-	2,021	864
Owners of the Company	849,825	787,470	849,825	787,470

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of changes in equity

Periods ended December 31, 2019 and 2018

(Amounts stated in thousands of Reais)

		Attributable to Owners of the Company								
	Notes	**Capital**	**Treasury shares**	**Capital reserves**	**Legal reserve**	**Profit reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balances at December 31, 2017		**280,000**	**-**	**-**	**55,558**	**136,321**	**-**	**471,879**	**124**	**472,003**
Capital increase (decrease)		2,631,027	-	-	-	-	-	2,631,027	3,000	2,634,027
Expenditures with issuance of shares		(100,808)	-	-	-	-	-	(100,808)	-	(100,808)
Income (loss) for the period		-	-	-	-	-	787,470	787,470	864	788,334
Allocations										
Dividends	25	-	-	-	-	-	(63,167)	(63,167)	(677)	(63,844)
Interest on own capital		-	-	-	-	-	(123,857)	(123,857)	-	(123,857)
Legal reserve		-	-	-	39,374	-	(39,374)	-	-	-
Profit retention		-	-	-	-	561,072	(561,072)	-	-	-
Balances at December 31, 2018		**2,810,219**	**-**	**-**	**94,932**	**697,393**	**-**	**3,602,544**	**3,311**	**3,605,855**
Capital increase (decrease)		2,914,495	-	-	-	-	-	2,914,495	(2,512)	2,911,983
Expenditures with issuance of shares		(74,188)	-	-	-	-	-	(74,188)	-	(74,188)
Option exercise		-	(2)	-	-	-	-	(2)	-	(2)
Goodwill in the issue of shares		-	-	222,917	-	-	-	222,917	-	222,917
Changes in the equity interest of subsidiaries		-	-	-	-	(2,119)	-	(2,119)	(538)	(2,657)
Income (loss) for the period		-	-	-	-	-	849,825	849,825	2,021	851,846
Allocations										
Dividends	25	-	-	-	-	(18,579)	(12,248)	(30,827)	-	(30,827)
Interest on shareholders' equity	25	-	-	-	-	-	(223,042)	(223,042)	-	(223,042)
Legal reserve	25	-	-	-	42,491	-	(42,491)	-	-	-
Profit retention		-	-	-	-	572,044	(572,044)	-	-	-
Balances at December 31, 2019		**5,650,526**	**(2)**	**222,917**	**137,423**	**1,248,739**	**-**	**7,259,603**	**2,282**	**7,261,885**

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of cash flows

Periods ended December 31, 2019 and 2018

(Amounts stated in thousands of Reais)

	Notes	Parent company 12/31/2019	Parent company 12/31/2018	Consolidated 12/31/2019	Consolidated 12/31/2018
Cash flows from operating activities					
Net income for the period		849,825	787,470	851,846	788,334
Adjustments to reconcile net income for the period with cash generated by operating activities:					
Depreciation and amortization	18	792	1,328	143,356	42,458
Depreciation of right of use assets		558	-	56,488	-
Technical provisions for healthcare operations		-	-	(50,831)	49,534
Equity in net income of subsidiaries	17	(723,776)	(698,823)	-	-
Allowance for doubtful accounts	14	-	-	166,968	148,680
Write-off of property, plant and equipment	18	-	22	5,313	3,513
Write-off of intangible assets		104	-	23,751	5,411
Write-off of investment		12,021	137	-	-
Provision for tax, civil and labor risks	24	1,093	(11,163)	71,806	36,105
Earnings on short-term investments	13	(128,602)	(66,055)	(259,996)	(147,378)
Gain From Derivative Transactions		-	-	215	-
Interest and inflation adjustment of lease	21	223	-	74,092	-
Interest and financial charges on loans and financing	20	49,641	-	50,342	-
Exchange variation		-		2,662	
Current income tax and social contribution		-	-	362,818	315,089
Deferred income tax	31	(82,753)	(52,108)	(85,193)	(61,088)
(Increase) decrease in asset accounts:					
Trade receivables		-	-	(164,798)	(156,652)
Inventory		-	-	(23,591)	(4,646)
Recoverable taxes		(59,614)	(19,884)	(86,348)	(38,782)
Short-term investments		-	-	-	40,404
Judicial deposits		(760)	(178)	(102,706)	(59,832)
Other assets		(648)	600	(20,326)	(40,990)
Deferred commission expense		-	-	(14,487)	(31,536)
Increase (decrease) in liability accounts:					
Technical provisions for health care operations		-	-	221,635	(879)
Debts of healthcare operations		-	-	(63,113)	10,025
Payroll obligations		(1,833)	2,613	(132,216)	14,802
Trade payables		(139)	(49)	(43,269)	2,917
Taxes and contributions payable		12,013	(14,232)	57,417	(32,872)
Other accounts payable		501	131	(43,272)	(29,829)
Cash (used in) generated by operating activities		(71,354)	(70,191)	998,563	852,788
Income tax and social contribution paid	31	-	-	(341,784)	(336,092)
Cash (used in) generated by operating activities		(71,354)	(70,191)	656,779	516,696
Cash flows from investment activities					
Payments to related parties		(30,901)	5,769	(43,415)	5,845
Acquisition of property, plant and equipment	18	(1,006)	(722)	(198,939)	(160,823)
Acquisition of intangible assets	19	(26)	(213)	(74,825)	(45,726)
Acquisition/disposal of investments	17	(2,657)	(485,213)	(5,070,365)	-
Balances attributed to the acquisition of investees		-	-	7,917	-
Receipt of dividends		-	180,809	-	-
Redemptions of financial investments	17	93,915	(1,244,112)	480,931	(1,938,128)
Net cash used in (generated by) investment activities		59,325	(1,543,682)	(4,898,696)	(2,138,832)
Cash flows from financing activities					
Receipts from related parties		-	(89,770)	-	(5,359)
Issuance of Debentures	20	2,000,000	-	2,000,000	-
Payment/acquisition of loans and financing		-	-	(501)	-
Payment of dividends and interest on shareholders' equity	20	(191,069)	(822,268)	(192,732)	(823,772)
Expenditures with issuance of share and Debentures	20	(79,334)	(100,808)	(79,334)	(100,808)
Paid-in capital	25	(1,720,081)	2,631,027	2,664,495	2,631,027
Treasury shares		(2)	-	(2)	-
Payment of lease		(692)	-	(108,214)	-
Non-controlling interest in an acquiree		-	-	(3,050)	2,323
Net cash used in (generated by) investment activities		8,822	1,618,181	4,280,662	1,703,411
Net increase in cash and cash equivalents		(3,207)	4,308	38,745	81,275
Cash and cash equivalents at the beginning of the period		4,832	524	185,484	104,209
Cash and cash equivalents at the end of the period		1,625	4,832	224,229	185,484
Increase in cash and cash equivalents		(3,207)	4,308	38,745	81,275
Non-cash transactions:					
Write-off of judicial deposits with provision for risks	24	-	(72)	43,225	21,449
Accounting effect of adopting IFRS 16	21	6,744	-	892,737	-

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of added value

Periods ended December 31, 2019 and 2018

(Amounts stated in thousands of Reais)

	Notes	Parent company		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Revenues (1)		-	(21)	5,726,868	4,627,679
Sale of goods, products and services		-	-	5,881,811	4,770,700
Other revenues		-	(21)	12,025	5,659
Allowance for doubtful accounts	14	-	-	(166,968)	(148,680)
Inputs purchased from third parties (2)		(7,753)	(1,907)	(3,294,087)	(2,724,400)
Cost of goods sold and services rendered		-	-	(2,120,437)	(1,766,224)
Material, energy, outsourced services and other		(7,753)	(1,907)	(1,173,650)	(958,176)
Gross added value (1) - (2) = (3)		(7,753)	(1,928)	2,432,781	1,903,279
Depreciation and amortization (4)		(1,350)	(1,328)	(199,844)	(42,458)
Net value added produced by the Company (3) - (4) = (5)		(9,103)	(3,256)	2,232,937	1,860,821
Added value received as transfer (6)		866,930	778,874	310,580	213,089
Equity in net income of subsidiaries	17	723,776	698,823	-	-
Financial revenues		143,154	80,051	310,580	213,089
Total added-value payable (5+6)		857,827	775,618	2,543,517	2,073,910
Distribution of added value		(857,827)	(775,618)	(2,543,517)	(2,073,910)
Personnel		(23,107)	(23,272)	(778,614)	(630,661)
Direct remuneration		(23,066)	(23,241)	(668,984)	(541,635)
Benefits		(41)	(31)	(61,449)	(51,494)
FGTS		-	-	(48,181)	(37,532)
Taxes, rates and contributions		79,803	35,759	(687,693)	(588,523)
Federal		80,046	35,945	(599,212)	(529,163)
State		(118)	(95)	(525)	(116)
Municipal		(125)	(91)	(87,956)	(59,244)
Third-party capital remuneration		(64,698)	(635)	(225,364)	(66,392)
interest		(64,406)	-	(122,295)	(66,392)
Rentals		(292)	(635)	(103,069)	-
Remuneration of own capital		(849,825)	(787,470)	(851,846)	(788,334)
Dividends and interest on shareholders’ equity		(235,290)	(187,024)	(235,290)	(187,024)
Retained earnings		(572,044)	(600,446)	(572,044)	(600,446)
Non-controlling interests in retained earnings		-	-	(2,021)	(864)
Other destinations		(42,491)	-	(42,491)	-

See the accompanying notes to the financial statements.

Notes to the individual and consolidated financial statements

(Amounts stated in thousands of Reais)

1 Operations

Hapvida Participações e Investimentos S.A. (the "Company") is a holding company organized as a corporation with registered offices at Av. Heráclito Graça, 406 in the city of Fortaleza/CE, Brazil. The Company's Parent company and consolidated interim condensed 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 Business combinations

2.1 Acquisition of Grupo São Francisco

In May 2019, the Group signed the Share Purchase and Sale Agreement and Other Covenants for the acquisition of all the shares representing the share capital of GSFRP Participações S.A. ("Grupo São Francisco") through the subsidiary Ultra Som Serviços Médicos S.A. After conclusion of certain suspensive contractual conditions, the process was finalized on November 1, 2019. The purpose of the acquisition of GSFRP is to improve the operation of the Company and its Economic Group in the Southeast, Midwest and South regions of Brazil, by holding first-tier hospital units and a portfolio with approximately 1.8 million health and dental plan beneficiaries assets, expanding the service capacity of its beneficiaries and clients.

The acquisition of Grupo São Francisco was carried out for the amount of R$ 5,143,766, according to the following contractual provision:

(a) Advance of R$200,000 in the execution of Share Purchase and Sale and Other Covenants;

(b) R$ 4,217,624 paid in cash as of November 1, 2019, after the monetary updating using the CDI rate;

(c) R$ 253,225 paid into an assigned account (Escrow Account) on November 1, 2019, after the monetary updating using the CDI rate. This fund is part of the acquisition price and has been highlighted in a separate account. It aims to guarantee the payment of any losses arising from contingencies whose accrual periods are prior to the closing date of the transaction. The balance of the Escrow Account, after deducting any losses incurred for the period, will be released to the sellers according to the schedule provided for in the Contract. In the initial measurement of the acquisition, no adjustments were identified on the contingent liabilities already existing in the acquired companies. However, the Company will be able to evaluate and complete said measurement for a period of up to 12 months as of the acquisition date;

(d) Issuance of 8,333,333 common shares on November 1, 2019, paid-up to the Company's capital in the amount of R$ 250,000. The fair value of said shares issued was calculated based on the quotation of the Company's shares on the acquisition date (R$ 56.75 per share), totaling the fair value of R$ 472,917. The amount of R$ 222,917, referring to the difference between the capital contribution and the fair value of the shares on the acquisition date, was recognized in the capital reserve, as goodwill in the issue of shares.

Transaction costs in the amount of R$ 39,000 were recognized in the statement of profit or loss as general and administrative expenses.

Assets acquired and liabilities assumed

The following are the provisional fair values of identifiable assets and liabilities at the acquisition date, obtained from the preliminary technical report prepared by independent consultants. The measurement of the fair values of the identified assets and liabilities was made on a provisional basis considering a reasonable effort by the Company to determine such measurement considering the proximity of the acquisition date in relation to the base date of these financial statements.

	Fair value
Assets	
Cash and cash equivalents	2,116
Short-term investments	215,691
Trade accounts receivable	274,893
Other assets	112,697
Deferred income tax	74,272
Property, plant and equipment	553,302
Intangible assets	2,862,043
Total assets	**4,095,014**
Liabilities	
Loans and financing	62,434
Trade payables	57,871
Technical reserves for health care operations	331,278
Payroll obligations	180,515
Leasing liabilities	87,133
Other accounts payable	126,391
Deferred taxes	8,622
Provision for tax, civil and labor risks	74,952
Total liabilities	**929,196**
Total identifiable net assets at fair value	**3,165,818**
Equity of the acquiree	315,318
Net surplus of assets	2,850,500
Goodwill due to expected future profitability (temporary)	1,977,948
Consideration	**5,143,766**

The valuation techniques used to measure the fair value of the significant assets acquired were as follows: The choice of methodology applicable to each class of assets is related to the nature and function of these in the business operation.

Assets	Valuation method
Intangible assets - Trademark	Income Approach (Relief from Royalties)
Intangible assets – Life portfolio	Income Approach (Multi-Period Excess Earnings Model – MPEEM)
Intangible asset - Non-competition agreement	Discounted cash flows
Intangible asset - Agreements with Hospitals	MPEEM
Intangible asset - Agreements with Third Parties	MPEEM
Intangible assets - Software	Replacement Cost
Property, plant and equipment	Replacement Cost

We describe the evaluation methods below:

- **Income Approach (Relief from Royalties) –** In this technique we estimate the value of the asset by capitalizing royalties that are saved since the company owns the intangible assets In other words, the owner of the brand, core technology and patents receives the benefit from owning the Intangible Asset, rather than paying a rent or royalties for the use of the asset.

- **Multi-Period Excess Earnings Model – MPEEM** – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. Operating costs and expenses are discounted from future cash flows directly attributable to the asset, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (Contributory Charges) to arrive at the free flows to be discounted to calculate present value.

- **Discounted Cash Flow –** Calculation of the present value of predetermined future cash flows, discounted at a discount rate that reflects the uncertainties of the asset in question.

- **Replacement cost –** It is the current cost of a similar new asset, whose equivalent utility is the closest to the asset being evaluated.

Information obtained on the facts and circumstances existing at the date of acquisition may result in adjustments in the allocation of identifiable assets, identifiable liabilities and goodwill for expected future profitability. This analysis will be completed within a maximum period of 12 months as of the date of acquisition.

It is estimated that the amounts related to goodwill and capital gains will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

As of the date of the acquisition until December 31, 2019, the São Francisco Group contributed consolidated net revenues of R$ 358,355 and consolidated net income of R$ 39,527 to the Company. If the acquisition had taken place on January 1, 2019, the Company estimates that the consolidated net revenues up to the acquisition date would have been R$ 1,669,335, and the consolidated loss would have been R$ 79,553 up to the acquisition date.

2.2 Acquisition of Grupo América

In June 2019, the Group signed the Quota Purchase and Sale Agreement and Other Covenants for the acquisition of all the shares representing the share capital of Grupo América's companies through its subsidiaries Ultra Som Serviços Médicos S.A. and Hapvida Assistência Médica Ltda. After conclusion of certain suspensive contractual conditions, the process was concluded on December 2, 2019. The acquisition of Grupo América aims to improve the performance of the Company and its Economic Group in the Midwest region, through the operation of Grupo América in the metropolitan region of Goiânia and Anápolis.

The acquisition of Grupo América was made for the amount of R$ 430,258, according to the contractual provision, as follows:

(a) Installment corresponding to R$ 380,258 paid 10 days after the closing date;

(b) Portion retained for payment of debts and contingencies, in the amount of up to R$ 50,000, treated by the Company as a contingent consideration. The retained portion is part of the acquisition price and, after deducting the net debt calculated on the date of closing the acquisition, the remaining amount will be used to guarantee any contingencies arising from events prior to the closing date of the transaction. In the event of not using the remaining amount, it will be paid to the sellers as the schedule provided for in the Contract. In the initial measurement of the acquisition, no adjustments were identified on the contingent liabilities already existing in the acquired companies, but the Company will be able to evaluate and complete this measurement for a period of up to 12 months as of the acquisition date.

Assets acquired and liabilities assumed

The following are the provisional fair values of identifiable assets and liabilities at the acquisition date, obtained from the preliminary technical report prepared by independent consultants. The measurement of the fair values of the identified assets and liabilities was made on a provisional basis considering a reasonable effort by the Company to determine such measurement taking into account the proximity of the acquisition date in relation to the base date of these financial statements.

	Fair value									
	Hospital e Maternidade Jardim América	**Jardim América Saúde**	**Hospital Multi Especialidades**	**Hospital PROMED Ltda.**	**PROMED Assistência Médica Ltda.**	**AME Planos de Saúde Ltda.**	**Américas Clínicas Ltda.**	**Oftalmologia Jardim América**	**Centro de Diag e Lab Santa Cecília Ltda**	**Total**
Assets										
Cash and cash equivalents	269	136	(1)	11	2,467	182	-	17	-	3,081
Short-term investments	217	753	8	-	9,890	2,080	-	-	81	13,029
Trade accounts receivable	5,250	767	35	425	3,555	1,403	-	176	255	11,866
Other assets	3,843	763	287	1,806	3,756	1,023	-	41	29	11,548
Deferred income tax	-	115	1	(112)	1,917	667	-	-	-	2,588
Judicial deposits	109	522	-	-	6,472	2,502	-	-	-	9,605
Investments	12,042	79	-	-	-	-	-	-	-	12,121
Property, plant and equipment	2,669	3,571	414	3,401	6,658	8,510	15	2,506	1,183	28,927
Intangible assets	41,274	2,752	-	-	15,683	2,147	-	-	-	61,856
Total assets	**65,673**	**9,458**	**744**	**5,531**	**50,398**	**18,514**	**15**	**2,740**	**1,548**	**154,621**
Liabilities										
Loans and financing	2,786	52	98	-	-	-	-	-	758	3,694
Technical reserves for health care operations	-	3,193	-	-	26,312	4,810	-	-	-	34,315
Taxes and contributions payable	3,620	411	258	1,364	7,747	506	1	21	12	13,940
Current income tax and social contribution	5,490	-	-	-	-	-	-	-	76	5,566
Leasing liabilities	-	751	-	691	-	1,689	-	-	-	3,131
Other accounts payable	4,895	646	104	996	1,105	7,525	2	316	175	15,764
Deferred taxes	-	-	-	-	-	-	-	-	-	-
Provision for tax, civil and labor risks	110	582	3	-	1,363	2,779	-	-	-	4,837
Total liabilities	**16,901**	**5,635**	**463**	**3,051**	**36,527**	**17,309**	**3**	**337**	**1,021**	**81,247**
Total identifiable net assets at fair value	**48,772**	**3,823**	**281**	**2,480**	**13,871**	**1,205**	**12**	**2,403**	**527**	**73,374**
Equity of the acquiree	6,342	761	216	2,515	171	(951)	12	1,547	(273)	10,340
Net surplus of assets	42,430	3,062	65	(35)	13,700	2,156	-	856	800	63,034
Goodwill due to expected future profitability (temporary)	201,453	4,275	740	35,388	83,306	8,057	1,009	2,305	20,351	356,884
Total compensation	**250,225**	**8,098**	**1,021**	**37,868**	**97,177**	**9,262**	**1,021**	**4,708**	**20,878**	**430,258**

The valuation techniques used to measure the fair value of the significant assets acquired were as follows: The choice of methodology applicable to each class of assets is related to the nature and function of these in the business operation.

Assets	**Valuation method**
Intangible assets - Trademark	Income Approach (Relief from Royalties)
Intangible assets – Life portfolio	Income Approach (Multi-Period Excess Earnings Model - “MPEEM”)
Property, plant and equipment	Replacement Cost

We describe the evaluation methods below:

- **Income Approach (** ***Relief from Royalties*** **) -** In this technique we estimate the value of the asset by capitalizing the *royalties* that are saved because the company owns the intangible asset. In other words, the owner of the brand, core technology and patents realizes a benefit from owning the Intangible Asset, rather than paying a rent or royalties for the use of the asset.

- ***Multi-Period Excess Earnings Model* –** MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. From future cash flows directly attributable to the asset, operating costs and expenses are discounted, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (*Contributory Charges*) to arrive at the free flows to be discounted for calculation of present value.

- **Replacement cost -** It is the current cost of a similar new good, the equivalent utility of which is closest to the good being evaluated.

Information obtained about facts and circumstances existing at the date of acquisition may result in adjustments in the allocation of identifiable assets, identifiable liabilities and goodwill for expected future profitability. This analysis will be completed within a maximum period of twelve months from the date of acquisition.

It is estimated that the amounts related to goodwill and capital gains will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

Since the acquisition date until December 31, 2019, Grupo América contributed consolidated net revenues of R$ 35,771 and consolidated net income of R$ 1,347 to the Company. If the acquisition had taken place on January 1, 2019, the Company estimates that the consolidated Net Revenues up to the acquisition date would have been R$ 367,272 and the Consolidated Loss up to the acquisition date would have been R$ 91,709.

2.3 Acquisition of 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 company of Infoway Tecnologia e Gestão em Saúde Ltda. (“Infoway”) on the date of the transaction, a technology company that operates in the provision of health management systems services, advisory and implementation of health management models, ranging from their conception to the maintenance of their operation. As well as 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 capital contribution made at MAIDA was as follows: R$ 7,500 paid on the date of the transaction, R$ 5,000 to be paid until 2020, earn-out in the present value of R$ 5,395, which will be paid in the next 5 years, and 100% of Haptech's shares.

Assets acquired and liabilities assumed

The following are the provisional fair values of identifiable assets and liabilities at the acquisition date, obtained from the preliminary technical report prepared by independent consultants. The measurement of the fair values of the identified assets and liabilities was made on a provisional basis considering a reasonable effort by the Company to determine such measurement taking into account the proximity of the acquisition date in relation to the base date of these financial statements.

	Fair value
Assets	
Software	10,411
Contract with clients	5,386
	15,797
Liabilities	
Deferred tax liabilities	5,371
Total identifiable net assets at fair value	**10,426**
Equity of the acquiree	2,082
Goodwill due to expected future profitability (temporary)	5,387
Total compensation	**17,875**

The valuation techniques used to measure the fair value of the significant assets acquired were as follows: The choice of methodology applicable to each class of assets is related to the nature and function of these in the business operation.

Assets	**Valuation method**
Intangible asset - Agreements with Third Parties	MPEEM
Intangible assets - Software	Replacement Cost
Property, plant and equipment	Replacement Cost

We describe the evaluation methods below:

- ***Multi-Period Excess Earnings Model –*** MPEEM – This method measures the present value of future earnings to be generated over the remaining useful life of a given asset. From future cash flows directly attributable to the asset, operating costs and expenses are discounted, and the resulting margin is subtracted from the charges on the contributing assets identified directly related to the asset in question (*Contributory Charges*) to arrive at the free flows to be discounted for calculation of present value.

- **Replacement cost -** It is the current cost of a similar new good, the equivalent utility of which is closest to the good being evaluated.

Information obtained about facts and circumstances existing at the date of acquisition may result in adjustments in the allocation of identifiable assets, identifiable liabilities and goodwill for expected future profitability. This analysis will be completed within a maximum period of twelve months from the date of acquisition.

It is estimated that the amounts related to goodwill and capital gains will be deductible for income tax and social contribution purposes. The amount represents the expectation of future profitability, based on the expected benefits from the synergy of operations of the Company and its Economic Group.

2.4 Acquisition of 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$ 13,526, 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.

According to the Contract for the Purchase and Sale of Quotas and Other Covenants, the purchase price will be paid as follows: R$ 9,473 paid in cash, R$ 1,053 to be paid to sellers after the calculation of the net debt in the closing balance sheet and R$ 3,000 retained by the Company to guarantee eventual contingencies of a taxable event prior to the closing that may materialize. In the event of not using the portion retained, it will be paid to the sellers as the schedule provided for in the Contract.

Assets acquired and liabilities assumed

The technical report on the fair value of identifiable assets and liabilities on the acquisition date is being prepared by independent consultants. This report will be concluded within a maximum period of 12 months as of the acquisition date.

2.5 Acquisition of Hospital das Clínicas de Parauapebas Ltda.

In November, the Group signed the Quota Purchase and Sale Agreement and Other Covenants for the acquisition of all the quotas representing the share capital of HCP - Hospital das Clínicas de Parauapebas Ltda. through the subsidiary Ultra Som Serviços Médicos S.A. After conclusion of certain suspensive contractual conditions, the process was finalized in December 2019.

The acquisition was made for the amount of R$ 4,570, of which R$ 2,285 was paid in cash, R$ 1,371 will be paid to sellers after the calculation of the net debt in the closing balance sheet, and R$ 914 will be retained by the Company to guarantee eventual contingencies of taxable events prior to the closing that may materialize. In the event of not using the portion retained, it will be paid to the sellers as pre-established schedule in Contract.

The technical report of fair values of identifiable assets and liabilities on the acquisition date is being prepared by independent consultants. Said report will be concluded within a maximum period of twelve months from the acquisition date.

3 Corporate reorganization

Aiming to simplify the Group's corporate structure and obtain greater synergy gains by reducing operating costs by sharing administrative structures, the mergers of the following companies into Ultra Som Serviços Médicos S/A were approved:

3.1 Vida e Imagem Diagnóstico por Imagem Ltda.

On December 1, the Extraordinary General Meeting approved the merger of Vida e Imagem Diagnostico por Imagem Ltda into Ultra Som Serviços Médicos S.A. under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged company. Since the company is a wholly-owned subsidiary, the merger did not produce any changes in the Group's consolidated asset position, income or in corporate composition.

The merged net assets on December 01, 2019 presented the following breakdown:

Vida e Imagem's Assets	**12/01/2019**
Assets	43,479
Liabilities	30,344
Merged net assets	13,135

3.2 Hospital das Clínicas e Fraturas do Cariri Ltda

On December 1, 2019, the merger of Hospital das Clínicas e Fraturas do Cariri Ltda into Ultra Som Serviços Médicos S.A. was approved by the Extraordinary General Meeting, under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged company. Since the company is a wholly-owned subsidiary, the merger did not produce any changes in the Group's consolidated asset position, income or in corporate composition.

The merged net assets on December 01, 2019 presented the following breakdown:

Assets of Hospital das Clínicas e Fraturas do Cariri Ltda.	**12/01/2019**
Assets	4,839
Liabilities	2,688
Merged net assets	2,151

3.3 GSFRP Participações S.A.

On December 1, 2019, the merger of GSFRP Participações S.A. into Ultra Som Serviços Médicos S.A. was approved by the Extraordinary General Meeting, under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged company. Since the company is a wholly-owned subsidiary, the merger did not produce any changes in the Group's consolidated asset position, income or in corporate composition.

The merged net assets on December 01, 2019 presented the following breakdown:

Acervo da GSFRP Participações S.A.	**12/01/2019**
Assets	474,223
Liabilities	596,924
Merged net assets	(122,701)

3.4 Hospital Antônio Prudente de Manaus Ltda.

On February 28, 2019, the merger of Hospital Antônio Prudente de Manaus Ltda. into Ultra Som Serviços Médicos S.A. was approved by the Extraordinary General Meeting, under the terms of the Merger Protocol and Justification, with the consequent extinction of the merged company. Since the company is a wholly-owned subsidiary, the merger did not produce any changes in the Group's consolidated asset position, income or in corporate composition.

The merged net assets on February 28, 2019 are as follows:

Hospital Antônio Prudente de Manaus Ltda.	**02/28/2019**
Assets	40,135
Liabilities	2,816
Merged net assets	37,319

4 List of subsidiaries

The Parent company and consolidated interim condensed financial statements include the following direct and indirect subsidiaries of Hapvida Participações e Investimentos S.A.:

	12/31/2019		**12/31/2018**	
Entity	**Direct**	**Indirect**	**Direct**	**Indirect**
Hapvida Assistência Médica Ltda. (a)	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 S.A. (b)	100%	-	99.99%	-
Hapvida Participações em Tecnologia Ltda	99.99%	-	99.99%	-
Maida Health Participações Societárias S.A.	-	74.99%	-	-
Haptech Soluções Inteligentes Ltda.	-	74.99%	99.99%	-
Infoway Tecnologia e Gestão em Saúde Ltda	-	74.99%	-	-
Vida & Imagem Radiologia e Diagnóstico. Ltda.	-	-	94.99%	-
São Francisco Odontologia Ltda. (c)	-	100%	-	-
São Francisco Resgate Ltda.	-	100%	-	-
Documenta Clínica Radiológica Ltda (d)	-	99.97%	-	-
São Francisco Sistemas de Saúde S/E Ltda. (e)	-	99.93%	-	-
GSF Administração de Bens Próprios Ltda.	-	100%	-	-
Centro Avançado Oncológico Ltda.	-	100%	-	-
SF Health Up Desenvolvimento e Consultoria em Tecnologia da Informação Ltda	-	100%	-	-
Hemac Medicina Laboratorial e Hemoterapia	-	100%	-	-
Hospital São Francisco Ltda.	-	99.93%	-	-
Laboratório Regional Ltda.	-	99.93%	-	-
Laboratório Regional I Ltda.		99.93%		
Laboratório Regional II Ltda.		99.93%		
Hospital Multi Especialidades Ltda-EPP.	-	100%	-	-
Odontológica Serviços de Saúde Oral Ltda.		100%		
Hospital Jardim América Ltda. (g)	-	100%	-	-
Hospital Promed Ltda.	-	100%	-	-
Centro de Diagnóstico e Laboratório Santa Cecília Ltda.	-	100%	-	-
Clínica de Oftalmologia Jardim América Ltda.	-	100%	-	-
Jardim América Saúde Ltda. (f)	-	99.99%	-	-
Promed Assistência Médica Ltda.	-	99.99%	-	-
Ame Planos de Saúde Ltda.	-	99.99%	-	-
América Clínicas Ltda.-EPP		99.99%		

	12/31/2019		12/31/2018	
Entity	**Direct**	**Indirect**	**Direct**	**Indirect**
Exclusive Funds				
BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo	58.50%	41.50%	-	100%
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI	21.77%	78.23%	-	98.65%
Itaú Hap Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Crédito Privado	85.28%	14.72%	-	-

The Group's relevant subsidiaries are engaged with the following activities:

(a) 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.

(b) Ultra Som Serviços Médicos S/A

It started operating in February 25, 1988 and is mainly engaged in: providing medical and paramedical services, laboratory, diagnostic, imaging and ultrasound services, embracing all fields of medicine, as well as holding interests in other companies as partner or shareholder. On May 15, 2019, as registered with Ceará State Board of Trade, partners decided to transform the organization into a corporation.

(c) São Francisco Odontologia Ltda.

Established in 1998 in the city of Ribeirão Preto, in the state of São Paulo, it is engaged in the provision of dental and administrative services, administration, advisory and implementation of exclusive operation systems for private health care plans in the dental segment, as well as the organization of courses, lectures, seminars and other events in its area of operation. São Francisco Odontologia meets the requirements of Law No. 9,656/98 and has the definitive registration with the National Health Agency (ANS) under No. 36.531-9.

(d) Documenta Clínica Radiológica Ltda.

Documenta, headquartered in Ribeirão Preto, State of São Paulo, started its activities in 1997 and is engaged in the provision of medical and hospital services in the area of imaging (radiology and diagnostic imaging), nuclear medicine, professional development training and advisory and consultancy in the same segment, and may also hold interests in other closely-held and publicly-held companies.

(e) São Francisco Sistema de Saúde S/E Ltda.

Headquartered in Ribeirão Preto - SP, it is engaged in the management, advisory, implementation and sales of individual, family and collective health care systems and plans, through its own means of operation or by contracting and/or accrediting legally qualified third parties, as well as the reimbursement of medical, dental, hospital and outpatient expenses to its beneficiaries; outpatient medical care; and the organization of courses, lectures, seminars and other events in its area of operation. The Operator meets the requirements of Law 9,656/98 and has the definitive registration with the National Health Agency (ANS) under No. 30209-1.

(f) Jardim América Saúde Ltda.

Operadora Jardim América Saúde emerged in 2003 from the partnership of three major reference hospitals in Goiânia and Goiás. Its history started with the creation of Hospital Jardim América.

(g) Hospital e Maternidade Jardim América Ltda.

Opened in 1982, it is located in the city of Goiânia, in the state of Goiás. It currently has 82 beds, including an ICU with the structure to carry out about 4,000 consultations per month, covering about 40 specialties.

5 Preparation basis

Statement of compliance

The consolidated financial statements were prepared in accordance with the International Financial Reporting System (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil (BR GAAP). The individual financial statements of the parent company were prepared according to the BR GAAP. ANS rules for insurance contracts are also observed.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

The issue of the financial statements was authorized by the Board of Directors on March 25, 2020.

6 Functional and presentation currency

These Parent company and consolidated interim condensed financial statements are being presented in Brazilian Real, functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated.

7 Use of estimates and judgments

The preparation of these financial statements, Management used judgments, estimates and assumptions that affect the application of accounting policies of the Company, and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on a continuous basis. Reviews of estimates are recognized on a prospective basis.

(i) Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the financial statements are included in the following notes:

- **Note 21 –** Lease payable: to determine if the agreement has a lease, the term, renewal and classification;
- **Note 22 -** Technical reserves for healthcare operations. Evaluation of insurance liabilities.
- **Note 24 -** Provision for tax, civil and labor risks. Key assumptions about the likelihood and magnitude of an outflow of funds.

(ii) Uncertainties on assumptions and 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 2 -** acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and the fair value of assets acquired and liabilities assumed, measured on a provisional basis.

- **Note 14 -** Provision for impairment of accounts receivable. Recognition and provision for impairment of trade accounts receivable.

- **Note 15 -** 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 18 -** Review of economic useful life of property, plant and equipment. Determination of estimated useful life of assets, and as a result, of the depreciation rate to be used in the calculation and book records in the income (loss) for the year.

- **Note 19 -** 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 year. Intangible asset and goodwill impairment test: main assumptions regarding recoverable values, including recoverability of development costs.

- **Note 22 -** Technical reserves for healthcare operations. Recognition and measurement of liabilities related to cost of service that was not informed yet by the service providers.

- **Note 24 -** 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 funds.

- **Note 30 -** Deferred income tax and social contribution: availability of future taxable income against which deductible temporary differences and tax losses may be used.

(iii) Measurement at fair value

A series of Group's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

The Group established a control structure for measuring fair value. This includes an evaluation team with general responsibility of reviewing all significant fair value measurements, including Level 3 fair values, which are reported directly to the CFO.

Appraisal team regularly reviews significant non-observable data and valuation adjustments. If third-party information, such as brokerage firms' quotes or pricing services, is used to measure fair value, the appraisal team analyzes the evidence obtained from the third parties to support the conclusion that such evaluations meet the requirements of IFRS standards, including the level in fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Group uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- Level 1: prices quoted (not adjusted) in active markets for identical assets and liabilities.
- Level 2: inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
- Level 3: inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Group recognizes transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

Additional information on the assumptions adopted in the measurement of fair values is included in the following notes:

(iv) Measurement at fair value (continued)

- Note 2 – Business Combinations; and
- Note 32 - Financial instruments.

8 Basis of measurement

The financial statements were prepared based on the historical cost, except for the following material items which are measured on each reporting date and recognized in the statements of financial position:

- derivative financial instruments measured at fair value;
- debt and equity securities at FVTOCI are measured at fair value;
- contingent payments assumed in a business combination are measured at fair value.

9 Significant accounting policies

The Group applied the accounting policies described below consistently to all the years presented in these financial statements, unless otherwise indicated.

Certain comparative amounts in the statements of income and comprehensive income were restated, reclassified, or restated as a result of a change in the accounting policy (see Note 9).

a. Consolidation basis

(i) Business combinations

Business combinations are recorded using acquisition method, when control is transferred to the Group. The consideration transferred is usually measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising from the transaction is annually tested for evaluation of impairment. Gains in a bargain purchase are immediately recognized in income (loss).

Transaction costs are recorded in income (loss) as incurred, except the costs related to the issue of debt or equity instruments.

Transferred consideration does not include amounts referring to payment of pre-existing relations. These amounts are usually recognized in income (loss) for the year.

Any contingent consideration payable is measured at its fair value on acquisition date. If the payment is classified as an equity instrument, it is not remeasured and the liquidation is recorded in equity. The remaining contingent consideration is remeasured at fair value on each reporting date, and subsequent changes in fair value are recorded in the income statement for the year.

If the plans of payment based on shares held by the employees of the acquiree need to be replaced (plan replacement), all or part of the new amount of the replacement plan issued by the acquirer is included in the measurement of the consideration transferred in the business combination. This determination is based on the market value of the replacement plan compared to the market value of the share-based payment of the acquiree and to the extent that such replacement plan refers to services rendered before the combination.

(ii) Subsidiaries

The Group controls an entity when it is exposed to, or has a right over the variable returns arising from its involvement with the entity and has the ability to affect those returns exerting its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements as from the date the Group obtains the control until the date such control ceases.

The individual financial statements of the Parent company, financial information of subsidiaries is recognized under the equity method.

(iii) Non-controlling interest

The Group chose to measure non-controlling interest initially at their proportion in identifiable net assets of the acquiree on the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the entity loses control over a subsidiary, the Group derecognizes assets and liabilities and any non-controlling interest and other components recorded in equity referring to that subsidiary. Any gain or loss resulting from loss of control is recognized in income (loss). If the Group holds any in interest in former subsidiary, this interest is measured at fair value on the date control is lost.

(v) Investments in entities calculated under the equity method

The investments of the Group in entities accounted for under the equity method refer to their interest in associated companies and joint ventures.

Associated companies are the entities in which the Group has, directly or indirectly, significant influence but not control or jointly-control on financial and operating policies. To be classified as a jointly-controlled subsidiary, there must be a contract allowing the Group to have shared control over the entity and giving the Group rights over net assets of the jointly-owned entity, and not rights over its specific assets and liabilities.

Such investments are initially recognized by the cost, which includes expenditures with transactions. After initial recognition, financial statements include the Group's interest in investees' income or net loss for the year and other comprehensive income up to the date in which significant influence or joint control no longer exists. In the Parent Company's financial statements, investments in subsidiaries are also accounted for using this method.

(vi) Transactions eliminated in the consolidation

Intragroup balances and transactions, and any unrealized revenues or expenses derived from intragroup transactions, are eliminated. Unrealized gains originating from transactions with investee recorded using the equity method, are eliminated against the investment in the proportion of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of impairment loss.

b. Revenue from contracts with customers

(i) Cash consideration – Health care plan revenue

The Group provides health and dental care services through its hospitals and accredited network. These services are sold separately in contracts with clients. The Group assessed that the services are provided over time as the client receives and consumes the benefits provided concurrently. Revenues with considerations are appropriated at the amount corresponding to the daily apportionment - pro rata day - of the individual coverage period of each contract, starting as of the first day of coverage. Revenues from medical and hospital care to third parties are appropriated on an accrual basis.

(vii) Revenues from other activities

Revenues generated by medical and hospital assistance to third parties and which are recognized through the actual provision of services and when economic benefits arising from the transaction are considered probable.

c. Financial revenues and financial expenses

The Group's financial revenues and expenses are comprised of:

- interest revenue;
- interest expense;
- dividend revenue;
- net gains/losses in exchange-rate change of financial assets and liabilities;
- impairment losses (and reversals) on investments in debt securities accounted for at amortized cost or at fair value through other comprehensive income;

Interest revenue and expenses are recognized in income (loss) at the effective interest method. Dividend revenue is recognized in income on the date when the Group's right to receive the payment is established. The Group classifies interests received and dividends and Interest on shareholders' equity received as cash flows from investment activities.

The effective interest rate is the rate that exactly discounts payments or receipts in estimated future cash flows over the expected life of the financial instrument at:

- gross book value of financial assets or

- amortized cost of financial liabilities.

In the calculation of interest revenue or expenses, the actual interest rate is levied on the gross book value of the assets (when the assets have no recovery issues) or at amortized cost of liabilities. However, interest revenue is calculated by applying the actual interest rate at amortized cost of financial assets with recovery issues after the initial recognition. If the asset no longer presents recovery issues, the calculation of interest revenue is again based on the gross value.

d. Income tax and social contribution

The income tax and social contribution for the year, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of the taxable income for the year.

Income tax and social contribution expense comprises both current and deferred income tax and social contribution. Current and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in equity or other comprehensive income.

(i) Expenses with income tax and social contribution - current

Current tax expense is the tax payable or receivable on the taxable income or loss for the year and any adjustments to taxes payable in relation to prior years. The amount of current taxes payable or receivable is recognized in the statement of financial position as an asset or tax liability under the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on tax rates enacted at the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are **met.**

(viii) Expense with income tax and social contribution - deferred

Deferred tax assets and liabilities are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement and used for taxation purposes. The changes in deferred tax assets and liabilities for the year are recognized as deferred income tax and social contribution expense. Deferred taxes are not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a

- transaction that is not a business combination, and not affecting the taxable, income (loss);

- temporary differences related to investments in subsidiaries, associated companies and
- joint ventures, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not be reversed in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits and unused deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the credits can be utilized. Future taxable income is determined based on the reversal of relevant taxable temporary differences. If the amount of the taxable temporary differences is insufficient to fully recognize a deferred tax asset, the future taxable income, adjusted for reversals of the existing temporary differences, will be considered, based on the business plans of the parent company and of its subsidiaries, individually.

Deferred tax assets are reviewed at each balance sheet date and reduced when their realization is no longer probable.

Deferred tax assets and liabilities are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates decreed up to the balance sheet date and results in an uncertainty related to income tax (if any).

Measurement of deferred tax assets and liabilities reflects tax consequences deriving from the way in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

e. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are stated at historical acquisition or construction cost, including loan cost capitalized, net of accumulated depreciation and impairment losses. The cost of certain items of PP&E on January 1, 2009, the date of the Group’s transition to the CPC (IFRS) standards, was determined based on their fair value on that date.

When significant parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of a property, plant and equipment item are recognized in **income (loss).**

(ix) Subsequent costs

Subsequent costs are capitalized in accordance with the probability that associated future economic benefits may be earned by the Group.

(x) Depreciation

Depreciation is calculated to amortize the cost of fixed asset items, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Depreciation is recognized in income (loss). Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each **balance sheet date and adjusted if appropriate.**

(xi) Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

Goodwill is measured at cost, less accumulated impairment losses.

Other intangible assets

Other intangible assets acquired by the group with finite useful lives are carried at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally-generated goodwill and trademarks and patents, are recognized in income (loss) as incurred.

(iii) Amortization

Amortization is calculated using the straight-line method based on estimated useful lives of such items, net of estimated residual values. Amortization is usually recognized in income (loss). Goodwill is not amortized.

Amortization methods, useful lives and residual values are reviewed at each **balance sheet date and adjusted if appropriate.**

(xii) Deferred commission disbursements/expenses

Represented by commissions paid for the sale of collective and individual plans amortized to income over the average period of permanence of the beneficiaries in the customer portfolio. The client permanence indicators are calculated based on the observation of the weighted average time between the date of contracting the plans and the date on which the cancellation of such contracts takes effect. Only sales expenses related to active contracts remain deferred; that is, when a contract is canceled during the deferral period, the remaining residual balance is fully recognized as an expense for the period in which the cancellation is made.

(xiii) Financial instruments

(i) Initial recognition and measurement

Trade accounts receivable and debt securities issued are initially recognized on the date that they were originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the instrument's contractual provisions.

A financial asset (unless it is trade accounts receivable without a material financing component) or a financial liability is initially measured at fair value, plus, for an item not measured at FVTPL, transaction costs which are directly attributable to its acquisition or issue. Trade accounts receivable without a significant financing component is initially measured at the price of operation.

(ii) Subsequent classification and measurement

Financial assets

In the initial recognition, a financial asset is classified as measured: at amortized cost; at FVTPL - debt instrument; at FVTOCI - equity instrument; or at FVTPL.

Financial assets are not reclassified after initial recognition, unless the Group changes the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at FVTPL:

- it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and

- its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at FVTOCI if it meets both conditions below and is not designated as measured at FVTPL:

- it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and

- its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on outstanding principal value.

In the initial recognition of an investment in an equity instrument not held for trading, the Group may irrevocably choose to present subsequent changes in the fair value of the investment in Other comprehensive income (OCI). This choice is made on an investment basis.

All financial assets not classified as measured at amortized cost as described above or at FVTOCI, are classified as FVTPL. This includes all derivative financial assets. At initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or as FVTOCI, as FVTPL if it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Evaluation of business model
The Group carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to management. The information considered is comprised by:

- the policies and goals established for the portfolio and practical operation of these policies. They include the question of whether management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets:

– how the performance of the portfolio is evaluated and reported to the Group's management;

– risks that affect the performance of the business model (and the financial assets held in that business model) and the way those risks are managed;

– how business managers are remunerated - for example, if the remuneration is based on the fair value of managed assets or in contractual cash flows obtained; and

– the sales rate, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, which is consistent with the ongoing recognition of the Group's assets.

Financial assets held for trading or managed with a performance evaluated based on fair value are measured at fair value through profit or loss.

Financial assets - Subsequent measurement and gains and losses

Financial assets (FVTPL)	These assets are subsequently measured at fair value. Net income (loss), plus interest or dividend revenue, is recognized in income (loss).
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is reduced due to impairment losses. Interest revenue, foreign exchange gains and impairment losses are recognized in income (loss). Any gain or loss on derecognition is recognized in income (loss).
Debt instruments at FVTOCI	These assets are subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in the income (loss). Other net income is recognized in OCI. In derecognition, the retained earnings in OCI are reclassified to the income (loss).
Equity instruments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as gain in income (loss), unless the dividend clearly represents a recovery of part of the investment cost. Other net income is recognized in OCI and are never reclassified to the income (loss).

Financial liabilities - classification, subsequent measurement and gains and losses
Financial liabilities were classified as measured as amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, if it is a derivative or assigned as such in initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income (loss), plus interest, is

recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in income (loss). Any gain or loss on derecognition is also recognized in income (loss).

(iii) *Derecognition*

Financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flow of the asset expire, or when the Group transfers the contractual rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and rewards of ownership of the financial asset are transferred or in which the Group nor transfers or maintains all ownership risks and rewards of the financial assets and also does not hold the control over the financial asset.

The Group carries out transactions in which it transfers assets recognized in the Statements of Financial Position, but retains all or substantially all risks and rewards of the assets transferred. In such cases, financial assets are not derecognized.

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged or canceled or expired. The Group also derecognizes a financial liability when terms are modified, and the cash flows of the modified liability are substantially different if a new financial liability based on the terms changed is recognized at fair value.

In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in income (loss).

(iv) *Offset*
Financial assets or liabilities are offset and the net value reported in the Statements of Financial Position only when the Group currently has a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(xiv) *Share capital*

(i) *Common shares*
Additional costs directly attributable to the issue of shares and share options are recognized as reducers from equity. Tax effects related to the costs of these transactions are calculated in accordance with IAS 12.

(ii) *Repurchase and re-issuance of shares (treasury shares)*
When shares recognized as equity are repurchased, the value of the consideration paid which includes any costs directly attributable is recognized as a deduction from equity. The repurchased shares are classified as treasury shares and presented as a deduction from equity. When treasury shares are sold or reissued subsequently, value received is recognized as an increase to equity, and gains or losses resulting from transactions are presented as capital reserve.

(xv) Impairment

(i) Non-derivative financial assets

Measurement of expected credit losses
Expected credit losses are estimates weighted by the probability of credit losses. Credit losses are measured at present value based on all cash insufficiencies (that is, the difference between the cash flows owed to the Group in accordance with the contract and the cash flows that the Group expects to receive). The expected credit losses are discounted by the effective interest rate of the financial asset.

For trade accounts receivable and contract assets, the Group adopts a simplified approach in calculating expected credit losses. The Group has established a reserve matrix based on its historical experience with credit losses, adjusted for specific prospective factors for debtors and for the economic environment, considering independent variables such as type of coverage, contract term, number of days in that the note is overdue and the client’s outstanding amount.

(ii) Non-financial assets

On each reporting date, the Group reviews book values of non-financial assets (except for inventories, contract assets and deferred taxes) to determine if there is an indication of impairment. If certain evidence exists the recoverable amount of the asset is determined. In case of goodwill, recoverable value is tested on an annual basis.

For impairment tests, assets are grouped into Cash Generating Units (CGUs), that is, the smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or cash generating units. Goodwill in a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit combination synergy.

Recoverable value of an assets or CGU is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of times value of money and the specific risks of the assets or CGU.

An impairment loss is recognized when the book value of an asset or its CGU exceeds its recoverable value.

Impairment losses are recognized in income (loss). Recognized losses referring to CGUs are initially allocated to reduce any goodwill allocated to that CGU (or CGU group) and then to reduce the book value of other assets of that CGU (or CGU group) on a pro rata basis.

An impairment loss related to goodwill is not reversed. Regarding other assets, impairment losses are reversed only with the condition that the new book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

(xvi) Provisions

Provisions are determined by discounting the estimated future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability in question. Effects from derecognition of discount for elapsing of time are recognized in income (loss) as financial expense.

Provision for tax, civil and labor risks

They are recorded considering: the opinion of the legal advisors, the nature of the lawsuits, similarity with previous cases with the same complexity and the pronouncements of courts, whenever the loss is considered probable, which would give rise to a probable outflow of funds for settlement of the obligations and when the amounts involved are measurable with sufficient assurance. The contingent liabilities classified as possible losses are not recorded; however, are disclosed in notes (when significant), classified as remote are neither accrued nor disclosed.

Technical reserves for health care operations

The Reserve for Incurred but Not Reported Claims (IBNR) is calculated actuarially based on the estimate of claims occurred but not yet reported, based on monthly run-off triangles, which consider the historical development of the claims reported in the last 12 months, future payments of claims related to events prior to the calculation base date, aiming to establish a future projection by occurrence period.

The outstanding claims reserve is recorded based on the claim notices received up to the balance sheet date, including judicial claims and monetarily restated costs.

The provision for events to be settled to the Unified Health System (SUS) is calculated based on the notifications sent by SUS, representing the refund of expenses in eventual care to its beneficiaries that have already been effectively charged, and an estimate of future collection notifications that are under analysis, calculated according to a court decision obtained by the Company to adopt its own methodology.

The Unearned Premium Reserve (UPR) is calculated on a pro rata basis based on health and dental plan premiums, representing the amount charged by the operator in proportion to the days not yet elapsed within the month in which the risk coverage term becomes effective for the benefit of the client.

(xvii) Measurement of fair value

Fair value is the price that would be received upon the sale of an asset or paid for the transfer of a liability in an non-forced transaction between market participants a the measurement date, on the primary market or, in the absence thereof, on the most advantageous market to which the Group has access on such date. Fair value of a liability reflects its risk of not being performed.

A series of accounting policies and disclosures of Group requires the measurement of fair value, for financial and non-financial assets and liabilities.

When available, the Group measures the fair value of a security using the price quoted on an active market for such securities. A market is considered as active if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no price quoted on an active market, the Group uses valuation techniques that maximize the use of relevant observable data and minimize the use of unobservable data. The chosen valuation technique incorporates all the factors market participants would consider when pricing a transaction.

If an asset or a liability measured at fair value has a purchase price and a selling price, the Group measures assets based on purchase prices and liabilities based on selling prices.

The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the fair value upon initial recognition differs from the transaction price and the fair value is not evidenced by either a price quoted on an active market for an identical asset or liability or based on a valuation technique for which any non-observable data are judged to be insignificant in relation to measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value upon initial recognition and the transaction price. Later, this difference is recognized in the income (loss) at an appropriate basis over the life of the instrument, or to the moment when the assessment is fully supported by observable market data or the transaction is terminated, whichever occurs first.

10 New pronouncements

The Group has adopted the IFRS 16 - Leases for the first time, in force for annual periods beginning on or after January 1, 2019 or after this date. The nature and impact of the changes resulting from the adoption of this new standard is described below.

a. Lease - IFRS 16

The Group initially adopted the IFRS 16 as of January 1, 2019. The initial adoption used the modified retrospective approach, in which the cumulative effect of first-time adoption is recognized on January 1, 2019. Thus, the comparative information presented for 2018 has not been restated – that is, it is presented as previously reported according to IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Moreover, the disclosure requirements of IFRS 16 in general were not applied to comparative information.

(i) Definition of lease

The Group previously determined, at the inception of the agreement, whether it was or contained a lease under 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, described in Note 21.

During the transition to the adoption of IFRS 16, the Group opted for applying the practical method to define lease, which assesses which operations are to be deemed as leases. The Group adopted IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as lease in accordance with IAS 17 and IFRIC 4 were not revaluated regarding the existence of a lease pursuant to IFRS 16. Therefore, the definition of a lease pursuant to IFRS 16 was applied only to contracts signed or amended on or after January 1, 2019.

(xviii) As a lessee

As lessee, the Group leases several assets, including real estate, hospital and IT equipment. The Group previously classified leases as operating or financial, based on its assessment as to whether the lease would significantly transfer all the risks and rewards of the property of underlying asset to the Group. According to IFRS 16, the Group recognizes the right-of-use assets and the lease liabilities for most leases – that is, these leases are recorded in the Statements of Financial Position.

At the inception or amendment of an agreement containing a lease component, the Group allocates the lease consideration to each lease and non-lease component based on its individual price. However, for real estate leases, the Group has chosen to not separate non-lease components and account for the lease and related non-lease components as a single lease component.

(xix) Impact on the financial statements

In the transition to IFRS 16, the Group recognized right-of-use assets and lease liabilities. The impact on transition is summarized below:

Initial adoption

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

Balance in the consolidated statements at:

Statements of Financial Position

In thousands of reais	**December 31, 2019**
Non-current assets	
Deferred tax	8,872
Property, plant and equipment	932,716
Current liabilities	
Leasing liabilities	36,866
Non-current liabilities	
Leasing liabilities	921,945
Equity	
Effects on income/loss (net of taxes)	(13,494)

Statement of Profit or Loss for the year

In thousands of reais	**December 31, 2019**
Depreciation and amortization	(56,488)
Reversal of rental costs and loan expenses	108,214
Finance expense	(74,092)
Deferred income tax and social contribution	8,872
Total operating income (expense)	(13,494)

As of December 31, 2019, right-of-use assets amounts to R$ 932,716 and lease liabilities amount to R$ 958,811. Also, in relation to these leases, pursuant to IFRS 16, the Group recognized depreciation and interest expenses, instead of operating lease expenses.

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.

b. Uncertainty on income tax treatments (IFRIC 23)

The new interpretation, effective as of January 1, 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 – Income Taxes when tax treatments are uncertain, due to any tax procedures adopted in calculating the Corporate Income Tax (IRPJ) or Social Contribution on Net Income (CSLL) that may be questioned by the Brazilian tax authorities and, consequently, imply an increase or decrease in current and deferred tax assets and liabilities.

The Company assessed the probability of acceptance by the tax authorities in relation to the tax treatment of Income Taxes considered to be uncertain and concluded that there are no impacts from IFRIC 23, considering that the procedures adopted for calculating and recognizing income taxes reflect the application of tax rules, as well as an adequate interpretation considering administrative and judicial decisions and precedents.

Other standards and interpretations will be applicable for the first time in 2019. However, they do not have any impact on the Group’s consolidated interim condensed financial statements. The Group decided not to early adopt any other standard, interpretation or change that has been issued but is not yet effective.

11 New pronouncements issued, but not effective

a. 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, 2022.

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

b. IFRS 3 (R) amendments: Business definition

In October 2018, IASB issued amendments to the definition of businesses in IFRS 3 (R), to help entities determine whether an acquired set of activities and assets represents a business or not. They clarify the minimum requirements for a company, eliminate the assessment of whether market participants are able to replace any missing elements, include guidance to help entities assess whether a acquired process is substantive, better define business and product definitions and introduce an optional fair value concentration test.

Since the changes apply prospectively to transactions or other events that occur on the date or after the first-time application, the Group will not be affected by these changes on the transition date.

c. Amendments to IAS 8: Definition of material omission

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of omission in all standards. The information is considered material if its omission, misstatement or obscuration can reasonably influence decisions that the main users of the general purpose financial statements make based on these financial statements, which provide financial information about the entity's specific report.

These changes are not expected to have a material impact on the Group's consolidated interim condensed financial statements.

12 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.

13 Short-term and long-term investments

a. Summary of investment classification

	Parent company	
	12/31/2019	**12/31/2018**
Reverse-sale-and-repurchase agreements (b)	-	104,193
Fixed income investment fund - Non-exclusive (d.1)	1,051,077	1,205,899
Other short and long term investments	293,777	75
Total	1,344,854	1,310,167

	Consolidated	
	12/31/2019	**12/31/2018**
Reverse-sale-and-repurchase agreements (b)	5,717	234,361
Bank deposit certificates (a)	494,697	504,905
Fixed income investment funds - Collateral Assets (c)	661,223	407,135
Fixed income investment funds - Exclusive (d.2)	1,748,247	507,248
Fixed income investment fund - Non-exclusive (d.1)	488,778	1,732,676
Other short and long term investments	7,319	1,681
Total	3,405,981	3,388,006

(a) Bank Deposit Certificates (CDB) yield an average monthly rate from 101% to 102% of the CDI rate (101% in 2018), maturing between January 2020 and September 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 101.3% and 101.6% of the CDI rate (100% to 101% of the CDI in 2018), and with maturities ranging between February 2020 and May 2020.

(c) Fixed income investment fund - Collateral Assets are used as a guarantee for technical reserves of the health care company, as detailed in Note 22. Their average monthly yield varied between 74.20% and 104.20% 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 0.47% 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 87.90% to 106.10% of CDI.

14 Trade accounts receivable

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

	Consolidated	
	12/31/2019	**12/31/2018**
Medical and hospital plans		
Health and dental care plans	380,166	183,166
Agreements and individuals	53,444	8,319
Other	14,624	-
Subtotal	448,234	191,485
Impairment loss on trade receivables	(151,247)	(38,738)
Total	296,987	152,747

Breakdown of amounts receivable by maturity age is as follows:

	Consolidated	
	12/31/2019	**12/31/2018**
Neither past due nor impaired	84,182	57,575
Overdue (days):		
Up to 30	140,582	63,380
31–60	54,719	22,672
61–90	29,562	12,698
>90	139,189	35,160
Total	448,234	191,485

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

	Consolidated	
	12/31/2019	**12/31/2018**
Balances at the beginning of the period	38,738	19,770
Acquirees	89,452	-
Provisions	166,968	148,680
Net write-offs (a)	(143,911)	(129,712)
Total	151,247	38,738

(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 December 31, 2019, the major client represented 1.2% (1.6% as of December 31, 2018) of net revenue, while the 10 largest clients represented 5.9% (6.2% as of December 31, 2018) of net revenue in the same period. In the periods ended December 31, 2019 and December 31, 2018 no clients represented more than 5% in net revenue.

15 Deferred commission

	Consolidated	
	12/31/2019	**12/31/2018**
Deferred commissions with Health Care Plan - Current	145,169	103,766
Deferred commissions with health care plan - Non-current	127,505	121,624
Total operating income (expense)	272,674	225,390

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

	2019	**2018**
Individual contracts	15–53	32
Collective contracts	56–112	56

16 Related party transactions and balances

The main balances of assets and liabilities on December 31, 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	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Assets				
Interest on equity receivable from subsidiaries	86,701	74,341	-	-
	86,701	74,341	-	-
Other debits with related parties				
Amounts receivable from shareholders (a)	-	-	1,421	1,258
PPAR COM Investimentos Ltda - amounts receivable (g)	-	-	1,988	1,993
Other	4,638	74	4,726	86
Total	4,638	74	8,135	3,337
Liabilities				
Dividends payable	14,207	65,126	27,022	77,730
Interest on equity capital	192,525	106,783	192,998	106,783
Subtotal	206,732	171,909	220,020	184,513
Other debits with related parties				
Amounts payable to individual shareholders(a)	2,517	41,145	2,552	41,181
Debts with investees (a)	12,312	30	-	-
Canadá Administradora de Bens Imóveis Ltda. - Purchase of property, plant and equipment	1,343	1,334	1,343	1,334
Other	142	142	145	142
Total	16,314	42,651	4,040	42,657
Leases payable with related parties	144	-	622,878	-
Transactions	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Revenue from medical care services (d)	-	-	2,010	1,027
Revenue from administrative services (e)	-	-	-	371
Lease cost for “Canada Administradora de Bens Imóveis Ltda.” (b)	-	-	-	(17,148)
Lease cost for “Fundação Ana Lima” (b)	-	-	-	(2,428)
Media broadcasting expenses (c)	-	-	(1,201)	(1,249)
Reimbursement of shared use of goods (f)	-	(1,005)	(1,515)	(1,005)
Lease expenses for "Quixadá Participações Ltda.” (b)	-	-	-	(23,341)
Interest on leases with Canadá Administradora de Bens Imóveis Ltda (h)	(12)	-	(16,156)	-
Interest on leases with Fundação Ana Lima (h)	-	-	(516)	-
Interest on leases with Quixadá Participações Ltda (h)	-	-	(36,235)	-
	(12)	(1,005)	(53,613)	(43,773)

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 share capital.

(b) Lease of commercial real estate and furniture 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 update based on the accumulated change in the IGP-M and b) review of the base value every 60 months of the lease term. With the adoption of IFRS 16, lease costs started being recorded in liabilities, in the leases payable account.

(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 S/A 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 interest in lease agreements with related parties in accordance with application of IFRS 16.

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$ 27,110 in the period ended December 31, 2019 (R$ 25,033 as of December 31, 2018).

17 Investments

(i) Parent company

a. Breakdown

Investee	Share capital	Equity	Income (loss) for the period	Number of shares	Percentage Interest	Equity in net income of subsidiaries 12/31/2019	Equity in net income of subsidiaries 12/31/2018	Investments 12/31/2019	Investments 12/31/2018
Hapvida Assistência Médica Ltda.	921,720	1,720,633	244,467	921,720	99.99%	244,467	369,567	1,720,633	1,476,166
Mais Odonto Assistência Odontológica Ltda.	3,303	3,246	102	3,303	99.99%	102	69	3,246	3,144
Hospital Antônio Prudente Ltda.	53,180	77,998	29,321	53,180	99.99%	29,321	(13,441)	77,998	48,677
Hospital Antônio Prudente de Natal Ltda. (a)	-	-	-	-	-	-	3,043	-	-
Hospital Antônio Prudente da Bahia Ltda. (a)	-	-	-	-	-	-	5,873	-	-
Ultra Som Serviços Médicos S/A (d)	5,503,589	6,102,068	442,698	676,160	100%	442,698	244,801	6,102,068	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)	-	-	-	-	-	-	25,465	-	-
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. (d)	-	-	-	-	99.99%	-	(55)	-	1,120
Haptech Soluções Inteligentes Ltda. (c)	-	-	(516)	-	-	(516)	(18,075)	-	11,417
Atendimed Serviços Médicos Ltda. (a)	-	-	-	-	-	-	13,042	-	-
Hospital Francisca de Sande Ltda. (a)	-	-	-	-	-	-	(2,020)	-	-
Vida & Imagem Radiologia e Diagnóstico Ltda. (e)	-	-	7,083	400	99.99%	6,672	16,376	-	21,599
Vida & Imagem Serviços Médicos Ltda. (a)	-	-	-	-	-	-	19,250	-	-
Hapvida Participações em Tecnologia Ltda (b)	23,400	24,434	1,033	23,400	99.99%	1,033	-	24,434	-
	6,505,192	7,928,378	724,187	1,678,163	-	723,776	691,592	7,928,378	2,373,134

(a) On February 28, 2018, May 31, 2018 and August 31, 2018, the meetings of shareholders of Ultra Som Serviços Médicos S/A 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. 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.

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

(b) In July 2019, the subsidiary was extinguished.

(c) In December 2019, a meeting of the partners of Ultra Som Serviços Médicos S/A approved the capital increase through the contribution of the partner Hapvida Participações S.A., as well as with the merger of shares of the investee São Francisco Participações S/A. – (c)

(d) In December 2019, the meeting of partners of Ultra Som Serviços Médicos S/A approved the merger of a subsidiary. The purpose of the merger was to achieve significant economies of scale through the decrease of expenses given the standardization and rationalization of administrative and operational activities. See Note 3.

b. Changes

Investee	**Balance 12/31/2017**	**Equity in net income of subsidiaries**	**Dividends**	**Interest on shareholders' equity**	**Merger**	**Capital increase**	**Advance for future capital increase**	**Write-off**	**Balance 12/31/2018**	**Equity in net income of subsidiaries**	**Interest on shareholders' equity**	**Capital increase**	**Acquisition**	**Merger**	**Write-off**	**Balance at 12/31/2019**
Hapvida Assistência Médica Ltda.	1,143,998	369,567	(98,319)	(42,400)	-	79,950	23,370	-	1,476,166	244,467	-	-	-	-	-	1,720,633
MaisOdonto Assistência Odontológica Ltda.	3,075	69	-	-	-	-	-	-	3,144	102	-	-	-	-	-	3,246
Hospital Antônio Prudente Ltda.	10,471	(13,441)	-	-	21,647	30,000	-	-	48,677	29,321	-	-	-	-	-	77,998
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 S/A	89,878	244,801	(39,408)	(12,897)	206,776	308,000	13,861	-	811,011	442,697	(14,542)	4,834,092	-	28,809	-	6,102,067
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)	-	-	-	-	-	-	-	-	-	-	-

Investee	Balance 12/31/2017	Equity in net income of subsidiaries	Dividends	Interest on shareholders' equity	Merger	Capital increase	Advance for future capital increase	Write-off	Balance 12/31/2018	Equity in net income of subsidiaries	Interest on shareholders' equity	Capital increase	Acquisition	Merger	Write-off	Balance at 12/31/2019
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	6,672	-	-	538	(28,809)	-	-
Vida & Imagem Serviços Médicos Ltda.	36,854	19,250	-	-	(56,104)	-	-	-	-	-	-	-	-	-	-	-
Hapvida Participações em Tecnologia Ltda	-	-	-	-	-	-	-	-	-	1,033	-	23,401	-	-	-	24,434
Total	1,421,051	698,823	(176,519)	(55,297)	-	417,950	67,263	(137)	2,373,134	723,776	(14,542)	4,857,493	538	-	(12,021)	7,928,378

c. *Acquisition of companies*

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 conditions precedent to the acquisition were completed in January 2020.

Medical Medicina
On December 3, 2019, a binding proposal was signed for the acquisition of all shares held by members of Medical Medicina Cooperativa Assistencial from Limeira. The transaction amount was initially set at approximately R$ 294.0 million. The conclusion of this transaction is subject to the successful negotiation of the respective contractual acquisition instruments and their respective formalizations, as well as the appreciation and approval by the National Supplementary Health Agency (ANS) and the Administrative Council for Economic Defense (Cade).

Plamed Planos de Assistência
On December 13, 2019, a protocol of understanding was signed for the voluntary transfer of the full portfolio of beneficiaries of Plamed Plano de Assistência Médica Ltda. The transaction amount was initially set at R$ 57.5 million. The conclusion of this transaction is subject to appreciation and approval by the National Supplementary Health Agency (ANS) and of the Administrative Council for Economic Defense (Cade).

As of the date of issuance of these financial statements, the transactions were still being analyzed by the regulatory agencies. Thus, due to the conclusion of the negotiations, there are no effects to be reported in the financial statements for the year ended December 31, 2019.

18 Property, plant and equipment

	Consolidated				
	Annual depreciation rate	**Cost**	**Accumulated depreciation**	**Net 12/31/2019**	**Net 12/31/2018**
Right of use assets	7.1%	989,204	(56,488)	932,716	-
Land	-	33,923	-	33,922	-
Real estate	4.0%	400,676	(6,282)	394,394	3,801
Vehicles	20.0%	22,849	(3,932)	18,917	2,656
IT equipment	14.7%	76,822	(35,572)	41,250	22,735
Machinery and equipment	9.7%	312,860	(96,684)	216,176	130,741
Furniture and fixtures	10.0%	75,931	(21,648)	54,283	35,253
Facilities	4.0%	270,737	(18,694)	252,043	171,633
Construction in progress		156,618	-	156,618	46,334
Other		-	-	-	1,375
Total		2,339,620	(239,300)	2,100,319	414,528

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

	Consolidated							
	12/31/2018	**Addition**	**Initial adoption – IFRS 16**	**Net write-offs**	**Depreciation**	**Transfers**	**Acquisition of companies**	**12/31/2019**
Right of use assets	-	86,312	806,425	-	(56,488)	-	96,467	932,716
Land	-	(2,994)	-	-	-	-	36,916	33,922
Real estate	3,801	245,832	-	-	(4,333)	4,584	144,510	394,394
Vehicles	2,656	1,127	-	(27)	(1,855)	368	16,648	18,917
IT equipment	22,735	6,063	-	(25)	(7,313)	2,744	17,046	41,250
Machinery and equipment	130,741	48,180	-	(459)	(24,634)	17,436	44,912	216,176
Furniture and fixtures	35,253	10,733	-	(83)	(5,570)	4,131	9,819	54,283
Facilities	171,633	1,055	-	-	(8,554)	85,691	2,218	252,043
Construction in progress (a)	46,334	159,253	-	(4,719)	-	(113,579)	69,329	156,618
Other	1,375	-	-	-	-	(1,375)	-	-
Total	414,528	555,561	806,425	(5,313)	(108,747)	-	437,865	2,100,319

	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	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.

19 Intangible assets

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

		Consolidated			
	Annual amortization rate	**Cost**	**Accumulated amortization**	**2019 Net**	**2018 Net**
Customer portfolio (i)	20.00%	2,365,696	(106,525)	2,259,171	23,611
Software	20.00%	105,990	(26,162)	79,828	16,195
Patents and trademarks		374,878	-	374,878	1,701
Non-compete	20.0%	36,255	(6,049)	30,206	6,300
Goodwill due to expected future profitability		2,477,311	-	2,477,311	36,452
Advances (ii)		-	-	-	30,835
Other		86,707	(2,245)	84,462	-
Total		5,446,837	(140,981)	5,305,856	115,094

	Consolidated						
	12/31/2018	Additions	Amortization	Write-off	Transfer	Acquisitions of companies	12/31/2019
Customer portfolio (i)	23,611	2,234,776	(76,121)	(23,751)	-	100,656	2,259,171
Software	16,195	6,328	(9,382)	-	39,652	27,035	79,828
Patents and trademarks	1,701	373,149	-	-	-	28	374,878
Non-compete	6,300	27,255	(3,349)	-	-	-	30,206
Goodwill due to expected future profitability	36,452	2,360,357	-	-	-	80,502	2,477,311
Advances (ii)	30,835	8,817	-	-	(39,652)	-	-
Other	-	86,707	(2,245)	-	-	-	84,462
Total	115,094	5,097,389	(91,097)	(23,751)	-	208,221	5,305,856

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

(i) These are client portfolios arising from the acquisition of Grupo São Francisco and Grupo América, as highlighted in note 2 – Business combination and client portfolio of the companies Assistência Médica Hospitalar Ltda. (UNIPLAM) and Free Life Operadora de Planos de Saúde Ltda, transferred in 2018 after authorization by ANS, pursuant to official letter 15/2018/GGREP/DIRAD-DIPRO/DIPRO and 18/2018/GGREP/DIRAD-DIPRO/DIPRO, respectively.

On December 18, 2018, according to Circular Letter 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 35.109-1, company that operates in the complementary health sector headquartered in Fortaleza, state of Ceará. The portfolio has around 23 thousand beneficiaries.

(ii) Advances for the acquisition of new software that are being deployed in the Company.

Goodwill due to expected future profitability and intangible assets with undefined useful life

The goodwill and brand balances were tested for impairment purposes on December 31, 2019 using the discounted cash flow for each cash-generating unit (“CGU”), giving rise to the value in use.

For the evaluation of recoverable value, assets are grouped into lower levels for which there are identifiable separate cash flows. In determining the book value of each CGU, the Company considers not only the recorded intangible assets, but also the tangible assets necessary to conduct the business, as it is only through the use of this set that the Company will generate economic benefits.

The Company allocates goodwill and brand balances to the following cash generating units: Grupo São Francisco, Grupo América, Ultra som and MAIDA, as shown below:

	12/31/2019				
	San Francisco group	Grupo América	Ultra Som	MAIDA	Total
Book value – Goodwill	1,977,948	356,884	137,092	5,387	2,477,311
Book value – Brands	359,943	13,204	1,731	-	374,878

	12/31/2019				
	San Francisco group	Grupo América	Ultra Som	MAIDA	Total
Assumptions					
Volume growth	6.30%	5.06%	5.00%	3.50%	N/A
Long-term gross margin	31.60%	28.60%	40.30%	32.50%	N/A
Discount rate	10.70%	12.60%	9.80%	21.90%	N/A
Growth rate in perpetuity	6.30%	6.60%	6.60%	3.50%	N/A

According to the recoverability analysis prepared by an independent company, the Company concluded that the value in use of CGUs is higher than their respective book value, indicating that there is no evidence of impairment loss.

The assumptions adopted in the impairment tests for intangible assets are in line with internal projections for the five-year period, while the period after five years is extrapolated using a perpetuity growth rate. The discounted cash flow that determined the value in use of cash-generating units was prepared in accordance with the Company's business plan.

The Company also considered market variables such as GDP (source: Banco Santander Microeconomic Projections), Long Term General Price Index - IPCA (source: Central Bank of Brazil), and interest rate (source: Banco Santander Microeconomic Projections).

20 Borrowings and financing

a. Borrowings and financing

Type	Maturity	Interest rate	Balance at 12/31/2018	Acquisition of companies (a)	Interest accrual	Interest payment	Payment of principal	Exchange-rate change (b)	Balance at 12/31/2019
Working capital	07/08/2020–11/08/2021	12.78–18.88% p.a.	-	60,053	647	-	-	2,662	63,362
Finame	01/15/2020–07/17/2023	3.00–12.91% p.a.	-	4,515	46	(331)	(141)	-	4,089
Other	01/31/2020–06/08/2021	121.19% - DI rate	-	69	8	(21)	(8)	-	48
			-	**64,637**	**701**	**(352)**	**(149)**	**2,662**	**67,499**

(a) Amount related to loans of companies acquired by the Company during the period ended December 31, 2019.

(b) The Company raises funds in foreign currency in the "4131" modality, bearing prefixed interest. Aiming to hedge the foreign exchange exposure of these operations, the Company contracted swaps linked to "4131" operations, duly matched with the same terms, rates and amounts.

The Group's loans and financing are guaranteed by the fiduciary lien of financed hospital assets.

The working capital credit agreements have covenants specific to the nature of the operation, which, if not fulfilled, may lead to the early maturity of the respective operations.

Such clauses, among other conditions, require that the Company and its subsidiaries do not default on their obligations; lawsuits, demands or claims outstanding or about to be filed, which, if decided against the Company, would have a detrimental effect on its financial condition or impair its ability to meet its obligations.

As of December 31, 2019, loans and financing have the following maturity schedule:

	Consolidated
	12/31/2019
2020	26,804
2021	21,793
2022	18,608
2023	294
	67,499

b. Debentures

Parent Company and Consolidated								
eType	Maturity	Interest rate	Balance at 12/31/2018	Issuance of Debentures	Issuance costs	Interest accrual	Recognized issuance cost	Balance at 12/31/2019
Series 1	July 2024	109% DI rate	-	1,764,888	(4,530)	43,382	365	1,804,105
Series 2	July 2026	110.55% DI rate	-	235,112	(616)	5,844	49	240,389
			-	2,000,000	(5,146)	49,226	414	2,044,494

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 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.

Debentures have the following maturity schedule:

	Parent Company and Consolidated
	12/31/2019
2020	48,234
2022	587,900
2023	586,914
2024	586,915
2025	117,268
2026	117,263
	2,044,494

Warranties

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 advanced maturity, including, but not limited to, those that oblige the Company to keep a “financial index” higher or lower than 3.0 measure on a quarterly basis. Said 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. On December 31, 2019, the Company's financial ratio is -1.0.

21 Leasing payable

As described in Note ~~9,~~ 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 IFRS 16.

	Parent company	**Consolidated**
	12/31/2019	**12/31/2019**
Balance at 12/31/2018	**-**	**-**
Acquisition of companies	-	100,235
Initial adoption	2,731	806,425
New contracts	3,807	31,575
Remeasurement of contracts	206	54,698
Interest accrual	223	74,092
Payments	(692)	(108,214)
Balance at 12/31/2019	**6,275**	**958,811**

Below we detail future payments of lease agreement considerations:

	Parent company	**Consolidated**
	12/31/2019	**12/31/2019**
2020	1,549	105,434
2021	1,535	101,631
2022	1,535	96,202
2023	1,382	91,562
2024	1,128	88,086
>2025	687	1,998,034
Total minimum payments of lease	**7,816**	**2,480,949**
Less total interest	(1,541)	(1,522,138)
Present value of minimum payments of lease	**6,275**	**958,811**
Current balance	1,078	36,866
Non-current balance	**5,197**	**921,945**

The weighted average rate used to calculate the discount to present value of lease minimum payments is 9.10% p.a. as of December 31, 2019. There are no significant differences between the present value of lease minimum payments and the market value of these financial liabilities.

22 Technical provisions for healthcare operations

	Consolidated	
	12/31/2019	**12/31/2018**
Unearned premium reserve - UPR (a)	157,889	36,537
Outstanding SUS claims reserve (c)	399,283	58,028
Outstanding claims reserve (b)	123,075	162,463
Incurred but Not Reported claims - IBNR (d)	176,531	151,097
Other provisions	1,365	-
Total	858,143	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 of Group’s employees (medical auditors).

(c) The Group records events referring to reimbursement of medical expenses to SUS in this account, including the collection notifications already sent and an estimate of future notifications that are under analysis, calculated according to its own methodology, based on a lower court decision obtained referring to proceeding 1008684-13.2020.4.01.3400.

(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 measures 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.

Health care operators, subsidiaries of the Company, issue health insurance and dental assistance contracts in which they assume insurance risks, which include the frequency of use and cost fluctuations.

If any insufficiency is identified, the Company records the loss immediately as expense in income for the year, first reducing the acquisition costs, then forming additional provisions for insurance liabilities already recorded on the test date.

The last liability adequacy test was carried out on the base date of December 31, 2019. Its result did not show any insufficiency on the date of the test performance. Therefore, there was no need for adjustments to the recorded provisions. There was no need for additional provision in relation to the liability adequacy test for the period.

The technical provisions represent the calculation of the expected risks related to the healthcare operations of Group operators, 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:

- **Adjusted minimum 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 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:

	12/31/2019	**12/31/2018**
Minimum adjusted equity (MAS)	1,616,292	1,196,942
Solvency margin required (SM)	1,197,091	671,107
Sufficiency calculation	419,201	525,835

- **Collateral assets:** under ANS Regulatory Instruction 392/15, health and other subsequent changes, dental plan providers are required to have sufficient collateral 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:

	12/31/2019	**12/31/2018**
Required collateral assets	458,759	343,427
Collateral assets (see Note 13-c)	660,750	407,135
Sufficiency calculation	201,991	63,708

Changes in technical provisions

	UPR	**Outstanding SUS claims reserve**	**Outstanding claims reserve**	**IBNR**	**Other provisions**	**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	-	-	(4,119,768)	-	-	(4,119,768)
Balances at 12/31/2018	36,537	162,463	58,028	151,097	-	**408,125**
Provisions	5,949,861	122,927	2,077,416	12,570	10	8,162,784
Acquisitions of companies	48,653	67,516	85,425	76,265	1,355	279,214
Reversals	(5,877,162)	-	-	(63,401)	-	(5,940,563)
Restatements	-	48,421	-	-	-	48,421
Settlements	-	(2,044)	(2,097,794)	-	-	(2,099,838)
Balances at 12/31/2019	157,889	399,283	123,075	176,531	1,365	858,143

23 Payroll obligations

	Parent company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Provision for vacation pay and 13th salary	-	-	147,211	63,716
Payroll payable	-	1,876	11,920	47,893
Other payroll obligations	948	905	13,343	1,338
Total	948	2,781	172,474	112,947

24 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	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Provision for tax risk (includes ANS)	35,954	34,890	249,756	171,324
Provision for civil risk	3	-	87,353	66,338
Provision for labor risk	26	-	51,549	25,779
Total operating income (expense)	**35,983**	**34,890**	**388,658**	**263,441**

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

Provision for tax, civil and labor risks	**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	1,093
Reversals	-
Write-offs	-
Balances at December 31, 2019	**35,983**

	Consolidated			
	Civil	**Labor**	**Tax**	**Total**
Balances at January 1, 2018	**66,103**	**25,604**	**157,077**	**248,784**
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	**66,338**	**25,779**	**171,324**	**263,441**
Provisions	40,686	13,807	35,261	89,754
Acquisitions of companies	23,788	21,563	50,829	96,180
Reversals	(9,421)	(4,960)	(3,111)	(17,492)
Write-offs	(33,758)	(4,920)	(4,547)	(43,225)
Transfers	(280)	280	-	-
Balances at December 31, 2019	**87,353**	**51,549**	**249,756**	**388,658**

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$ 10,887 (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$ 16,223 (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$ 15,652 (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 have provisioned the amount of **R$ 10,502 (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 give the following examples: physicians, radiology technicians, physiotherapists, phonoaudiologists etc. The Company and its subsidiaries have provisioned the amount of R$ 23,729 (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 Company and its subsidiaries, 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$ 27,268 (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$ 91,767 (R$ 86,965 as of December 31, 2018)**, to support probable losses arising from lawsuits, and the amount of **R$ 78,215 (R$ 46,552 as of December 31, 2018)** to cover probable losses arising from administrative claims.

- **Theme: 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$ 5,734 (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 December 31, 2019 and December 31, 2018:

	Parent company		Consolidated	
Cases with possible loss - nature:	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Tax (iii)	2,682	2,591	643,015	653,941
Civil (i)	50	784	288,911	232,674
Labor (ii)	3,283	768	229,437	68,945
Total operating income (expense)	6,015	4,143	1,161,363	955,560

(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$ 10,547 (R$ 9,978 as of December 31, 2018), related to civil, judicial and administrative proceedings, classified as possible loss risk.

- Theme: Indemnity lawsuits - Medical Acts - In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 28,897 (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$ 210,804 (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$ 38,663 (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$ 49,747 (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$ 35,999 (R$ 26,224 as of December 31, 2018), related to labor lawsuits and proceedings, classified as possible loss risk.

- Theme: Assessment Notices / NDFC / NFGC / NFRC - The contingency currently addressed arises from Assessment Notices and Debt/Tax Notices related to the Employee Government Severance Fund (FGTS) filed against the Company and its subsidiaries claiming administrative fines and FGTS payments arising from alleged violations of the legal rules governing labor and employment relationships. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of R$ 143,691, related to tax 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$ 154,380 (R$ 96,375 as of December 31, 2018), related to regulatory proceedings and R$ 27,410 (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$ **125,619 (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$ 118,490 (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$ 217,116 (R$ 212,294 as of December 31, 2018)**, related to tax lawsuits and proceedings, classified as possible loss risk.

Judicial deposits

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

	Parent company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Tax judicial deposits	-	66	129,041	60,402
Civil judicial deposits	1,049	262	46,985	28,690
Labor judicial deposits	149	110	11,610	7,799
Total operating income (expense)	1,198	438	187,636	96,891

25 Equity

a. Public offering for public distribution of shares with restricted efforts for stock placement

On July 24, 2019, the Company carried out the public offering for the primary distribution of shares, with restricted placement efforts, pursuant to CVM Instruction No. 476, dated January 16, 2009 (Follow-on). The amount of shares approved on that date by the Company's board of directors was 55,728,000, totaling a total capital increase of R$ 2,664,495 ("Restricted Offer"). Considering the costs related to the Restricted Offer, which total R$ 74,188, the net capital increase was R$ 2,590,307.

b. Share capital

On August 22, 2019, as a result of the merger of GSFRP shares into Ultra Som, pursuant to Note 2, the Company issued 8,333,333 common shares, all book-entry and without par value, which resulted in an increase of R$ 250,000 in the Company's capital.

On December 31, 2019 and 2018, the subscribed and paid-up share capital is broken down as follows:

	12/31/2019	12/31/2018
Number of shares	742,985,906	671,958,573
Share capital	5,825,522	2,911,028
Costs with issuance of shares	(174,996)	(100,809)
	5,650,526	**2,810,219**

c. Legal reserve

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

d. Dividends

Changes in dividends and interest on shareholders' equity payable are as follows:

Balance of dividends and interest on shareholders' equity as of December 31, 2017	836,338
Dividends proposed - Non-controlling partners	677
Proposed dividends - Controlling shareholders	63,167
Interest on shareholders' equity proposed to the owners of the company, net of withholding corporate income tax (i)	82,399
Interest on shareholders' equity proposed to minority shareholders, net of corporate income tax (i)	24,385
Dividends payable from investments acquired	1,319
Dividends and interest on shareholders' equity effectively paid in the period	(823,772)
Balance of dividends and interest on shareholders' equity as of December 31, 2018	184,513
Dividends proposed on December 31, 2019 - minority shareholders	7,616
Dividends proposed on December 31, 2019 - owners of the company	23,210
Interest on shareholders' equity proposed to minority shareholders, net of corporate income tax (ii and iii)	51,738
Interest on shareholders' equity proposed to the owners of the Company, net of withholding corporate income tax (i and iii)	140,788
Dividends payable from investments acquired	4,887
Dividends and interest on shareholders' equity effectively paid in the period	(192,732)
Balance of dividends and interest on shareholders' equity as of December 31, 2019	220,020

(i) On December 11, 2018, the Board of Directors' meeting resolved on the payment of interest on shareholders' equity 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 shareholders' equity 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.

(iii) On December 27, 2019, the Board of Directors' meeting resolved on the payment of interest on shareholders' equity in the gross amount of R$ 118,646, equivalent to R$ 0.16 per share issued by the Company, with a 15% retention, except for the shareholders that proved to be immune or exempt, as well as for the remaining legal hypotheses.

e. Earnings per share

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

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

	12/31/2019	**12/31/2018**
Net income attributable to the Company (R$ thousand)	851,846	788,334
Net income attributable to controlling shareholders (In thousands of Reais)	849,825	787,470
Weighted average number of shares (thousands of shares)	703,682	633,465
Basic and diluted earnings per share (R$ thousand)	1.21	1.24

The basic and diluted earnings per share of December 31, 2019 is in effect with the stock split registered on June 2018 to allow comparability between the periods.

26 Net revenue from services provided

	Consolidated	
	12/31/2019	**12/31/2018**
Insurance revenue	5,877,162	4,758,160
Revenue from other activities	54,015	25,569
Deductions (a)	(296,794)	(207,831)
Total	5,634,383	4,575,898

(a) Deductions refer substantially to taxes on revenue.

27 Cost of services provided

	Consolidated	
	12/31/2019	**12/31/2018**
Medical, hospital and other costs	(3,451,256)	(2,732,094)
Change in IBNR	50,831	(22,568)
Total	(3,400,425)	(2,754,662)

28 Selling expenses

	Consolidated	
	12/31/2019	**12/31/2018**
Expenses on advertising and marketing	(45,005)	(38,341)
Commission expenses	(304,255)	(256,393)
Impairment loss on trade receivables	(166,968)	(148,680)
Other sales expenses	(3,499)	-
Total	(519,727)	(443,414)

29 Administrative expenses

	Parent company	
	12/31/2019	**12/31/2018**
Own personnel expenses	(25,594)	(25,937)
Expenses on outsourced services	(4,569)	(7,026)
General services, rentals and utilities	(2,786)	(2,580)
Tax expense	(464)	(13,682)
Provision for tax, civil and labor risks	(2,023)	11,163
Other expense, net.	2	(1,445)
Total	(35,434)	(39,507)

	Consolidated	
	12/31/2019	**12/31/2018**
Own personnel expenses	(222,508)	(195,346)
Expenses on outsourced services	(158,204)	(98,918)
General services, rentals and utilities	(202,776)	(103,159)
Tax expense	(5,568)	(38,073)
Provision for tax, civil and labor risks	(76,437)	(62,442)
Other expense, net.	(10,587)	(9,240)
Total	(676,080)	(507,178)

30 Financial income (loss)

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Financial revenues				
Interest on investments - except Collateral Assets	128,602	77,509	241,223	153,260
Financial revenue from investments - Collateral Assets	-	-	18,773	21,706
Interest on overdue receivables	-	-	26,615	24,745
Financial revenues from derivative instruments	-	-	2,204	-
Decrease in charges – Refis	-	2,542	-	12,314
Other	10	-	21,765	1,064
	128,612	80,051	310,580	213,089
Financial expense				
Interest in Debentures	(49,227)	-	(49,227)	-
Interest on leases operations	(223)	-	(74,092)	-
Discounts	-	-	(23,812)	(15,932)
Bank expenses	(358)	(11)	(10,057)	(7,924)
Financial expenses with derivative instruments	-	-	(2,445)	-
Tax on financial income	-	(2,700)	(215)	(10,212)
Inflation adjustment	(193)	(43)	(50,369)	(6,557)
Other	(432)	-	(4,386)	(644)
	(50,433)	(2,754)	(214,585)	(41,269)
Total	78,179	77,297	95,995	171,820

31 Income tax and social contribution

a. The reconciliation of the effective income tax and social contribution 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:

	12/31/2019		12/31/2018	
Income before income tax and social contribution	-	1,129,471	-	1,042,335
Rates				
IRPJ, plus the additional tax rate	-	25%	-	25%
CSLL	-	9%	-	9%
Expenses with income tax and social contribution at the statutory rate	34.00%	384,020	34.00%	354,394
Permanent differences				
Tax loss for which a deferred tax asset was not formed	-	-	0.91%	9,527
Expenditures with issuance of shares	-2.23%	(25,224)	-3.29%	(34,274)
Interest on shareholders’ equity	--6.71%	(75,834)	-5.84%	(60,912)
Non-deductible provisions	0.05%	614	0.62%	6,415
Other additions and exclusions	-0.47%	(5,317)	0.02%	194
Subtotal	-9.36%	(105,761)	-7.58%	(79,050)
Impacts of the tax on entities taxed by deemed profit (i)				
Reversal of the tax effect by the actual profit	-0.11%	(1,241)	-2.72%	(28,366)
Income tax and social contribution calculated at deemed profit	0.05%	607	0.67%	7,023
Subtotal	-0.06%	(634)	-2.05%	(21,343)
Expense with income tax and social contribution (rate at %)	24.58%	277,625	24.37%	254,001
Current income tax and social contribution	-	362,818	-	315,089
Deferred income tax and social contribution	-	(85,193)	-	(61,088)
Expense with income tax and social contribution	24.58%	277,625	-	254,001

(i) 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	
	12/31/2019	**12/31/2018**
Balance at the beginning of the period	33,860	54,479
Income tax and social contribution	362,818	315,089
Balance of income tax and social contribution of acquiree	7,470	383
(-) Payments made	(342,166)	(336,091)
Balance at end of the period	61,982	33,860

The Company and its subsidiaries do not have income tax and 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 shareholders' equity 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 12/31/2019**
Provision for tax, civil and labor risks (i)	15,683	(3,820)	11,863	372	12,235
Credit on tax loss and negative basis	-	55,916	55,916	80,732	136,648
Issuance cost of debentures	-	-	-	1,609	1,609
Deferred tax on right-of-use assets	-	-	-	24	24
Other tax credits	-	12	12	16	28
Total	**15,683**	**52,108**	**67,791**	**82,753**	**150,544**

(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.

	Consolidated					
	Balance at 12/31/2017	**Recognized in income (loss)**	**Balance at 12/31/2018**	**Recognized in income (loss)**	**Acquisitions of companies**	**Balance at 12/31/2019**
Provision for tax, civil and labor risks (i)	84,586	4,983	89,569	(1,202)	32,663	121,030
Impairment loss on trade receivables (i)	6,722	6,449	13,171	2,353	10,101	25,625
Deferred commissions expenses	(33,156)	(13,499)	(46,655)	(1,631)	(11,151)	(59,437)
Credit on tax loss and negative basis (ii)	-	55,916	55,916	101,554	-	157,470
Amortization of surplus	-	-	-	22,218	-	22,218
Deferred tax on right-of-use assets	-	-	-	7,591	-	7,591
Issuance cost of debentures	-	-	-	1,661	-	1,661
Deductible provisions	-	6,849	6,849	(45,747)	45,728	6,830
Other tax credits	6,765	390	7,155	(1,604)	950	6,501
Total	**64,917**	**61,088**	**126,005**	**85,193**	**78,291**	**289,489**

The Company has tax losses and negative social contribution bases in calculating taxable income, to be offset against 30% of annual taxable income, with no prescription period. The Company is following a strategic corporate restructuring plan, which supports the realization of said tax credits, as follows:

	2022	**2023**	**2024**	**Total**
Credit on tax loss and negative basis	45,571	54,043	36,716	136,330

32 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:** prices quoted (not adjusted) in active markets for identical assets and 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)
- **Level 3:** securities, for assets or liabilities, which are not based on observable market data (non-observable inputs).

In the periods ended December 31, 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, including their levels in the evaluation hierarchy. 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.

		December 31, 2019			
		Value per level			
	Notes	**Nive1 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Cash and cash equivalents		-	224,229	-	224,229
Short and long term investments	13	-	3,405,981	-	3,405,981
Trade accounts receivable	14	-	296,987	-	296,987
Related parties	16	-	8,135	-	8,135
Subtotal		-	3,935,332	-	3,935,332
Financial liabilities not valued at fair value					
Loans, financing and debentures	19	-	(2,111,993)	-	(2,111,993)
Trade payables		-	(95,032)	-	(95,032)
Leasing payable	20	-	(958,811)	-	(958,811)
Related parties	15	-	(4,040)	-	(4,040)
Dividends and interest on shareholders' equity	24	-	(220,020)	-	(220,020)
Other accounts payable		-	(133,262)	-	(133,262)
Subtotal		-	(3,523,158)	-	(3,523,158)
Total		**-**	**412,174**	**-**	**412,174**

		December 31, 2018			
		Value per level			
	Notes	**Nive1 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Cash and cash equivalents		-	185,484	-	185,484
Short and long term investments	13	-	3,388,006	-	3,388,006
Related parties	16	-	3,337	-	3,337
Subtotal		-	3,576,827	-	3,576,827
Financial liabilities not valued at fair value					
Trade payables		-	(61,381)	-	(61,381)
Related parties	16	-	(42,657)	-	(42,657)
Other accounts payable		-	(30,857)	-	(30,857)
Subtotal		-	(134,895)	-	(134,895)
Total		**-**	**3,441,932**	**-**	**3,441,932**

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 December 31, 2019, the Company has derivative financial instrument contracts (foreign exchange SWAP), used to reduce exposure to foreign currency exchange rate volatility.

Instrument	**Maturity**	**Long position**	**Short position**	**Notional**	**Amounts receivable**
Foreign exchange swap	Apr 2022	€ + 0.9567% p.a	100% CDI	R$ 25,000	513
Foreign exchange swap	Mar 2022	USD + 3.876% p.a.	100% CDI+ 1.4% p.a	R$ 25,000	1,487
					2,000

(ii) Measurement of fair value

Valuation techniques and significant non-observable inputs

In note 9 we present the valuation techniques used to measure Level 2 fair values for financial instruments not measured at fair value in the Statements of Financial Position, 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) fully comply with ANS regulations; (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 collateral assets

The calculation of technical reserves is performed monthly by actuarial staff, and is monitored by the Controllership 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 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 year. The Group did not record adjustments arising from liability adequacy tests.

Note 22 presents the technical reserves, their natures and breakdown of each obligation related to SUS, due to the particularities set forth by regulation.

Sensitivity analysis

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 December 31, 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 12/31/2019	**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 short and long term investments	661,223	100% CDI	17,853	26,780	35,706	44,633	53,559
Balance of short and long term investments (free)	2,744,759	100% CDI	74,221	111,331	148,442	185,552	222,663
Borrowings and financing							
Debenture - 1st series	(1,807,370)	109% CDI	(52,378)	(78,568)	(104,757)	(130,946)	(157,135)
Debenture - 2nd series	(237,124)	110.55% 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 14, 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; on this occasion, the amounts are considered to be unrecoverable and are recorded directly against 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:

			Ratings of Financial Institutions					
			Fitch (1)		Moody´s (2)		S&P (3)	
	December 31, 2019	December 31, 2018	Short-term	3Long-term	Short-term	Long-term	Short-term	Long-term
Banco Santander S.A.	957,599	879,041	-	-	Br-1	Aaa.br	brA-1+	brAA-
Banco do Brasil S.A.	903,917	647,283	F1+	AA	BR-1	Aa1.br	B	BB-
Banco Itaú Unibanco S.A.	853,520	694,837	F1+	AAA	BR-1	Aa1.br	brA-1+	brAA-
Banco Bradesco S.A.	260,344	538,850	F1+	AAA	BR-1	Aa1.br	brA-1+	brAA-
Caixa Econômica Federal	229,596	278,566	F1+	AA	BR-1	Aa1.br	brA-1+	brAA-
Banco Safra S.A.	134,292	222,269	F1+	AA+	BR-1	Aa1.br	brA-1+	brAA-
Other	66,713	127,160	-	-	-	-	-	-
	3,405,981	**3,388,006**						

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

(2) Ratings List Brazil, published on January 2, 2020.

(3) Ratings from several Brazilian financial institutions reviewed after action on sovereign ratings; published on October 13, 2019.

Cash and cash equivalents

The Group held Cash and cash equivalents in the amount of R$ 224,229 as of December 31, 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 sullying 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**	**Total**
Financial liabilities not valued at fair value					
Trade payables		(95,032)	(95,032)	-	(95,032)
Related parties	16	(4,040)	(4,040)	-	(4,040)
Other accounts payable		(133,262)	-	-	(133,262)
Dividends and interest on shareholders' equity payable	25	(220,020)	(220,020)	-	(220,020)
		(452,354)	**(452,354)**	**-**	**(452,354)**

33 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 June 2019 to June 2020 and maximum guarantee limit of R$ 50,000. The coverage includes pain and suffering, assets, personal guarantees, emergency costs, among other.

34 Subsequent Events

In compliance with CVM/SNC/SEP Circular Letter No. 02/2020, which provides for the effects of Coronavirus in the financial statements and accounting standards, requiring the disclosure of subsequent events for the current scenario, the Company monitors the progress of the events and informs that it has not suffered major economic-financial impacts on its business so far.

However, the degree of uncertainty for many projections increased, and they can only be measured in the future. Moreover, this scenario can generate impacts on the amounts recognized in the financial statements, whether material or not. Currently, the Company has not had its operating cash flow affected, considering that its flow of receipts and payments is following the normal course of business.

As for the operational aspects, based on the best information available, the Company is taking measures to reduce any possible impacts, as follows:

- Creation of a multidisciplinary committee with the purpose of monitoring the pandemic, studying the best possible practices for treatment and control, based on the best experience in Brazil and in the rest of the world;

- Purchase of material inventories, equipment and medicines that should be used throughout the contagious cycle;

- Use of telemedicine for guidance and consultation with its beneficiaries;
- Effort to communicate with your clients and with society in general to prevent virus infection;
- Adoption of a home office regime for its backoffice employees, suspension of holidays for assistance employees and study of actions provided for in Provisional Measure No. 927/2020.

*   *   *

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

Directors' Statement on Financial Statements

In compliance with the provisions contained in CVM Instruction 480/09, the Executive Board declares that it discussed, reviewed and agreed with the individual and consolidated financial statements on December 31, 2019.

Fortaleza, March 25, 2020.

Jorge Fontoura Pinheiro Koren de Lima
CEO

Bruno Cals de Oliveira
Chief Financial and Investor Relations Officer

Opinions and Statements / Statement by the Directors on the Independent Auditor's Report

In compliance with the provisions contained in CVM Instruction 480/09, the Board declares that it discussed, reviewed and agreed with the conclusion expressed in the independent auditor's report on the individual and consolidated financial statements as of December 31, 2019.

Fortaleza, March 25, 2020.

Jorge Fontoura Pinheiro Koren de Lima
CEO

Bruno Cals de Oliveira
Chief Financial and Investor Relations Officer

Report and opinion of the Audit, Risks and Compliance Committee (statutory, provided for in specific CVM criteria)

The Audit, Risks and Compliance Committee of Hapvida Participações e Investimentos SA, in compliance with the legal and statutory provisions, reviewed the individual and consolidated financial statements on December 31, 2019. Based on the procedures carried out, also considering the audit report of the independent auditor Kpmg Auditores Independentes, dated March 25, 2020, as well as the information and clarifications received during the period, believes that these documents are in a position to be considered by the Board of Directors.

Fortaleza, March 25, 2020.

Roberto Antônio Mendes
Member of the Audit, Risks and Compliance Committee

Wilson Carnevalli Filho
Member of the Audit, Risks and Compliance Committee

Maria Paula Soares Aranha
Member of the Audit, Risks and Compliance Committee

João Alberto Silva Neto
Member of the Audit, Risks and Compliance Committee