Hapvida Participações e Investimentos S.A.

Financial statements as individual and consolidated at December 31, 2018

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with the accounting practices adopted in Brazil)

KPDS 457243

Contents

Release of Results - 2018

Fortaleza (CE), March 13, 2019 - Hapvida Participações e Investimentos S.A. (B3:HAPV3), one of the largest medical, hospital and dental care companies in Brazil, and the absolute leader in the North and Northeast regions of the country announces its results for the 2018. Operating and financial information included in this report are presented at IFRS and in millions of Reais (R$), unless otherwise indicated.

Hapvida Participações e Investimentos S.A.

B3:HAPV3 – New Market
Quotation: R$ 33,00
No. of shares: 671,958,573
Market value: R$ 22,2 billion
(closing: 03/12/2018)

Teleconference

March 14, 2019
In Portuguese and English:
(Simultaneous translation)
11:00 (Brasília Time).
09.00am (US EDT)
Tel.: +55 (11) 3193-1001 or +1 (646) 828-8246
Password: Hapvida

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Highlights

- **Beneficiaries (health):** 2,356,009
  +5.9% in relation to 2017
- **Beneficiaries (dental):** 1,679,770
  +18.6% in relation to 2017
- **MLR:** 59.7% in 2018
  +1.3p.p. in relation to 2017
- **Adjusted MLR[1]:** 57.5% in 2018
  +0.3p.p. in relation to 2017
- **Net income:** R$ 4,575.9 million in 2018
  +18.9% in relation to 2017
- **Adjusted EBITDA:** R$ 990.2 million and 21.6% margin in 2018
  +11.1% and -1.5p.p. in relation to 2017
- **Net income:** R$ 788.3 million and 17.2% margin in 2018
  +21.2% and -0.3p.p. in relation to 2017
- **Free cash flow:** R$ 444,2 million in 2018
  -2,6% in relation to 2017

[1]Explained in this document.

Message from the CEO

During the year 2018, the Company remained faithful to its purpose of serving its clients with quality, hospitality and cost efficiency. Among the five largest companies in the country, we maintained the lowest overall rate of complaints according to the National Regulatory Agency for Private Health Insurance and Plans (ANS), reaching **2.37 complaints per 10,000 beneficiaries**, while the average of the five largest companies was 4.19 complaints (the average is 2.70 within the industry).

Also during 2018 we achieved the **best result in the history of the supplementary health sector in the country**, with a net income of R$ 788 million, an **increase of 21.2%** compared to 2017. Our **Adjusted EBITDA reached R$ 990 million, growth of 11.1% over 2017.** These results stem from the continuous cost control (a decrease of 0.3 pp in the year's adjusted loss ratio) and demonstrate how strong our organic growth is, the competitiveness of our product and how strong our business model pillars are.

At the beginning of 2018, we communicated the Company's organic growth strategy, in line with historical growth, and indicated the strategy of acquiring companies, with business prospects in the North and Northeast regions in 2018, and in other regions as of the following year. Even in an adverse market scenario, we recorded a **growth of 5.9% in the number of health care plan beneficiaries**. This growth is 4 times higher than that of the five largest players in the industry. We also recorded a **18.6% growth in dental care plans**, three times the growth of the domestic market. We acquired a portfolio of about 25,000 customers from the company Uniplam, headquartered in Teresina, in the State of Piauí, and acquired the customer portfolio of the company Free Life, with approximately 25,000 customers based in the State of Ceará. With this, we reached **a market share of 29.2% in health care plans in the Northeast region, and 24.0% in the North region**, representing a **growth of 1.5 p.p. and 1.7 p.p.**, respectively, in just 12 months. In exclusively dental care plans, we grew 2.7 p.p. in 2018, reaching a market share of 25.5% in the North and Northeast regions.

The year 2018 was also marked by the deployment of several strategic projects, among which we can highlight the preventive medicine programs for follow-up of diabetic patients, people with chronic kidney disease and pregnant women, the systematization of protocols for emergency care, the process of standardization of surgical kits, and the adjustment of processes to reduce the hospital stay in 7.2%.

For 2019, in addition to the ongoing maturation of the afore mentioned projects, the Company is already developing, among other projects, the systematization of outpatient protocols and the innovative development of new technologies for monitoring vital signs of fetuses, pregnant women and adults, which also performs the patient's risk classification upon their care. Furthermore, in 2019 we will start the operation of our first hospital in Joinville, in the State of Santa Catarina, one of the most industrialized regions within the country. This highly complex hospital, located in one of the main avenues of the city, will be our first project to sell health care plans outside the North and Northeast regions of the country.

Finally, it is important to mention the **Company's focus** on **innovation**. In 2018, the Company established the Innovation Committee and a new board of directors was created to address specifically innovation projects. We are preparing ourselves for **a more digital reality in medicine** and reviewing the whole **journey of our customers in the mobile platform**. We believe that technology will bring disruptive changes in our industry in the next years and we are getting prepared to continue being the pioneer company in the use and improvement of these new technologies. We will continue to pursue our goal of ensuring access to quality health, with hospitality and cost efficiency. This is our mission!

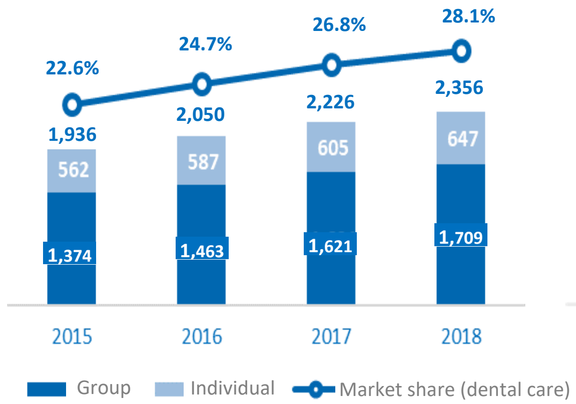
I would like to thank our shareholders for their confidence and the support of the directors and of over 20,000 employees.

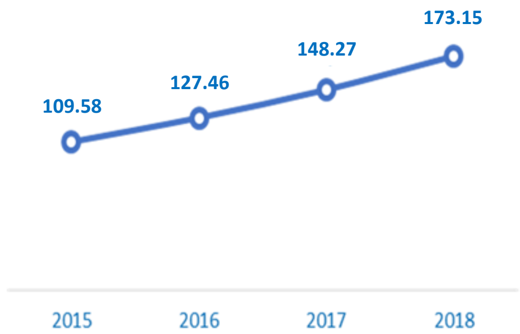
Jorge Pinheiro - CEO

Operating performance

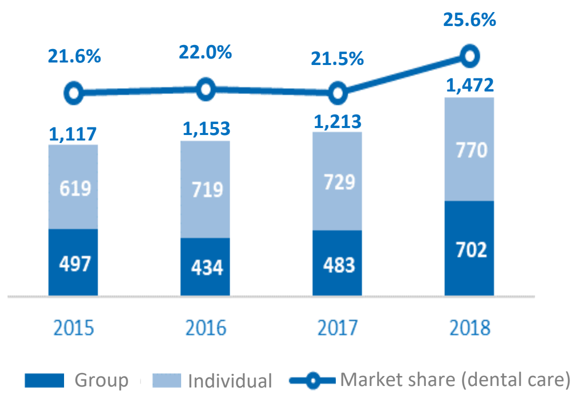
The number of beneficiaries grew 5.9%, leading to an increase of 1.7 p.p. and 1.5 p.p. in the company's market share in the North and Northeast regions, respectively, when compared to 2017. It is worth highlighting the growth in the states of Bahia, Ceará, Pernambuco and Amazonas.

Health segment average ticket presented growth of 12.2% when compared to 2017. Note that sales mix influences average ticket, as practiced prices are different at each market and product in which the Company operates. In collective plans, different negotiations and contract conditions may influence average ticket.





The number of dental care plan beneficiaries presented an annual growth of 18.6% in regions North and Northeast. Market share reached 25.5% with growth of 2.7 p.p. in relation to the same period of prior year. It is also worth mentioning that the company seeks to offer dental care plans to all corporate clients that already have contracted health care plans, which favors the sale of products in the North and Northeastern regions and explains the greater market share gain in these regions.

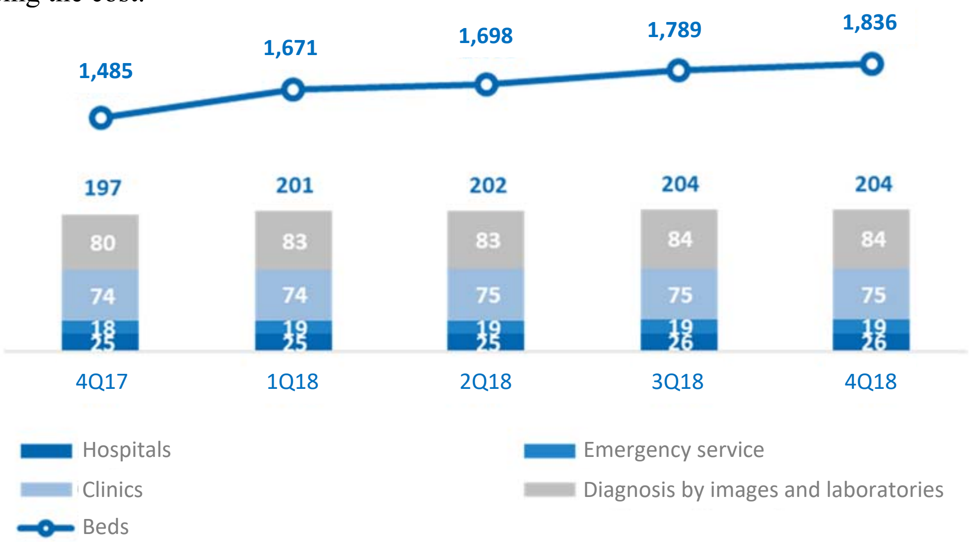


Own service network

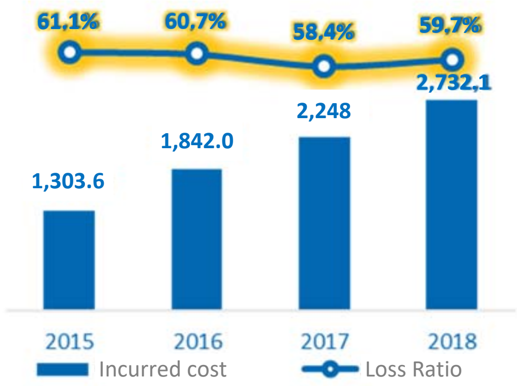
The Company is extending the own service chain with opening of new units, expansion and renovation of those already existing, and investments in information technology, ensuring the provision of services focused on efficiency and beneficiary's satisfaction, besides the cost-effectiveness to maintain the low loss ratio.

During 2018, two new hospitals (in Teresina/PI and Manaus/AM) started operating, as well as four emergency care units (two units in the state of Pernambuco and two units in the state of Bahia). During this period, three units were closed or replaced by larger units, such as the Garcia Dávila Emergency Care Unit, which was discontinued due to the opening of the Rio Poty hospital in Teresina/PI. It is worth highlighting that the capacity expansion of the own care network is also provided by the opening of beds in units that are already in operation, as occurred in the Hospital Vasco Lucena in Recife/PE in 2018 .

In addition, the Company usually maintains strategic capacity available in large cities' hospitals to permit growth and to maintain quality of service to health care plan beneficiaries without increasing the cost.



Loss ratio



Item	2018	2017	2018 x 2017
(=) Total cost	(2,754.7)	(2,261.9)	21.8%
(-) Change of IBNR	(22.6)	(14.1)	59.6%
(=) Incurred cost **(a)**	(2,732.1)	(2,247.8)	21.5%
(=) Net income **(b)**	4,575,9	3,848,0	18.9%
Loss ratio (c) = (a) / (b)	**59.7%**	**58.4%**	**1,3p.p.**

The loss ratio for **2018** reached 59.7%, representing a growth of 1.3 p.p. in relation to 2017, as a result of **(i)** increased reimbursement to SUS and IBNR, both explained on the next page, **(ii)** rental with related parties, **(iii)** the costs releasing new units and **(iii)** the virus disease period presenting higher than estimated costs, as previously reported. Additionally, it is important to highlight the fall of 0,3 p.p. in adjusted sinistrality of 2018 *versus* 2017.

Change of IBNR: the balance of provision for events occurred and not reported in 2018 recorded a decrease of 0.2 p.p. in relation to 2017, to 5.5% of the medical and hospital costs in the last 12 months, even with the increase in the costs with the accredited network - arising from the expansion strategy in the countryside of some States of the North and Northeast regions where the company does not operate with its own service network, due to a smaller scale.

Adjusted loss ratio

Item	2018	2017	2018 x 2017
(=) Incurred cost **(a)**	(2,732.1)	(2,247.8)	21.5%
(-) Change in provision for SUS	(27.0)	(11.3)	138.9%
(-) Difference in rent with related parties	(19.5)	-	N/A
(-) Cost of new units opened in the last 12 months	(54.3)	(13.3)	309.8%
(=) Adjusted incurred cost **(b)**	(2,631.3)	(2,223.3)	18.4%
(=) Net income **(c)**	4,575,9	3,848,0	18.9%
Adjusted loss ratio (d) = (b)/(c)	**57.5%**	**57.8%**	**-0,3p.p.**

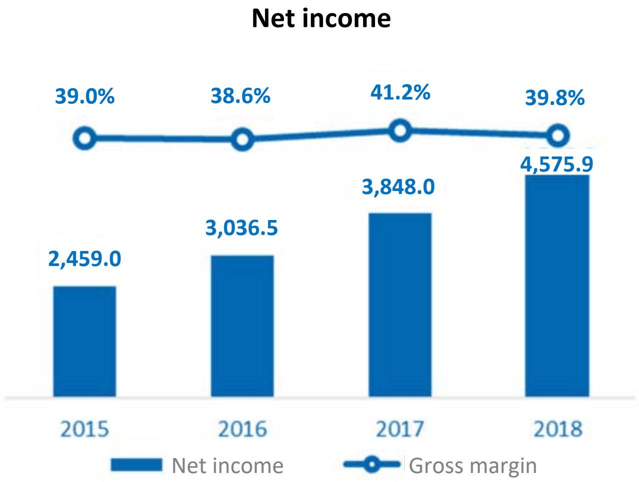
*Not adjusted by the cost of the new units for the period.

Change in the provision for SUS reimbursement: this caption is independent of the direct management of the company, and the amounts disclosed by ANS are fully provisioned in the income (loss). The process adopted by ANS for collecting SUS reimbursement does not have a defined schedule, and depends on the agency's internal analysis flow. This behavior affected the entire market, with companies generally receiving more significant collections from ANS, impacting the need for increasing provisions for SUS reimbursement. The average term for the expenses sent by the ANS to the company is of about 20 months after the performance of the procedure by the beneficiary.

Rent with related parties differential: as disclosed since the IPO process, rental agreements between related parties were adjusted to reflect the market value calculated by expert consultants; for such reason, this caption presented a total increase of R$ 19.5 million in 2018.

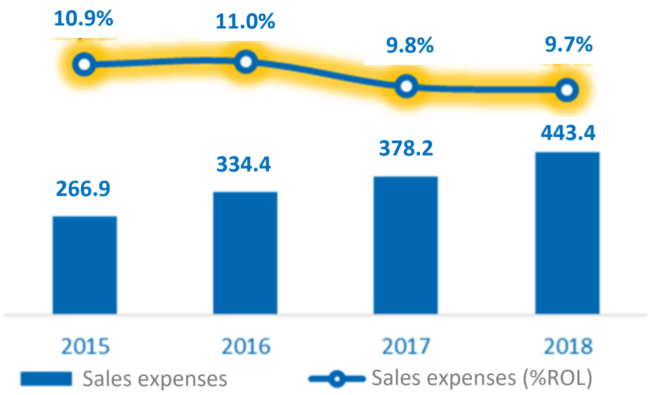
Cost of new units inaugurated in the last 12 months: the opening of new units of the own service network increases the loss ratio momentarily, since the initial fixed costs are not fully diluted during the same period as of the beginning of operations. The Company has strategically accelerated the expansion of its service network, and the amounts spent for the year 2018 were 4 times higher than those of 2017, influencing its costs in the short term.

Financial performance



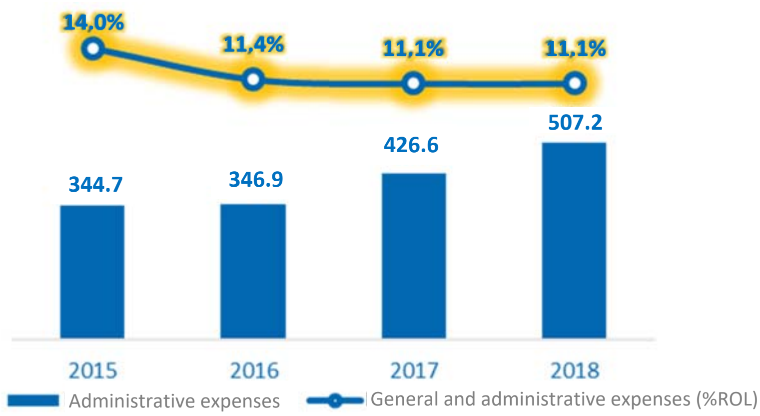
Net income in 2018 presented growth of 18.9% when compared to 2017, mainly due to the **(i)** growth of 5.9% in the number of beneficiaries of health care plans with a 12.2% increase in average ticket and due to the **(ii)** increase of 18.6% in the number of beneficiaries of dental care plans with a decrease of 1.8% in the average ticket.

Sales expenses



Comprised of expenses related to publicity and advertising, commissions and provision for credit losses, this caption remained at the same level of 2017 when evaluated based on net income representativeness. In 2018, commissions for health care plan contracts were adjusted according to the average terms of contracts, and started being deferred in 32 months for individual contracts and in 56 months for corporate plans. The company periodically assesses the average term of the contracts, in accordance with the accounting rules in force.

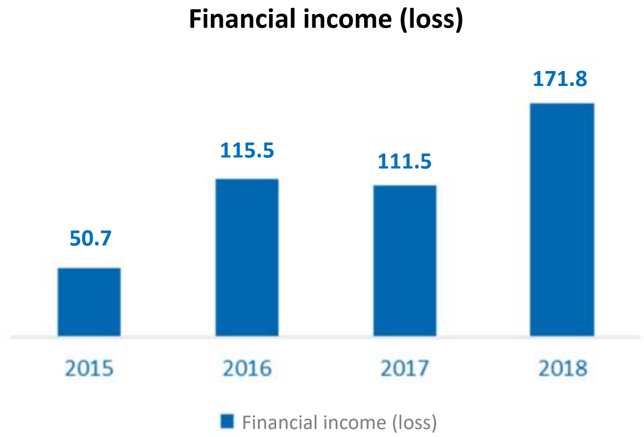
Administrative expenses



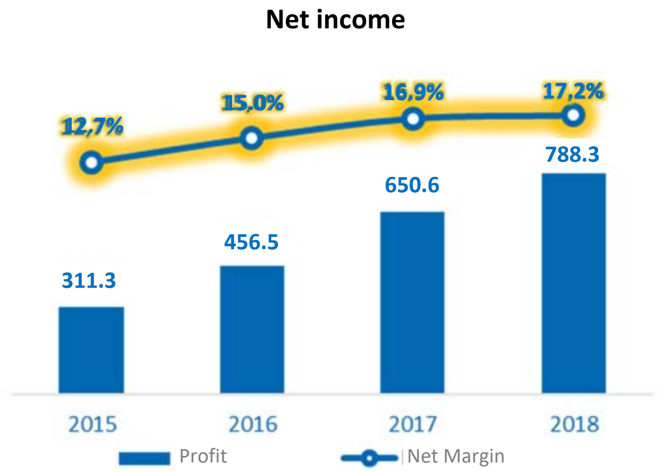
As with sales expenses, administrative expenses remained stable in relation to net income in 2018 compared to the previous year.

It is important to mention that this occurred even with **(i)** the addition of R$ 15 million in personnel expenses related to the remuneration of the controlling shareholders holding executive roles in the company, a matter informed in the IPO, **(ii)** with the expansion of the workforce, especially in key areas, such as the area responsible for integrating new units, management of units of its own service network (care and M&A), and **(iii)** R$ 5.4 million in cancellations of some Uniplam customers, representing the natural churn of individual plans and cancellation of corporate clients that rendered services to Uniplam that, due to the internalization of Hapvida services, are no longer suppliers, thus opting to cancel their contracts. This situation was already expected and duly priced upon purchase.

The other components of this caption - third party services, location and operation, taxes and provision for risks - remained constant in relation to 2017.



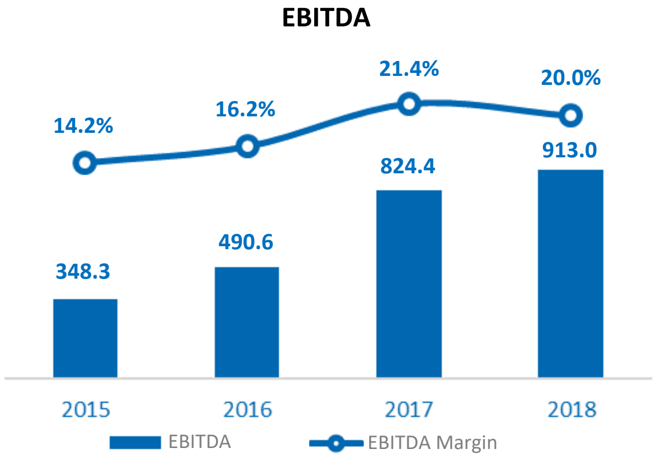
The financial result was mainly affected by the net inflow of approximately R$ 2.53 billion of funds from the primary public offer of shares occurred in 2Q18. With the significant increase in investment positions, the financial result for 2018 was higher than in 2017, partially offset **(i)** by the reduction in the Selic rate, from 7.4% at the end of 2017 to 6.4% at the end of 2018, and **(ii)** by the financial expenses related to the monetary restatement of federal tax debts, in the amount of R$ 7.7 million, which impacted the result for 2018.



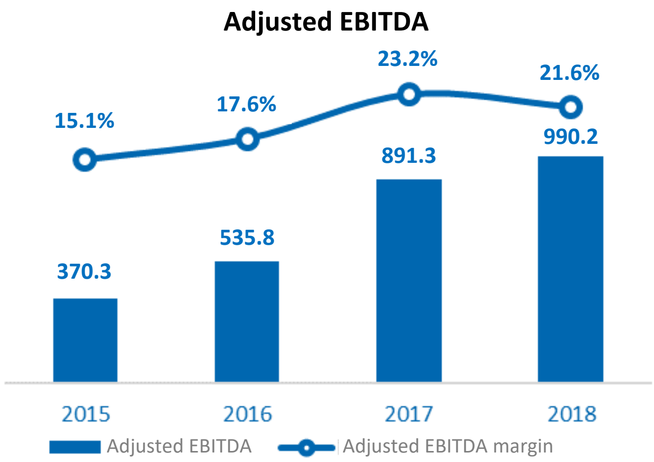
Net income reached R$ 788.3 million in 2018, recording an increase of 21.2% over the income recorded in the same period of previous year, with a net margin of 17.2%, recording a slight increase in the same comparison.

Corporate income tax (IRPJ) and social contribution (CSLL): the effective IRPJ and CSLL rate recorded in 2018 was 24.4%, 2.9 p.p. lower than the rate established in 2017, mainly due to the distribution of R$ 123.9 million as interest on own capital, thus generating a decrease of R$ 42.1 million for the year.

EBITDA and Adjusted EBITDA

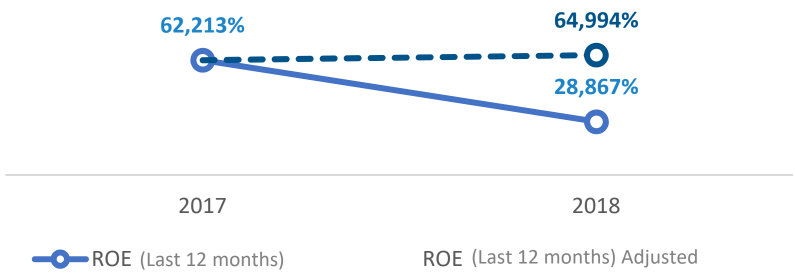


EBITDA: EBITDA reached R$ 913.0 million in 2018, 10.7% higher when compared to 2017, and EBITDA margin of 20.0% with reduction of 1.5 p.p. in relation to the same period due to the factors previously explained in this document.



Adjusted EBITDA**:** the company understands that the financial income from investments related to the guarantor assets, as well as the income from late receipts and any discounts granted to clients are integral part of the operation, and should, therefore, be considered in the calculation of the *Adjusted EBITDA*. In addition to the aforementioned adjustments, the events for the year 2018 are related to: **(i)** the services contracted to carry out the IPO in the amount of R$ 7.1 million, **(ii)** the net effect of the payment of taxes from prior periods of R$ 6.0 million, and **(iii)** the receipt based on the signing of a partnership agreement for commercial representation of the company's health and dental care plans in certain regions, totaling R$ 10.0 million, **(iv)** the higher speed of collection of SUS reimbursement, totaling R$ 12.0 million, above the historical average **(v)** the provision for extraordinary variable remuneration of employees, fully realized in December 2018, totaling R$ 22.7 million, of which R$ 18.6 million were recorded in personnel expenses and R$ 4.1 million in costs, **(vi)** the cancellation of Uniplam customers, totaling R$ 5.4 million, and **(vii)** the write-off of property, plant and equipment totaling R$ 3.3 million. Accordingly, the Adjusted EBITDA was R$ 990.2 million, an annual growth of 11.1% with margin of 21.6%.

ROE



Item	Unity	2017	2018
Net profit **(a)**	R$ million	650,6	788,3
Equity	R$ million	1.308,3	3.605,9
Average Net Equity **(b)**[1]	R$ million	1.045,8	2.730,9
ROE (last 12 months) (c) = (a)/(b)	R$ million	**62,2%**	**28,9%**
Adjusted Equity (R$ 2,53 bi from IPO since 2T18)	R$ million	1.308,3	1.075,9
Average Adjusted Equity (R$ 2,53 bi from IPO since 2T18) **(d)**	R$ million	1.045,8	1.212,9
ROE (last 12 months) Adjusted (e) = (a)/(d)	R$ million	**62,2%**	**65,0%**

[1]2017 e 2018 = Average Equity of the last 5 quarters.

Adjusting the Equity with the initial R$ 2,53 bilhões originated from the IPO, the company displays an improvement of 2,8p.p. in ROE to 65,0% in 2018, remaining one of the most profitables companies in the country.

Capex and free cash flow

Capex: net investments of depreciation and amortization derived from additions to property, plant and equipment and intangible assets totaled R$ 225.8 million in 2018, mainly in view of the expansion of the structure of operation and management of the own network of service, with deliveries of four emergency care services and two new hospital units, in addition to investments made in the implementation of the new system of integrated management (ERP), estimated to begin in 2019.

Free cash flow: Free cash flow reached R$ 444.2 million in 2018, 2.6% less than in 2017.

Amounts in R$ million

Item	2018	2017	2018 x 2017
EBIT	**870.5**	**783.5**	**11.1%**
Effective rate of income tax	24.3%	27.3%	-3.0 p.p.
NOPAT	**658.4**	**569.5**	**15.6%**
(+) Depreciation and amortization	42.5	41.0	3.7%
(+/-) Change in working capital[4]	(50.0)	(1.1)	-4,082%
(-) Cash CAPEX	(206.5)	(153.3)	34.7%
Free cash flows	**444.2**	**456.1**	**-2.6%**

[4] It contemplates the changes: (i) current assets: accounts receivable, inventories, other receivables and advances to suppliers, and (ii) current liabilities: loans, suppliers, technical reserves for health care operations, net of PPCNG, debts from health care operations, net of prepayments, other accounts payable and social obligations.

Glossary

ANS: National Regulatory Agency for Private Health Insurance and Plans (ANS) It is the regulatory agency linked to the Ministry of Health, responsible for the health care plan sector in Brazil.

IGR: general index of complaints. The purpose is to present a thermometer of the performance of the sector companies in the solution of the problems identified by the beneficiaries. It includes the average number of beneficiaries' complaints received in the former three months and classified up to the date of data extraction. The index uses as reference each group of 10,000 beneficiaries from the universe of consumers analyzed.

MS: Margin of solvency In pre-established price, it corresponds to the sufficiency of the adjusted shareholders' equity, to cover the highest amount between the following values: (i) 20% of income from considerations or (ii) 33% of the annual average of events in the past 36 months.

PESL: provision for unsettled events/claims. Provision for guarantee of events that have already occurred, recorded in the accounts and not yet paid. The accounting record is made at the full amount informed by the supplier or beneficiary when the collection is presented to the entity and is subsequently adjusted for cancellations and discounts after the Group's employees (medical auditors) is realized.

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

PMA: Minimum adjusted shareholders' equity. To operate in the health care market regulated by ANS, shareholders' equity of the health care company must maintain the minimum adjusted shareholders' equity for economic purposes as established by ANS. The minimum adjusted shareholders' equity is calculated as net assets less non-current intangible assets, tax credits arising from tax losses, deferred sales expenses and prepaid expenses.

PPCNG: provision for unearned premiums or considerations. Refers to the accounting record of the amount charged by the Company's companies to cover a contractual risk proportional to the days not yet elapsed within the monthly coverage period, for appropriation as income only in the subsequent period, when the term is effectively incurred.

Loss ratio: index that shows the ratio between assistance expenses and total income from health care operations (effective considerations).

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

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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, 2018 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, 2018, 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.

Recognition of revenue from insurance contracts

Notes 4.i and 18 to the parent company and consolidated financial statements

Key audit matters	How the matter was addressed in our audit
The Company's revenue basically consists of the sale of health insurance plans leading to the provision of health and dental care services through its own network of hospitals and clinics. Revenue recognition depends on specific controls over the health insurance business and involves the Company's own information technology systems that capture contracts, terms and coverage for the proper recognition of revenue, which is appropriated on a pro rata basis. This requires complex calculations and high volume of transactions in determining the amounts to be recorded, and the timing of insurance revenue recognition. Because of the facts described above and the significance of the amounts involved, we considered the recognition of insurance contract revenue to be a key audit matter.	Relying on the technical support of our information technology experts, we evaluated the design and operational effectiveness of key general IT controls over the master file of client contracts and the recognition of rendered services. That evaluation considered the grant of logical access, mapping of conflicting functions, software maintenance and change. We tested samples of key controls over the recognition and monitoring of balance sheet balances of transactions and the recognition of the related insurance contract revenue. We also compared the reports issued by the system with the revenue balances recognized in the financial statements. Moreover, we evaluated samples of transactions to check their recognition and amount by applying audit procedures to the documentation that supports the insurance contracts issued by the Group. Our procedures also included evaluating the disclosures made in the financial statements in the notes. According to the evidence obtained by applying the procedures summarized above, we considered that the recognition of insurance contract revenue in the context of the parent company and consolidated financial statements taken as a whole for the year ended December 31, 2018 is acceptable.

Technical reserves for health insurance contracts

Notes 4.h. (ii) and 13 to the parent company and consolidated financial statements

Key audit matters	How the matter was addressed in our audit

Investee Hapvida Assistência Médica Ltda. has liabilities related to regulatory obligations. Determining and measuring the Incurred but not Reported claims reserve and testing the adequacy of liabilities are complex procedures that require a high level of judgment, particularly to determine the methods, assumptions and estimates that include, among others, the projected loss rate and life expectancy, 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 reserves. With the help of our actuarial experts, we evaluated the methods used for measuring the Incurred but Not Reported claims reserve and for testing the adequacy of liabilities 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 reserves **are acceptable** in the context of the financial statements for the year ended December 31, 2018 taken as a whole.

Provisions and contingent liabilities

Notes 4.h. (i) and 16 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, 2018 taken as a whole.

Other matters - Statements of value added

The parent company and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall parent company and consolidated financial statements.

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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– 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 13, 2019

KPMG Auditores Independentes
CRC 2SP014428/O-6
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 as of December 31, 2018 and 2017

(Amounts expressed in thousands of reais)

		Parent company		Consolidated		
Assets	**Notes**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017 (Resubmited)**	**01/31/2017 (Resubmited)**
Cash and cash equivalents		4,832	524	185,484	104,209	56,851
Short-term interest earning bank deposits	6	104,193	-	702,363	802,814	442,327
Trade accounts receivable	7	-	-	152,747	143,048	63,203
Inventories		-	-	19,187	14,226	13,888
Recoverable taxes		25,566	475	65,287	26,505	17,052
Dividends and interest on own capital receivable	9	74,341	28,541	-	-	-
Other assets		41	641	47,120	42,845	30,761
Deferred sales expenses	8	-	-	103,766	105,331	87,730
Total current assets		208,973	30,181	1,275,954	1,238,978	711,812
Long-term financial investments	6	1,205,974	-	2,685,643	539,314	557,275
Deferred taxes	23	67,791	15,683	126,005	64,917	67,248
Judicial deposits	16	438	331	96,891	58,507	49,872
Deferred sales expenses	8		-	121,624	88,523	77,203
Other related party credits	9	74	5,843	3,337	9,182	2,695
Other assets			-	37,598	147	170
Total long-term assets		1,274,277	21,857	3,071,098	760,590	754,463
Investments	10	2,373,134	1,422,187	-	-	14
Property, plant and equipment	11	4,151	4,741	414,528	290,622	217,348
Intangible assets	12	305	130	115,094	45,958	18,042
Total non-current assets		3,651,867	1,448,915	3,600,720	1,097,170	989,867
Total assets		3,860,840	1,479,096	4,876,674	2,336,148	1,701,679

		Parent company		Consolidated		
Liabilities and shareholders' equity	**Notes**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017 (Resubmited)**	**01/31/2017 (Resubmited)**
Suppliers		295	343	61,381	56,139	43,385
Technical reserves for health care operations	13	-	-	408,125	359,470	313,798
Debts from health care operations		-	-	65,181	55,156	46,894
Social charges	14	2,781	168	112,947	96,198	60,692
Taxes and contributions payable	15	5,280	2,197	55,890	59,249	35,868
Income tax and social contribution	23	-	-	33,860	54,479	47,406
Dividends and interest on own capital payable	9 | 17	171,909	824,226	184,513	836,338	308,526
Other debits with related parties	9	42,651	-	42,657	-	-
Other accounts payable		490	359	22,942	22,967	17,603
Total current liabilities		223,406	827,293	987,496	1,539,996	874,172
Taxes and contributions payable	15	-	242	11,967	21,653	27,054
Provision for tax, civil and labor risks	16	34,890	46,125	263,441	248,784	234,407
Provision for losses on investments	10	-	1,136	-	-	
Other debits with related parties	9	-	132,421	-	48,016	35,003
						11831
Other accounts payable		-	-	7,915	5,696	8,617
Total non-current liabilities		34,890	179,924	283,323	324,149	316,912
Shareholders' equity						
Capital	17	2,810,219	280,000	2,810,219	280,000	280,000
Legal reserve		94,932	55,558	94,932	55,558	23,028
Profit reserves		697,393	136,321	697,393	136,321	207,309
Shareholders' equity attributable to controlling shareholders		3,602,544	471,879	3,602,544	471,879	510,337
Non-controlling interest		-	-	3,311	124	258
Total shareholders' equity		3,602,544	471,879	3,605,855	472,003	510,595
Total liabilities and shareholders' equity		3,860,840	1,479,096	4,876,674	2,336,148	1,701,679

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of income

Periods ended December 31, 2018 and 2017

(Amounts expressed in thousands of reais)

		Parent company		Consolidated		
	Notes	2018	2017	2018	2017	
Net income from services rendered	18	-	-	4,575,898	3,847,981	#
Costs of services rendered	19	-	-	(2,754,662)	(2,261,938)	
Gross income		-	-	1,821,236	1,586,043	
Sales expenses	20	(1,124)	-	(443,414)	(378,175)	#
Administrative expenses	21	(39,507)	(11,274)	(507,178)	(426,610)	#
Equity in net income of subsidiaries	10	698,823	657,697	-	-	#
Other operating (expenses) income, net		(127)	1,640	(129)	2,194	#
Total		658,065	648,063	(950,721)	(802,591)	
Income (loss) before financial income (loss) and taxes		658,065	648,063	870,515	783,452	
Financial income	22	80,051	1,138	213,089	139,311	#
Financial expenses	22	(2,754)	(1,712)	(41,269)	(27,767)	#
Total		77,297	(574)	171,820	111,544	
Income (loss) before income tax and social contribution		735,362	647,489	1,042,335	894,996	
Current income tax and social contribution	23	-	(171)	(315,089)	(242,067)	#
Deferred income tax and social contribution	23	52,108	1,450	61,088	(2,331)	#
Net income for the year		787,470	648,768	788,334	650,598	
Attributable to						
Non-controlling shareholders		-	-	864	1,830	#
Controlling shareholders		787,470	648,768	787,470	648,768	#
Earnings per share - basic and diluted	17			1.24	1.16	#

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of comprehensive income

Periods ended December 31, 2018 and 2017

(Amounts expressed in thousands of reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Net income for the year	787,470	648,768	788,334	650,598
Comprehensive income	-	-	-	-
Total comprehensive income	787,470	648,768	788,334	650,598
Attributable to non-controlling shareholders	-	-	864	1,830
Controlling shareholders	787,470	648,768	787,470	648,768

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of changes in shareholders' equity

Periods ended December 31, 2018 and 2017

(Amounts expressed in thousands of reais)

		Attributable to controlling shareholders						
	Notes	Capital	Legal reserve	Profit reserves	Retained earnings (loss)	Total	Non-controlling interest	Total shareholders' equity
Balances at December 31, 2016		**280,000**	**23,028**	**207,309**	**-**	**510,337**	**258**	**510,595**
Income (loss) for the year		-	-	-	648,768	648,768	1,830	650,598
Allocations:								
Dividends	17	-	-	(70,988)	(616,238)	(687,226)	(1,964)	(689,190)
Legal reserve		-	32,530	-	(32,530)	-	-	-
Balances at December 31, 2017		**280,000**	**55,558**	**136,321**	**-**	**471,879**	**124**	**472,003**
Capital increase	17	2,631,027	-	-	-	2,631,027	3,000	2,634,027
Expenditures with issuance of shares	17	(100,808)	-	-	-	(100,808)	-	(100,808)
Income (loss) for the year		-	-	-	787,470	787,470	864	788,334
Allocations:								
Dividends	17	-	-	-	(63,167)	(63,167)	(677)	(63,844)
Interest on own capital	17	-	-	-	(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**

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of cash flows

Years ended December 31, 2018 and 2017

(Amounts expressed in thousands of reais)

	Notes	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Cash flows from operating activities					
Net income for the year		787,470	648,768	788,334	650,598
Adjustments to reconcile net income for the year with cash generated by operating activities:					
Depreciation and amortization	11	1,328	1,054	42,458	40,988
Technical reserves for health care operations		-	-	49,534	25,428
Equity in net income of subsidiaries	10	(698,823)	(657,629)	-	-
Provision for credit losses	7	-	-	148,680	104,817
Write-off of fixed assets	11	22	2,072	3,513	5,311
Write-off of intangible assets		-	-	5,411	72
Write-off of investment		137	6,270	-	-
Provision for tax, civil and labor risks	16	(11,163)	(4,767)	36,105	31,628
Yield of interest earning bank deposit	6	(66,055)	-	(147,378)	(85,435)
Income tax and social contribution		-	171	315,089	242,067
Deferred taxes	23	(52,108)	(1,450)	(61,088)	2,331
(Increase) decrease in asset accounts:					
Trade accounts receivable		-	-	(156,652)	(184,662)
Inventories		-	-	(4,646)	(338)
Recoverable taxes		(19,884)	1,897	(38,782)	(9,453)
Interest earnings bank deposits		-	-	40,404	2,249
Judicial deposits		(178)	974	(59,832)	(34,156)
Other assets		600	183	(40,990)	(12,061)
Deferred sales expenses		-	-	(31,536)	(28,921)
Increase (decrease) in liability accounts:					
Technical reserves for health care operations		-	-	(879)	20,244
Debits of health care operations		-	-	10,025	8,262
Social charges		2,613	88	14,802	35,505
Suppliers		(49)	(431)	2,917	12,754
Taxes and contributions payable		(14,232)	306	(32,872)	17,980
Other accounts payable		131	128	(29,829)	8,334
Cash (invested in) generated by operating activities		(70,191)	(2,366)	852,788	853,542
Income tax and social contribution paid	23	-	(171)	(336,092)	(234,994)
Net cash generated by operating activities		(70,191)	(2,537)	516,696	618,548
Cash flows from investment activities					
Payments to related parties		5,769	(17,792)	5,845	(6,487)
Acquisition of property, plant and equipment	11	(722)	(2,136)	(160,823)	(117,180)
Acquisition of intangible assets	12	(213)	(131)	(45,726)	(12,469)
Acquisition of investees, net if cash		-	-	-	(13,533)
Acquisition/sale of investments	10	(485,213)	(226,782)	-	14
Receipt of dividends and interest on own capital		180,809	373,427	-	-
Interest earnings bank deposits	6	(4,683,242)	-	(6,965,642)	(491,054)
Redemptions of interest earning bank deposits	6	3,439,130	-	5,027,514	231,714
Net cash invested in (generated by) investment activities		(1,543,682)	126,586	(2,138,832)	(408,995)
Cash flows from financing activities					
Receipts from related parties		(89,770)	40,149	(5,359)	(817)
Expenditures with issuance of shares	17	(100,808)	-	(100,808)	-
Payment of dividends and interest on own capital	17	(822,268)	(164,159)	(823,772)	(161,378)
Paid-in capital	17	2,631,027	-	2,631,027	-
Interest of non-controlling partners		-	-	2,323	-
Net cash from (invested in) financing activities		1,618,181	(124,010)	1,703,411	(162,195)
Increase in cash and cash equivalents		4,308	39	81,275	47,358
Cash and cash equivalents at the beginning of the year		524	485	104,209	56,851
Cash and cash equivalents at the end of the year		4,832	524	185,484	104,209
Increase in cash and cash equivalents		4,308	39	81,275	47,358
Non-cash transactions:					
Acquisition of investments with balances in related parties		-	-		11,831
Write-off of judicial deposits with provision for risks	16	72	502	21,449	17,251
Write-off of property, plant and equipment by spin-off	11	-	-	-	5,770
Offset of asset and liability balances with related parties		-	624	-	-
Disposal of assets to shareholders with debt decrease		-	-	-	5,770

See the accompanying notes to the financial statements.

Hapvida Participações e Investimentos S.A.

Statements of added value

Years ended December 31, 2018 and 2017

(Amounts expressed in thousands of reais)

		Parent company		Consolidated	
	Notes	2018	2017	2018	2017
Income (1)		(21)	1,640	4,627,679	3,877,873
Sale of goods, products and services		-	-	4,770,700	4,010,770
Other income		(21)	1,640	5,659	2,252
Allowance for doubtful accounts	20	-	-	(148,680)	(135,149)
Inputs purchased from third parties (2)		(1,907)	(295)	(2,724,400)	(2,266,506)
Cost of products and goods sold and services rendered		-	-	(1,766,224)	(1,459,127)
Materials, energy, outsourced services and other		(1,907)	(295)	(958,176)	(807,379)
Gross added value (1) - (2) = (3)		(1,928)	1,345	1,903,279	1,611,367
Depreciation and amortization (4)		(1,328)	(1,055)	(42,458)	(40,988)
Net value added produced by the Company (3) - (4) = (5)		(3,256)	290	1,860,821	1,570,379
Added value received as transfer (6)		778,874	658,836	213,089	139,312
Equity in net income of subsidiaries	10	698,823	657,697	-	-
Financial income		80,051	1,139	213,089	139,312
		-			
Total added-value payable (5+6)		775,618	659,126	2,073,910	1,709,691
Distribution of added value		(775,618)	(659,126)	(2,073,910)	(1,709,691)
Personnel		(23,272)	(8,805)	(630,661)	(508,246)
Direct remuneration		(23,241)	(8,766)	(541,635)	(437,505)
Benefits		(31)	(39)	(51,494)	(40,005)
Severance Pay Fund (FGTS)		-	-	(37,532)	(30,736)
Taxes, duties and contributions		35,759	(893)	(588,523)	(517,563)
Federal		35,945	(715)	(529,163)	(469,784)
State		(95)	(75)	(116)	(78)
Municipal		(91)	(103)	(59,244)	(47,701)
Third-party capital remuneration		(635)	(659)	(66,392)	(28,077)
Rentals		(635)	(659)	(66,392)	(28,077)
Remuneration of own capital		(787,470)	(648,769)	(788,334)	(655,805)
Dividends and interest on own capital		(187,024)	(26,376)	(187,024)	(26,397)
Retained earnings		(600,446)	(622,393)	(600,446)	(627,447)
Non-controlling interest in retained earnings		-	-	(864)	(1,961)

See the accompanying notes to the financial statements.

Notes to the individual and consolidated financial statements

(Amounts expressed 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. The Company's individual and consolidated financial statements include the Company and its subsidiaries (jointly referred to as the "Group"). The Group is mainly engaged in: (i) the sale of health insurance plans being also responsible for the majority of medical assistance at its own network (hospitals, clinics, imaging diagnostics and laboratories); and (ii) the sale of dental insurance plans with the services provided by accredited network.

On February 9, 2018, through a Special Shareholders' Meeting, the Executive Board decided to list the Company at the stock exchange and submit a request for registration as issuer of securities, category "A" to the Brazilian Securities and Exchange Commission (CVM), pursuant to CVM Instruction 480, of December 7, 2009, as amended (CVM Instruction 480). The Company obtained the registration as a publicly-held company on April 20, 2018 and started trading its shares in the Novo Mercado (New Market) special segment at $[B]^3$ - Brasil Bolsa Balcão, on April 25, 2018, under ticker HAPV3.

2 List of subsidiaries

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

	12/31/2018		12/31/2017	
Entity	**Direct**	**Indirect**	**Direct**	**Indirect**
Hapvida Assistência Médica Ltda.	99.99%	-	99.99%	-
MaisOdonto Assist. Odontológica Ltda.	99.99%	-	99.99%	-
Hospital Antônio Prudente Ltda.	99.99%	-	99.99%	-
Hospital Antônio Prudente de Natal Ltda. (a)	-	-	99.99%	-
Hospital Antônio Prudente da Bahia Ltda. (c)	-	-	99.99%	-
Vida & Imagem Diagnósticos por Imagem Ltda. (c)	-	-	99.99%	-
Ultra Som Serviços Médicos Ltda.	99.99%	-	99.99%	-
Samesp Sociedade de Assist. Espec. Ltda. (c)	-	-	99.99%	-
Hapclínicas de Serv. e Atenção à Saúde Ltda. (c)	-	-	99.99%	-
Unidade Hospitalar Antônio Prudente Ltda. (e)	-	-	99.99%	-
Centro Integrado de Atenção à Saúde Ltda. (a)	-	-	99.99%	-
Hapclínica Clínicas Amb. de Serviço a Saúde (a)	-	-	99.99%	-
Unidade de Atenção Hospitalar Ltda. (a)	-	-	99.99%	-
Centro Hospitalar de Atenção à Saúde Ltda. (a)	-	-	99.99%	-
Clínica Ortop. e Traumat. de J. Pessoa Ltda. (a)	-	-	99.99%	-
Prática Imp. Com. Dist. de Prod. Farm. Ltda.	99.99%	-	99.99%	-
Hospital Francisca de Sande Ltda. (c)	-	-	99.99%	-
OPS Administração e Participações Ltda.	99.99%	-	99.99%	-
MWD Adm. e Participações Ltda. (b)	-	-	99.99%	-
Haptech Soluções Inteligentes Ltda.	99.99%	-	99.99%	-
Atendimed Serviços Médicos Ltda. (f)	-	-	99.99%	-
Vida & Imagem Radiologia e Diág. Ltda.	94.99%	-	94.99%	-
Vida & Imagem Serviços Médicos Ltda. (c)	-	-	99.99%	-
Semed Serv. Méd. e Hosp. de Camaçari Ltda.)	-	-	-	99.99%
Hospital Antônio Prudente de Manaus Ltda. (d)	-	99.99%	-	-

BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo (g)	-	100%	-	-
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI (g)	-	98.65%	-	-

(a) In February 2018, they were merged by the company Ultra Som Serviços Médicos Ltda.

(b) In April 2018, it was written-off due to a Management's decision.

(c) In May 2018, they were merged by the company Ultra Som Serviços Médicos Ltda.

(d) In May 2018, the Group obtained the control over Instituto de Medicina Intensiva Ltda., a hospital designated to the provision of hospital and medical services, with the acquisition of 99.99% of the Entity's capital. See Note 10 c.

(e) In August 2018, it was merged by Hospital Antônio Prudente Ltda.

(f) In August 2018, they were merged by the company Ultra Som Serviços Médicos Ltda.

(g) In December 2018, the Group acquired quotas in Exclusive Fixed Income Investment Funds.

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

Hapvida Assistência Médica Ltda.
The insurance company came into operation on July 15, 1991, and is registered in the National Regulatory Agency for Private Health Insurance and Plans (ANS) under nº 36.825-3. It is primarily engaged in the sale of health and dental insurance plans focused on providing health care assistance through the network of companies under Group's control.

MaisOdonto Assistência Odontológica Ltda.
MaisOdonto is registered in ANS under nº 41.013/6 and is located at Avenida Padre Antônio Tomaz, nº 610, Aldeota, Cidade de Fortaleza, State of Ceará. It is primarily engaged in hiring and providing dental services.

On March 18, 2014, the National Regulatory Agency for Private Health Insurance and Plans (ANS) authorized the sale of MaisOdonto Assistência Odontológica Ltda.'s entire client portfolio by Hapvida Assistência Médica by means of ANS Official Letter nº0571/2014/GGEOP/DIPRO/ANS; migration actually took place on April 1, 2014.

On May 27, 2015, MaisOdonto's registration no. 41,013/6 with ANS was canceled.

Hospital Antônio Prudente Ltda.
It is mainly engaged in providing medical and hospital services. This subsidiary is Hapvida Group's primary in-network hospital and accommodates a significant part of patient care in the municipality of Fortaleza/CE.

Prática Importação Comércio e Distribuição de Produtos Farmacêuticos Ltda.
Founded in May 2011, this company is currently dormant. Its core activity used to be the provision of commercial representation, wholesale of dental, medical, hospital, medication, perfumery, cosmetic and personal hygiene products and dental machinery and equipment.

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

Haptech Soluções Inteligentes Ltda.
This subsidiary's main business consists of providing consulting services and carrying out information technology and software development; providing data processing, IT training, provider, internet and call center services.

Vida & Imagem Radiologia e Diagnóstico Ltda.
It is mainly engaged in providing supplementary diagnostic and therapeutic services.

Ultra Som Serviços Médicos Ltda.
It is mainly engaged in providing medical and paramedical services, laboratory, diagnostic, imaging and ultrasound services, embracing all fields of medicine.

Hospital Antônio Prudente de Manaus Ltda.
It is mainly engaged in providing medical and hospital services.

BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo
It is intended to receive funds from a restricted group of investors belonging to the same economic group, all of them professional investors, as defined by the Brazilian Securities and Exchange Commission (CVM) in its Instruction No. 539/13 and subsequent amendments. The Fund will seek to provide the appreciation of its quotas by investing its funds in financial assets and/or operating modalities available within the financial market, using investment fund quotas comprised by securities and operations with an average term of over 365 days.

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

2,1 Corporate restructuring
In 2017, in order to get prepared for the future growth, the Company started a corporate reorganization involving its 26 subsidiaries, in order to simplify its organizational structure and optimize its processes and controls required for business management. In this context, the companies involved were incorporated into other Group companies, thus becoming their branches.

The first step of the reorganization was concluded in November 2017, the second step in February 2018, the third step in May 2018 and the 4th step was carried out in August 2018.

Below are the companies involved in the second, third and fourth stages of the corporate restructuring and which were incorporated into the other Group companies:

Hospital Antônio Prudente de Natal Ltda.
It is mainly engaged in providing medical and hospital services. This subsidiary is Hapvida Group’s primary in-network hospital and accommodates a significant part of patient care in the municipality of Natal/RN.

Centro Integrado de Atenção à Saúde Ltda.
Founded in June 2012, this subsidiary’s main business consists of providing medical, outpatient, dental and health management support services.

Hapclínica Clínicas Amb. de Serviço a Saúde
This subsidiary’s main business consists of providing medical and outpatient services with resources to carry out surgical procedures and dental procedures, providing health management support and telemedicine services, and offering medical appointments in real-time via chat, audio and/or video teleconferencing.

Unidade de Atenção Hospitalar Ltda.
Founded in June 2012 this subsidiary’s core business consists of providing medical and hospital services via health plans and private appointments.

Centro Hospitalar de Atenção à Saúde Ltda.
Founded in June 2012, it is engaged in providing medical and hospital services via health plans and private appointments.

Clínica Ortopédica e Traumatológica de João Pessoa Ltda. or Cotjop
It is mainly engaged in providing medical and hospital services. This entity owns Hapvida Group’s primary in-network hospital and accommodates a significant part of patients in the municipality of João Pessoa-PB.

Hospital Antônio Prudente da Bahia Ltda.
It is mainly engaged in providing medical and hospital services. This subsidiary is Hapvida Group’s primary in-network hospital and accommodates a significant part of patient care in the municipality of Salvador/BA.

Vida & Imagem Diagnósticos por Imagem Ltda.
It is mainly engaged in providing medical services in the fields of radiology, computerized tomography, ultrasound and supplementary testing.

SAMESP - Sociedade de Assistência Médica Especializada Ltda.
It is mainly engaged in providing medical and hospital services. This entity owns Hapvida Group’s primary in-network hospital and accommodates a significant part of patient care in the municipality of Manaus-AM.

Hapclínicas de Serviços de Atenção à Saúde Ltda.
It is mainly engaged in providing medical and ambulatory services in Salvador/BA.

Hospital Francisca de Sande Ltda.
It is mainly engaged in providing medical and hospital services. This subsidiary is Hapvida Group’s primary in-network hospital and accommodates a significant part of patient care in the municipality of Feira de Santana/BA.

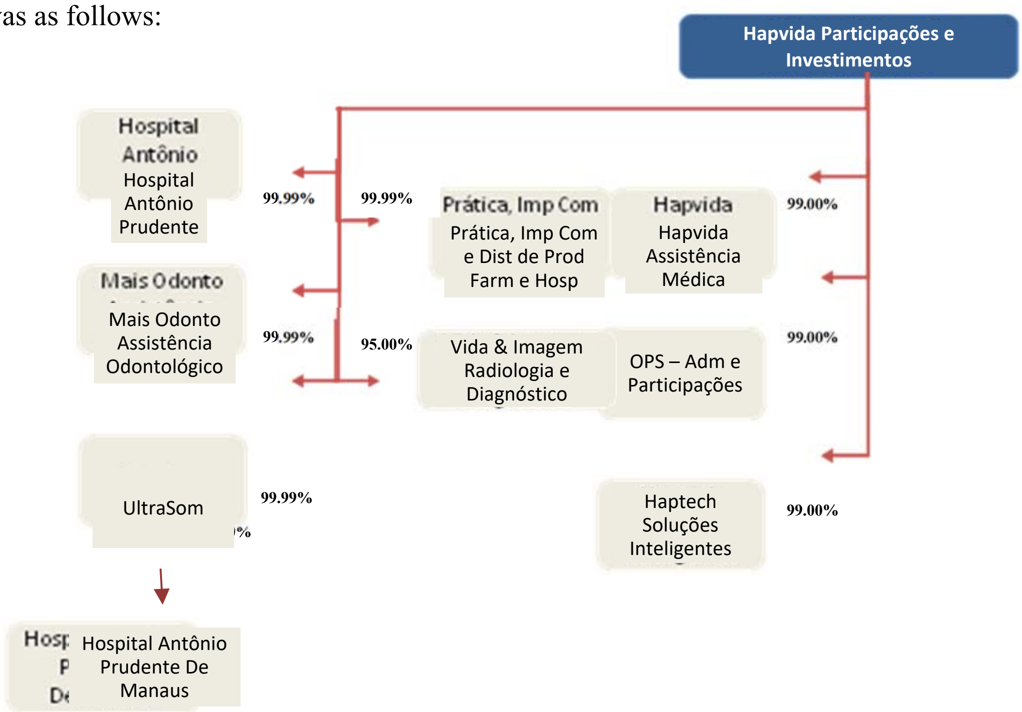
Vida & Imagem Serviços Médicos Ltda.
Activities of diagnostic and therapeutic complementation services.

Atendimed - Serviços Médicos Ltda.
It is mainly engaged in providing health care management support services.

Semed Serviços Médico-Hospitalares de Camaçari Ltda.
It is mainly engaged in emergency services, laboratory tests, imaging and elective appointments in several medical specialties.

Unidade Hospitalar Antônio Prudente Ltda.
It is mainly engaged in providing medical and hospital services in Fortaleza/CE.

In December 2018, after the corporate restructuring process, the Group's organizational chart was as follows:



3 Presentation and preparation basis of individual and consolidated financial statements

a. Statement of compliance

The individual and 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 ANS rules for insurance contracts are also observed.

The issue of the financial statements was authorized by the Board of Directors on March 13, 2019.

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

b. Resubmission of the financial statements

The corresponding amounts of the consolidated financial statements for the year ended December 31, 2017 and their respective opening balances, as of January 1, 2017, are being restated, in accordance with CPC 23 - Accounting Policies, Change in Estimates and Correction of errors, to reflect changes in the consolidated balance sheet.

Consolidated Financial Statements

	December 31 2017		
	Previously presented	**Adjusted (i)**	**Resubmitted**
Accounts receivable from customers	421.845	(278.797)	143.048
Others	2.193.100	-	2.193.100
Total Assets	**2.614.945**	**(278.797)**	**2.336.148**
Technical provisions for healthcare operations	638.267	(278.797)	359.470
Others	1.504.675	-	1.504.675
Total liabilities	**2.142.942**	**(278.797)**	**1.864.145**
Others	472.003	-	472.003
Total net assets	472.003	-	472.003
total assets and liabilities	**2.614.945**	**(278.797)**	**2.336.148**

	January 1st 2017		
	Previously presented	**Adjusted (i)**	**submitted**
Accounts receivable from customers	296.143	(232.940)	63.203
Others	1.638.476	-	1.638.476
Total Assets	**1.934.619**	**(232.940)**	**1.701.679**
Technical provisions for healthcare operations	546.738	(232.940)	313.798
Others	877.286	-	877.286
Total liabilities	**1.424.024**	**(232.940)**	**1.191.084**
Total net assets	510.595	-	510.595
total assets and liabilities	**1.934.619**	**(232.940)**	**1.701.679**

(i) Adjustment of Trade Accounts Receivable and Technical Provisions of Healthcare Operations related to the portion of insurance contracts whose risk and coverage have not yet been initiated, which should not have been recognized, in accordance with ANS and of IFRS 4 / CPC 11.

c. Functional and presentation currency

These individual and consolidated financial statements are being presented in Brazilian Real, functional currency of the Company. All financial information presented in Reais has been rounded to the nearest thousands, except when otherwise indicated.

d. Use of estimates and judgments

The preparation of these financial statements, Management used judgments, estimates and assumptions that affect the application of accounting principles of the Company and its subsidiaries, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(i) Estimates

Estimates and assumptions are reviewed in a continuous manner. Reviews 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 judgments.

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

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

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

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

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

- **Note 13** - Technical reserves for health care operations. Recognition and measurement of liabilities related to cost of service that was not informed yet by the service providers.

- **Note 16** - Provision for tax, civil and labor risks. Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

- **Note 23** - Recognition of deferred tax assets: Availability of future taxable income against which deductible temporary differences and tax losses may be used;

e. Basis of measurement

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

4 Significant accounting policies

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

a. Consolidation basis

(i) Business combinations

Business combinations are recorded using the acquisition method when control is transferred to the Company. 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. Transaction costs are recorded in profit or 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 shareholders' 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.

Subsidiaries

The Company 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 the subsidiaries are included in the individual and consolidated financial statements as from the date that the Company starts to be controlled by the Company until such control ceases.

The financial information of subsidiaries is recognized under the equity method in the individual financial statements of the parent company.

(ii) **Jointly-controlled business combinations**

Business combinations involving entities or businesses under common control are business combinations in which the combined entities or businesses are controlled by the same party or parties before and after the business combination, and their control is non-transitory.

The Company opted to present business combinations under common control by using its equity value in the financial statements of the transferred entity in the recognition of the acquired asset and liabilities assumed.

(iii) Non-controlling interest

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

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

(iv) Loss of control

When the entity loses control over a subsidiary, the Company derecognizes the assets and liabilities and any non-controlling interest and other items recorded in the shareholders' equity related to this subsidiary. Any gain or loss resulting from loss of control is recognized in income (loss). If the Company 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 Company's investments in entities accounted for at the equity method include interests in associated companies. Associated companies are the entities in which the Company has a significant influence but not control or jointly-control on financial and operating policies.

The initial recognition is carried out at cost, which includes expenditures with transaction. After initial recognition, financial statements include the Company's interest in income or loss for the year and other comprehensive income of the investee up to the date in which significant influence or joint control no longer exists. In the Parent Company 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 income or expenses derived from intragroup transactions, are eliminated in the preparation of the consolidated financial statements.

b. Financial instruments

(i) Financial assets

The Group classifies the financial assets due to the Company's business model into three main categories: measured at amortized cost, at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Initial recognition and derecognition

The Group recognizes the financial asset in its balance sheet when the Company becomes a party to the instrument's contractual provisions.

The Group derecognizes a financial asset when the contractual rights to the cash flows of financial asset expires or when the Group transfers the financial assets and the transfer is qualified as derecognition.

Measurement

Assets measured at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income are initially recorded at fair value. If the fair value differs from the transaction, the difference between the initial fair value and the transaction price shall be recognized as a gain or loss. If measurement is made at amortized cost, the interest income must be calculated.

(ii) Financial liabilities

The Group classifies liabilities as measured as amortized cost or at fair value through profit or loss (FVTPL). A financial liability is classified as measured at fair value through profit or loss when it is held for trading 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).

Initial recognition, derecognition and measurement

The Group recognizes the financial liability in its balance sheet when the Company becomes a party to the instrument's contractual provisions.

The Group derecognizes the financial liability (or a portion of the financial liability) from its balance sheet when it is extinguished; that is, when the obligation specified in the contract is settled, canceled or expired.

Assets and liabilities specifically related to insurance operations are treated according to the CPC 11 (IFRS 4).

c. Deferred sales expenditures/expenses

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

d. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are valued at historical acquisition or construction cost, net of accumulated depreciation and any impairment losses.

The cost includes expenditures that are directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment.

Any gains and losses on disposal of a property, plant and equipment item (determined by comparing net funds from disposal with the book value of the item) are recognized in Other operating income or expenses in profit or loss.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when it is probable that associated future benefits may be earned by the Company and its subsidiaries. Maintenance expenditures and recurring repairs are recognized in the income when incurred.

(iii) Depreciation

Fixed asset items are depreciated from the date they are installed and are available for use, or, in the case of assets constructed by the Company, as of the date the construction is concluded and the asset is available for use.

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

The estimated useful lives of significant fixed asset items are as follows:

Real estate	25 years
Vehicles	5 years
IT equipment	6.8 years
Hospital machinery and equipment	10.3 years
Furniture and fixtures	10 years
Facilities	10 years

e. Intangible assets

Intangible assets acquired by the Company and its subsidiaries with defined useful lives are carried at cost, less accumulated amortization and any accumulated impairment losses.

Goodwill is measured at cost, less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to the respective cash generating units that is expected to benefit from the synergies of the combination, when applicable.

Goodwill is submitted for impairment test annually, or more frequently when there is indication that the unit may be impaired. Any impairment loss for goodwill is recognized directly in profit or loss in the statement of income for the year. An impairment loss recognized is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 profit or loss as incurred.

Amortization

Amortization of intangible assets is calculated using the straight-line method based on estimated useful life, net of estimated residual values. Amortization is usually recognized in income (loss). Estimated useful lives for current and comparative years are as follows:

Non-compete	5 years
Software	5 years
Client portfolio (health care company)	(a)

(a) Weighted average time during which the contracts remain in the customer portfolio.

f. Tangible and intangible asset impairment

(i) Non-derivative financial assets

Assets are evaluated at each balance sheet date to determine if there are objective impairment evidences.

Objective evidences of financial assets' impairment include:

- Debtor’s default or delays.
- Renegotiation of an amount due to the Company under conditions that would not be accepted as normal conditions.
- Indications that the debtor or issuer will face bankruptcy/court-ordered reorganization.
- Negative changes in payment situation of debtors or issuers.
- The disappearance of an active market for an instrument due to financial distress;
- Observable data indicating that expected cash flow measurement of a group of financial assets decreased.

Financial assets measured at amortized cost

The Group considers as evidence of impairment of assets measured by amortized cost both individually and on an aggregate basis. All individually significant assets are assessed for impairment loss. Those that have not been subject to individual loss in value are then collectively evaluated for loss in value that may have occurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

When assessing impairment loss on an aggregate basis the Group makes use of analysis of expected future loss and the amounts of losses incurred, adjusted to reflect the management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment loss is calculated as the difference between the asset's book value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in income (loss) and reflected in a provision account. When the Group considers that it is not possible to reasonably expect recovery, amounts are written-off. When subsequent event indicates loss reduction, provision is reversed through profit or loss.

(ii) Non-financial assets

The book values of the Group's non-financial assets, except for assets, inventories and deferred tax assets are reviewed at each balance sheet date for indication of impairment. If such indication exists, the asset's recoverable value is estimated.

For impairment tests, assets are grouped into the cash generating units (CGUs), that is, 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 from business combinations is allocated to cash generating unit that are expected to benefit combination synergy.

Recoverable value or CGU of an asset 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 assessment of the time 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 surplus (deficit). Recognized losses referring to CGUs are initially allocated to reduce any goodwill allocated to that CGU and then to reduce the book value of other assets of CGU on a pro rata basis.

Impairment losses are reversed only with the condition that the book value of the asset does not exceed the new book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

In all periods presented in these consolidated financial statements, there is no indication of impairment on the assets analyzed.

g. Employee benefits

Obligations for short-term employee benefits are recognized at the amount expected to be paid, if the Group has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

h. Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is likely that an outflow of funds which economic rewards are integrated to settle the obligation, and a reliable estimate of the obligation amount can be made.

(i) Provision for tax, civil and labor risks

They are formed taking into account the opinion of the legal advisors, the nature of the lawsuits, similarity with previous cases, 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 they are material, and those classified as remote are neither accrued nor disclosed.

(ii) Technical reserves for health care operations

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

The provision for unsettled events is based on the notices of claims received up to the balance sheet date, including judicial claims and related costs monetarily restated.

The provision for unsettled events for the Brazilian Unified Health System (SUS) is calculated based on notifications sent by the SUS, representing a legal obligation to reimburse expenses in the event of care of its beneficiaries.

The provision for unearned premiums or considerations (PPCNG) is calculated _pro rata_ day, based on health and dental care plan premiums, representing the amount charged by the company proportional to the days not yet elapsed within the same month in which the risk coverage was initiated for the benefit of the client.

i. Income from services rendered

(i) Monetary considerations - Income from health care plans

Income derived from health and dental care plans offered by the company to individual and collective clients that use the services of the Group's care units (hospitals, clinics and laboratories). Income is recognized to the extent it is likely that economic benefits will be generated for the Group and when it can be measured reliably, regardless of when the consideration is received. Income is recorded during the period of risk coverage (over time), net of unearned premium in the case of fixed price contracts. In the case of contracts without fixed prices, income is recorded when the service is provided.

(ii) Income from other activities

Income generated by the medical and hospital care to third parties, which are recognized through the effective provision of services and when economic benefits arising from the transaction are considered likely.

j. Financial income and expenses

Financial income includes yields from investments, financial restatement actually received on notes settled in arrears by customers and other monetary restatements. Interest income is recognized in income (loss) under the effective interest method.

Financial expenses mainly comprise bank expenses and discounts granted to the customer in eventual negotiations for the receipt of overdue notes.

k. Statements of added value

The Company prepared statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as part of the financial statements under IFRS, representing supplementary financial information.

l. Income tax and social contribution

The income tax and social contribution, 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.

Some of the Company's subsidiaries are taxed under the deemed profit regime, in which the calculation basis results in the sum of gross income with other income earned that do not come from their main activity, such as: capital gains on the disposal of assets and income from other possible transactions.

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

Current taxes

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. It is measured based on tax rates decreed up to the balance sheet date.

Deferred taxes

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement purpose and used for taxation purposes. A deferred income tax and social contribution asset is recognized for tax losses, tax credits not used and deductible temporary differences not used, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred income tax and social contribution assets are reviewed at each reporting date and reduced when their realization is no longer probable.

m. Significant changes in accounting policies

Technical Pronouncement CPC 47 / IFRS 15 - Revenue from Contracts with Customers

The Group adopted the CPC 47/IFRS 15 using the cumulative effect method, with first-time application as of January 1, 2018. As a result, the Company opted for not applying the requirements required by the standard for the comparative period presented.

The standard establishes that the income is recognized so as to properly reflect the transfer of goods or services promised to clients for the amount corresponding to the consideration to which the Group expects to be entitled in exchange for these goods or services, so that the effects of agreements with a client should only be accounted for when it is probable that there will be receipt of consideration in exchange for the right of use of goods or services to be transferred. To assess if the possibility of receipt of consideration is probable, the Group should consider only the client's capability and intention to pay this consideration amount when due.

Based on the evaluation, there were no material effects on these individual and consolidated financial statements.

Technical Pronouncement CPC 48/IFRS 9 - Financial Instruments

IFRS 9 replaced guidelines of IAS 39 - Financial Instruments: Recognition and Measurement (Financial Instruments: Recognition and Measurement), including guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the hedge accounting requirements. The standard maintained the IAS 39 guidelines about acknowledging and disacknowledging financial instruments.

The Company and its subsidiaries currently do not have transaction with derivatives or any hedging strategy classified as hedge accounting.

- Classification - Financial assets and liabilities

CPC 48/IFRS 9 contains three main classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The standard eliminates the categories existing in CPC

38/IAS 39 of held-to-maturity, loans and receivables, and available for sale. The new classification requirements had no impact on the accounting of the financial assets and liabilities of the Company and its subsidiaries as stated below:

The Group assessed the impacts of IFRS 9 on the individual and consolidated financial statements and substantially designated its financial assets and liabilities to be measured at amortized cost, considering that the purpose is to hold them for realization of expected cash flows. Following are the effects on the accounting classification as of December 31, 2018 of the financial instruments, presenting the categories previously adopted and the new classification due to the effectiveness of IFRS 9.

		CPC 38/IAS 39				CPC 48 /IFRS 9		
Financial assets not measured at fair value	**Notes**	**Held for trading**	**Held to maturity**	**Loans and receivables**	**Total**	**Fair value through profit or loss**	**Amortized cost**	**Total**
Cash and cash equivalents		-	-	185,484	185,484	-	185,484	185,484
Interest earning bank deposits	6	-	3,388,006	-	3,388,006	-	3,388,006	3,388,006
Related parties	9	-	-	3,337	3,337	-	3,337	3,337
Subtotal		-	3,388,006	188,821	3,576,827		3,576,827	3,576,827
Financial liabilities not valued at fair value		**Held for trading**	**Held to maturity**	**Loans and receivables**	**Total**	**Fair value through profit or loss**	**Amortized cost**	**Total**
Suppliers		-	-	(61,381)	(61,381)	-	(61,381)	(61,381)
Related parties	9	-	-	(42,657)	(42,657)	-	(42,657)	(42,657)
Other accounts payable		-	-	(30,857)	(30,857)	-	(30,857)	(30,857)
Subtotal		-	-	(134,895)	(134,895)	-	(134,895)	(134,895)
Total		**-**	**3,388,006**	**53,926**	**3,441,932**	**-**	**3,441,932**	**3,441,932**

- Impairment - Expected credit losses

In relation to the measurement of expected credit losses estimates, the Group considers that the use of factors related to the losses observed in recent time series is applicable to its business model, and consistent with the receivables management model, adjusting the historical rates of losses, in order to reflect the current conditions and reasonable and bearable forecasts of future receipt.

n. New pronouncements

Several new standards or amendments to standards and interpretations will become effective for the years started after January 1, 2019. The Group did not adopt these changes for preparation of these financial statements. The Group does not plan to adopt these standards in advance. These are:

IFRS 16 - Leases

IFRS 16 replaces the guidance provided for in IAS 17 and related interpretations and establishes principles for the recognition, measurement, presentation and disclosure of lease operations, requiring that lessees account for all leases pursuant to a single balance sheet model. The standard includes two recognition exemptions for lessees, as follows:

a) Leases of “low-value” assets (e.g., personal computers and office furniture), and
b) Short-term leases (leases with maturity of 12 months or less).

At the start date of a lease, the lessee recognizes a liability to make payments (a lease liability) and an asset representing the right to use the asset during the lease term (a right of use asset). Lessees shall recognize the interest expense on the lease liability and the depreciation expense on the right of use asset separately.

Lessees shall also reassess the lease liability upon the occurrence of certain events (for example, a change in the lease term, a change in future lease payments as a result of a change in an index or rate used to determine such payments). In general, the lessee will recognize the revaluation amount of the lease liability as an adjustment to the right of use asset.

In accordance with IAS 17, all operating lease payments are presented as part of the cash flows from operating activities. The impact of the changes in accordance with IFRS 16 would be the decrease in the cash generated by operating activities and the increase in net cash used in financing activities for the same amount.

There is no material change in the accounting of lessors based on IFRS 16 in relation to the current accounting in accordance with IAS 17. Lessors will continue to classify all leases in accordance with the same classification principle of IAS 17, differentiating two types of leases: operational and financial.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make disclosures that are more comprehensive than those provided for in IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 as of the year beginning on January 1, 2019. To this end, the Group selected the modified retrospective approach as the transition method, with the cumulative effect of initial adoption of this new pronouncement and without the restatement of comparative periods. The Group has chosen to adopt the model in which it will measure a lease liability at the present value of the remaining lease payments and will recognize a right of use asset at an amount equivalent to the lease liability, adjusted for the amount of any anticipated lease payments before the date of initial adoption. The Group opted to not use the practical procedure which allows to not reassess whether an agreement is, or contains, a lease in the transition to IFRS 16. Consequently, the new lease definitions have been applied to all contracts in effect as of the date of transition. The change in the definition of a lease refers mainly to the concept of control. IFRS 16 determines whether an agreement contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in return for a consideration.

To this end, the Company's management, with the assistance of experts, identified the agreements (inventory of agreements), evaluating whether they contain a lease or not in accordance with IFRS 16.

The Group will choose to use the exemptions proposed by the standard for lease agreements whose term expires in 12 months as of the date of initial adoption, and lease agreements whose underlying assets are of low value. The Group has leases for certain office equipment (such as personal computers, printers and telephone equipment) that are considered to be of low value.

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

- The accounting recognition for those contracts with a closing period within the period of 12 months as of the date of initial adoption of the new standard will not be carried out;
- Exclusion of initial direct costs from the measurement of the opening balance of the right of use asset, and
- Use of late perception to determine the lease term in those cases where the agreement contains extension or termination options.

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

The Group will recognize new assets and liabilities for operating leases of its facilities, mainly hospital care units, according to notes 24 and 9, items "b" and "i".

The nature of expenses related to these lease agreements will change because the Group will recognize a cost of depreciation of asset use rights and interest expense on lease liabilities.

The Group previously recognized operating lease expenses over the lease term and recognized assets and liabilities to the extent that there was a time difference between actual lease payments and recognized expenses.

5 Operating segments

The Company and its subsidiaries operate in the health care 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 Company 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 clients in a vertically integrated model ultimately designed to maximize consolidated (health care company + medical care units) value creation for shareholders.

Management has determined that the Board of Directors is the CODM (Chief operating decision maker). 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 income is entirely derived from clients geographically located in Brazil and there is no client sales concentration per client contract. Also, all current assets of the Group are located in Brazil.

6 Short-term and long-term investments

a. Summary of investment classification:

	Parent company
	12/31/2018
Repurchase and resale agreements (b)	104,193
Fixed income investment fund - Non-exclusive (d.1)	1,205,899
Other	75
Total	1,310,167
Current	104,193
Non-current	1,205,974
Total	1,310,167

	Consolidated	
	12/31/2018	12/31/2017
Bank deposit certificates (a)	-	40,404
	3,388,006	1,301,724
Repurchase and resale agreements (b)	234,361	353,721
Bank deposit certificates (a)	504,905	341,390
Fixed income investment funds - Guarantee assets (c)	407,135	368,181
Fixed income investment funds - Exclusive (d.2)	507,248	-
Fixed income investment fund - Non-exclusive (d.1)	1,732,676	238,411
Other	1,681	21
Total	3,388,006	1,342,128
Current	702,363	802,814
Non-current	2,685,643	539,314
Total	3,388,006	1,342,128

(a) Bank Deposit Certificates (CDB) yield an average monthly rate of 100.6% to 101.3% of the CDI rate (100.8% to 101.9% in 2017), maturing between January 2019 and March 2022.

(b) Repurchase and resale agreements basically consist of government bonds with a repurchase commitment from the financial institution, with a definite maturity and an average monthly yield ranging between 100.1% and 101.5% of the CDI rate (99.7% to 101.5% of the CDI in 2017), and with maturities ranging between January 2019 and August 2020.

(c) Fixed income investment fund - Guarantee assets are used as a guarantee for technical reserves of the health care company, as detailed in Note 13. Their average monthly yield varied between 97.8% and 104.1% of the CDI rate during the year.

(d) Composed of two types of funds, as follows:

d.1. Quotas in non-exclusive fixed-rate investment funds which primarily invest in government bonds with an average after-tax yield of 0.52% per month (0.81% in 2017). These investments have no maturity.

d.2. Invested in two exclusive funds, administered and managed by Banco do Brasil and Banco Santander. These funds have invested 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). The management fee is 0.06% and 0.05% for the funds managed by Banco do Brasil and Santander, respectively.

The increase in the caption was mainly due to the inflow of funds from the listing operation mentioned in note 17.

b. Changes in interest earning bank deposits

	Parent company
Balance at 12/31/2017	-
(+) Investments	4,683,242
(-) Redemptions (a)	(3,450,571)
(+) Yield	77,496
Balance at 12/31/2018	1,310,167

	Consolidated
Balance at 01/01/2017	999,602
(+) Investments	491,054
(-) Redemptions (a)	(256,628)
(+) Yield	108,100
Balance at 12/31/2017	1,342,128
(+) Investments	6,965,642
(+) Balance of investment from subsidiaries acquired	776
(-) Redemptions (a)	(5,093,942)
(+) Yield	173,402
Balance at 12/31/2018	3,388,006

(a) Redemptions were largely due to the maturity of the relevant securities, with funds being reinvested until investments in operating assets will be made.

7 Trade accounts receivable

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

	Consolidated	
	2018	**2017**
Medical and hospital plans		(Resubmitted)
Collective plans (a)	78,948	79,314
Individual plans (b)	104,218	76,443
Agreements and individuals (c)	8,319	7,061
Subtotal	191,485	162,818
Provision for losses (d)	(38,738)	(19,770)
Total	152,747	143,048

(a) Health care plans with medical and hospital coverage hired by legal entities.

(b) Health care plans with medical and hospital coverage hired by individuals.

(c) Services provided by the units of the hospital network for entities under an agreement and private clients.

The provision for impairment of the receivable is constituted based on the evaluation of delays based on the effective history of losses on the customer portfolio. This estimative represents the expectation of non-receivables of the Company.

Breakdown of amounts receivable by maturity age is as follows:

	Consolidated	
	2018	**2017**
		(Resubmitted)
Falling due	57,575	57,875
Overdue (days):		
Up to 30	63,380	48,570
31-60	22,672	19,422
61-90	12,698	10,944
>90	35,160	26,007
Total	191,485	162,818

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

	Consolidated	
	2018	**2017**
Balances at the beginning of the year	19,770	38,383
Formations	148,680	104,817
Write-offs, net (a)	(129,712)	(123,430)
Total	38,738	19,770

(a) Refers to cancellations of client's agreements carried out in the period due to the non-payment.

The Group has no concentration of income and its client base is very distributed. In 2018, the main client accounted for only 1.6% (1.6% in 2017) of net income, while the 10 largest clients accounted for 6.2% (6.9% in 2017) of net income in the same period. In the periods ended December 31, 2018 and September 31, 2017 no clients represented more than 5% in net income.

8 Deferred sales expenses

	Consolidated	
	2018	**2017**
Deferred commissions with Health Care Plan - Current	103,766	105,331
Deferred commissions with health care plan - Noncurrent	121,624	88,523
Total	225,390	193,854

The weighted average term of the agreements in the client portfolio is informed below in months, applied based on active agreements that generated expenses with commissions.

	2018	**2017**
Individual contracts	32	26
Collective contracts	56	43

9 Related party transactions and balances

The main balances of assets and liabilities on December 31, 2018 and 2017, as well as the transactions that influenced the income (loss), relating to operations with related parties, are as follows:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Assets				
Dividends receivable from investees	-	-	-	-
Interest on own capital receivable of investees	74,341	28,541	-	-
	74,341	28,541	-	-
Other related party credits				
Receivables with shareholders (a)	-	5,769	1,258	7,108
PPAR COM - refund due to the settlement of the debt (g)	-	-	1,993	1,993
Other	74	74	86	81
Subtotal	74	5,843	3,337	9,182
Other related party credits	74,415	34,384	3,337	9,182
Liabilities				
Dividends payable	65,126	807,789	77,730	819,901
Interest on own capital	106,783	16,437	106,783	16,437
	171,909	824,226	184,513	836,338
Other debits with related parties				
Debits with shareholders (a)	41,145	46,545	41,181	46,580
Debts with investees (a)	30	84,440	-	-
Canada Adm. - Purchase of property, plant and equipment	1,334	1,334	1,334	1,334
Other	142	102	142	102
Other debits with related parties	42,651	132,421	42,657	48,016
Transactions:				
Income from medical care services (d)	-	-	1,027	808

Income from administrative services (e)	-	-	371	522
Lease cost for "Canada Administradora de Bens Imóveis Ltda." (b)	-	-	(17,148)	(21,117)
Lease cost for "Fundação Ana Lima" (h)	-	-	(2,428)	(1,821)
Media broadcasting expenses (c)	-	-	(1,249)	(1,369)
Reimbursement of shared use of goods (f)	(1,005)	(2,020)	(1,005)	(2,020)
Lease cost for "Quixadá Participações Ltda." (i)	-	-	(23,341)	-
	(1,005)	(2,020)	(43,773)	(24,997)

The main transactions refer to:

(a) Credit and debits of shareholders and investees of the Company arising from changes for the acquisition of assets. Balances were formed without the levy of charges and without pre-fixed maturity, and the payments were made according to the financial plan of the Management. The balance has been changed during the statement periods due to the settlements of the debt, through payments, or compensation with debts of the same shareholders in the Company and the conversion of these credits into capital.

(b) Lease of 24 commercial properties destined to the development of economic activities, according to an agreement signed between Canadá Administradora de Bens Imóveis Ltda. (unconsolidated entity under common control of the same shareholders of the Group) and the Group, starting January 1, 2012, with an initial term of five years and a renewal clause for the same period. In March 2018, the agreements were renewed to a 20-year term, starting on March 1, 2018, and entered into based on the evaluation of market value performed by specialized companies, comprising: a) annual adjustment based on accumulated IGP-M change and b) review of the base value every 60 months of the lease effectiveness.

(c) Expenses with advertising hired by the Group to advertise in companies belonging to 'Sistema Opinião de Comunicação', under common shareholding control, with the purpose of promoting the sales of health care and dental care plans through marketing actions.

(d) Income from health care plans of the Group companies with services to the companies that are part of Sistema Opinião de Comunicação, under common shareholding control, in the category of collective plans.

(e) Supporting services for the Management of the companies to carry out activities necessary for the financial, tax and legal management of the entities.

(f) This balance mainly refers to the use of aircraft, when the Top Management needs to make business trips.

(g) Amount paid by the subsidiary Ultra Som Serviços Médicos Ltda. in favor of the company PPAR Com Investimentos Ltda., an entity not consolidated under the same shareholding control of the Group, on acquisitions of media companies made by the PPAR company.

(h) Lease of real estate and movable property for hospital activity, pursuant to an agreement signed between the Fundação Ana Lima and Ultra Som Serviços Médicos Ltda., starting on April 1, 2017, with a term of 60 months, without renewal clause.

(i) Additionally, in 2018, the Group entered into a lease agreement with the company Quixadá Participações Ltda. (unconsolidated company under common control of Group's same shareholders), which consists in the lease of 33 property units for development of the Company's activities, in accordance with its corporate purposes. The term of the agreement is 20 years, starting on March 1, 2018, with monthly amount of approximately R$ 2,917 totaling, during the effectiveness of the agreement, the amount of R$ 700,234. The agreements were entered into based on the appraisal of the market value performed by specialized companies, comprising: a) annual adjustment based on accumulated IGP-M adjustment and b) review of the base value every 60 months of the lease effectiveness.

Remuneration of key management personnel

The Group's Management has a Board of Directors and a Statutory Executive Board of the Company and its subsidiaries. Expenses with total management remuneration were R$ 25,033 in the year ended December 31, 2018 (R$ 9,377 as of December 31, 2017).

10 Investments

(i) Parent company

a. Breakdown

Investee	Capital	Shareholders' equity	Income (loss) for the period	Number of quotas	Percentage of Interest	Equity in net income of subsidiaries - 2018	Equity in net income of subsidiaries - 2017	Investments 2018	Investments 2017
Hapvida Assistência Médica Ltda.	921,720	1,476,166	369,567	921,720	99.99%	369,567	307,666	1,476,166	1,143,998
MaisOdonto Assistência Odontológica Ltda.	3,303	3,144	69	3,303	99.99%	69	18	3,144	3,075
OPS Serviços Médicos e Hospitalares Ltda. (b)	-	-	-	-	-	-	18,182	-	-
Hospital Antônio Prudente Ltda.	53,180	48,677	(13,441)	53,180	99.99%	(13,441)	16,763	48,677	10,471
Hospital Antônio Prudente de Natal Ltda.)	-	-	3,043	-	-	3,043	11,738	-	2,408
Hospital Antônio Prudente da Bahia Ltda. (b)	-	-	5,873	-	-	5,873	9,625	-	3,592
Ultra Som Serviços Médicos Ltda.	656,223	811,011	244,801	656,223	99.99%	244,801	32,841	811,011	89,878
Vida & Imagem Diagnósticos por Imagem Ltda.)	-	-	(842)	-	-	(842)	(2,513)	-	2,413
Samesp - Soc. Assist. Médica Esp. Ltda. (b)	-	-	13,309	-	-	13,309	25,492	-	41,953
Hapclínicas de Serviços e Atenção à Saúde Ltda.)	-	-	8,698	-	-	8,698	18,930	-	6,242
Pratica Imp. Com. Distrib. Prod. Farm. Hosp. Ltda.	100	-	-	100	99.99%	-	-	-	-
Centro Integrado de Atenção à Saúde Ltda.)	-	-	7,231	-	-	7,231	41,320	-	6,926
Unidade Hospitalar Antônio Prudente Ltda.)	-	-	25,465	-	-	25,465	11,230	-	1,182
Hapclínica - Clínicas Amb. de Serv. a Saúde Ltda.)	-	-	3,301	-	-	3,301	17,921	-	7,195
Unidade de Atenção Hospitalar Ltda.)	-	-	743	-	-	743	2,082	-	1,255
Centro Hospitalar de Atenção à Saúde Ltda.)	-	-	2,100	-	-	2,100	54,883	-	21,953
Clínica Ortop. e Traumatológica de JP Ltda.)	-	-	388	-	-	388	5,004	-	9,289
PCB- Adm. e Participações Ltda. (a)	-	-	-	-	-	-	1	-	-
Fernandes - Adm. e Participações Ltda. (a)	-	-	-	-	-	-	1	-	-
MWD - Adm. e Participações Ltda.)	-	-	-	-	-	-	-	-	137
OPS Administração e Participações Ltda.	2,330	1,120	(55)	2,330	99.99%	(55)	(92)	1,120	1,175
Exata Adm. de Planos de Saúde Ltda.)	-	-	-	-	-	-	8	-	-
Haptech Soluções Inteligentes Ltda.	25,908	11,417	(18,075)	25,908	99.99%	(18,075)	1,623	11,417	15,134
Atendimed Serviços Médicos Ltda.)	-	-	13,042	-	99.99%	13,042	14,506	-	15,260
Hospital Francisca de Sande Ltda.)	-	-	(2,020)	-	-	(2,020)	(5,064)	-	(1,136
Vida & Imagem Radiologia e Diagnóstico Ltda.	400	21,806	17,238	380	94.99%	16,376	34,418	21,599	1,798
Vida & Imagem Serviços Médicos Ltda.)	-	-	19,250	-	-	19,250	41,114	-	36,854
	1,663,164	2,373,341	699,685	1,663,144	-	698,823	657,697	2,373,134	1,421,051
Investments								2,373,134	1,422,187
Provision for investment loss								-	(1,136)
Total								2,373,134	1,421,051

(a) Companies discontinued in year 2017: PCB - Adm. e Participações Ltda., Fernandes - Adm. e Participações Ltda. and Exata Adm. de Planos de Saúde Ltda.

(b) On November 30, 2017, February 28, 2018, May 31, 2018 and August 31, 2018, the meetings of shareholders of Ultra Som Serviços Médicos Ltda. approved the merger of subsidiaries. The purpose of the merger was to achieve significant economies of scale through the immediate decrease of expenses given the standardization and rationalization of administrative and operational activities. See Note 2.

(c) Company discontinued in year 2018.

(d) On August 31, 2018, the meeting of the partners of Hospital Antônio Prudente Ltda. approved the merger of subsidiary. The purpose of the merger was to achieve significant economies of scale through the immediate decrease of expenses given the standardization and rationalization of administrative and operational activities. See Note 2.

b. Changes

Investee	Balance 12/31/2016	Equity in net income of subsidiaries	Dividends	Merger	Capital increase	Acquisition of investment	Write-off	Balance 12/31/2017	Equity in net income of subsidiaries	Dividends	Interest on own capital	Capital increase	Advance for future capital increase	Merger	Write-off	Balance at 12/31/2018
Hapvida Assistência Médica Ltda.	747,487	307,666	(137,937)	-	226,782	-	-	1,143,998	369,567	(98,319)	(42,400)	79,950	23,370	-	-	1,476,166
MaisOdonto Assistência Odontológica Ltda.	3,057	18	-	-	-	-	-	3,075	69	-	-	-	-	-	-	3,144
OPS Serviços Médicos e Hospitalares Ltda.	17,462	18,182	(19,100)	(16,544)	-	-	-	-	-	-	-	-	-	-	-	-
Hospital Antônio Prudente Ltda.	21,173	16,763	(21,695)	-	-	-	(5,770)	10,471	(13,441)	-	-	30,000	-	21,647	-	48,677
Hospital Antônio Prudente de Natal Ltda.	3,015	11,738	(12,345)	-	-	-	-	2,408	3,043	(600)	-	-	-	(4,851)	-	-
Hospital Antônio Prudente da Bahia Ltda.	3,667	9,625	(9,700)	-	-	-	-	3,592	5,873	(705)	-	-	-	(8,760)	-	-
Ultra Som Serviços Médicos Ltda.	17,927	32,841	-	16,544	22,566	-	-	89,878	244,801	(39,408)	(12,897)	308,000	13,861	206,776	-	811,011
Vida & Imagem Diagnósticos por Imagem Ltda.	4,926	(2,513)	-	-	-	-	-	2,413	(842)	-	-	-	-	(1,571)	-	-
Samesp - Soc. Assist. Médica Esp. Ltda.	23,061	25,492	(6,600)	-	-	-	-	41,953	13,309	(7,500)	-	-	-	(47,762)	-	-
Hapclínicas de Serviços e Atenção à Saúde Ltda.	908	18,930	(13,596)	-	-	-	-	6,242	8,698	(1,349)	-	-	-	(13,591)	-	-
Pratica Imp. Com. Distrib. Prod. Farm. Hosp. Ltda.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Centro Integrado de Atenção à Saúde Ltda.	4,600	41,320	(38,994)	-	-	-	-	6,926	7,231	(2,600)	-	-	-	(11,557)	-	-
Unidade Hospitalar Antônio Prudente Ltda.	(372)	11,230	(9,676)	-	-	-	-	1,182	25,465	(5,000)	-	-	-	(21,647)	-	-
Hapclínica - Clínicas Amb. de Serv. a Saúde Ltda.	3,351	17,921	(14,077)	-	-	-	-	7,195	3,301	(752)	-	-	-	(9,744)	-	-
Unidade de Atenção Hospitalar Ltda.	(827)	2,082	-	-	-	-	-	1,255	743	-	-	-	-	(1,998)	-	-
Centro Hospitalar de Atenção à Saúde Ltda.	6,654	54,883	(39,584)	-	-	-	-	21,953	2,100	(800)	-	-	-	(23,253)	-	-
Clínica Ortop. e Traumatológica de JP Ltda.	4,285	5,004	-	-	-	-	-	9,289	388	-	-	-	-	(9,677)	-	-
MRP - Adm. e Participações Ltda.	125	-	(125)	-	-	-	-	-	-	-	-	-	-	-	-	-
PCB - Adm. e Participações Ltda.	249	1	-	-	-	-	(250)	-	-	-	-	-	-	-	-	-
MWD - Adm. e Participações Ltda.	137	-	-	-	-	-	-	137	-	-	-	-	-	-	(137)	-
Fernandes - Adm. e Participações Ltda.	249	1	-	-	-	-	(250)	-	-	-	-	-	-	-	-	-
OPS Administração e Participações Ltda.	1,267	(92)	-	-	-	-	-	1,175	(55)	-	-	-	-	-	-	1,120
Exata Adm. de Planos de Saúde Ltda.	797	8	(805)	-	-	-	-	-	-	-	-	-	-	-	-	-
Haptech Soluções Inteligentes Ltda.	14,333	1,623	(822)	-	-	-	-	15,134	(18,075)	-	-	-	14,358	-	-	11,417
Atendimed Serviços Médicos Ltda.	3,854	14,506	(3,100)	-	-	-	-	15,260	13,042	(7,237)	-	-	-	(21,065)	-	-
Hospital Francisca de Sande Ltda.	3,927	(5,064)	-	-	-	-	-	(1,137)	(2,020)	-	-	-	-	3,157	-	-
Vida & Imagem Radiologia e Diagnóstico Ltda.	4,864	34,418	(37,484)	-	-	-	-	1,798	16,376	(12,249)	-	-	15,674	-	-	21,599
Vida & Imagem Serviços Médicos Ltda.	-	41,114	(4,460)	-	-	200	-	36,854	19,250	-	-	-	-	(56,104)	-	-
	890,176	657,697	(370,100)	-	249,348	200	(6,270)	1,421,051	698,823	(176,519)	(55,297)	417,950	67,263	-	(137)	2,373,134
Investments	891,246							1,422,187								2,373,134
Provision for investment loss	(1,070)							(1,136)								-
Total	890,176							1,421,051								2,373,134

c. *Acquisition of subsidiaries*

On May 10, 2018, by means of its subsidiary Ultra Som Serviços Médicos Ltda, 100% of the quotas from Instituto de Medicina Intensiva Ltda. were obtained. "IMI", hospital focused on the provision of medical and hospital services.

The acquisition of IMI is part of the Hapvida Group's growth strategy to improve the service to its users, given the increased demand for health care services, the network of providers, which must follow the market, investing in infrastructure and efficiency in service, strengthening the vertical network.

The financial statements used for the operation of acquisition of the investee and respective accounting records are as follows, in thousands of reais:

Assets	**05/10/2018**	Liabilities	**05/10/2018**
Interest earning bank deposits	777	Loans and financing	2,586
Accounts receivable	1,728	Taxes and contributions payable	1,210
Other assets	315	Suppliers	2,325
Total current assets	2,820	Dividends and interest on own capital	2,190
		Other accounts payable	8,073
		Total current liabilities	16,384
		Loans and financing	4,073
		Taxes and contributions payable	584
		Total non-current liabilities	4,657
		Shareholders' equity	
		Capital	5,000
Interests in other entities	735	Accumulated losses	(7,021)
Property, plant and equipment	15,465		
Total non-current assets	16,200	Total shareholders' equity	(2,021)
Total assets	19,020	Total liabilities	19,020

The acquisition of all the quotas of Instituto de Medicina Intensiva Ltda in Manaus (AM) occurred at the fair value of R$ 12,648, with the following payment conditions:

- Initial payment of R$8,024 when the deal was closed.
- The second installment paid 90 days after the closing of the agreement in the amount of R$ 1,300.
- Residual balance is divided into 36 equal and successive monthly installments, payable as of two months after the closing of the deal, recognized in current and non-current liabilities, according to the maturity schedule in the subsequent periods.

The value negotiated for the control of the acquiree is subject to the existence of contingent considerations subsequent to the acquisition date and which may be deducted from the purchase price according to contractual terms.

According to the appraisal report, the amount of goodwill recognized as a result of the acquisition of Instituto de Medicina was R$ 27,459, of which R$ 13,294 as Surplus, R$ 1,375 as Surplus and R$ 12,790 as Improvements.

The value of Goodwill was calculated as the difference between the fair value of investment acquisition (R$ 12,648) and the value of the shareholders' equity of the acquired equity (-R$ 2,021), deducted from the Surplus value (R$ 1,375). Upon the evaluation referenced in the report, the Group adjusted the goodwill previously presented in R$ 181.

11 Property, plant and equipment

	Parent company				
	Annual depreciation rate	**Cost**	**Accumulated depreciation**	**Net - 12/31/2018**	**Net 12/31/2017**
Vehicles	20.0%	4,729	(2,073)	2,656	3,544
Data processing equipment	14.7%	1,569	(1,332)	237	540
Machinery and equipment	9.7%	15	(6)	9	22
Furniture and fixtures	10.0%	94	(39)	55	62
Facilities	10.0%	96	(6)	90	40
Property, plant and equipment in progress		1,104	-	1,104	533
Total		7,607	(3,456)	4,151	4,741

	Consolidated				
	Annual depreciation rate	**Cost**	**Accumulated depreciation**	**Net - 12/31/2018**	**Net 12/31/2017**
Real estate	4%	5,696	(1,895)	3,801	3,781
Vehicles	20%	4,729	(2,073)	2,656	3,544
Data processing equipment	14.7%	48,337	(25,602)	22,735	15,546
Hospital machinery and equipment	9.7%	194,619	(63,878)	130,741	98,904
Furniture and fixtures	10%	49,028	(13,775)	35,253	27,528
Facilities	10%	181,777	(10,144)	171,633	103,205
Property, plant and equipment in progress (b)		46,334	-	46,334	38,114
Surplus		1,375	-	1,375	
Total		531,895	(117,367)	414,528	290,622

Changes in property, plant and equipment for the year ended December 31, 2018 and 2017 are as follows:

	Parent company					
	12/31/2017	**Addition**	**Net write-offs**	**Depreciation**	**Transf.**	**12/31/2018**
Vehicles	3,544	53	-	(941)	-	2,656
Data processing equipment	540	41	(11)	(333)	-	237
Machinery and equipment	22	2	(11)	(4)	-	9
Furniture and fixtures	62	2	-	(9)	-	55
Facilities	40	-	-	(3)	53	90
Property, plant and	533	624	-	-	(53)	1,104

equipment in progress **(b)**						
Total	4,741	722	(22)	(1,290)	-	4,151

	Parent company					
	12/31/2016	**Additions**	**Net write-offs**	**Depreciation**	**Spin-off (a)**	**12/31/2017**
Real estate	4,356	1,160	(2,072)	(742)	842	3,544
Vehicles	785	53	-	(298)	-	540
Data processing equipment	25	-	-	(3)	-	22
Machinery and equipment	62	9	-	(9)	-	62
Furniture and fixtures	439	-	-	(2)	(397)	40
Facilities	64	914	-	-	(445)	533
Property, plant and equipment in progress **(b)**						
Total	5,731	2,136	(2,072)	(1,054)	-	4,741

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

	Consolidated						
	12/31/2016	**Additions**	**Net write-offs**	**Transf.**	**Depreciation**	**Spin-off (a)**	**12/31/2017**
Real estate	3,956	1	-		(176)	-	3,781
Vehicles	4,356	1,193	(2,105)	842	(742)	-	3,544
Data processing equipment	14,816	10,936	(27)	405	(10,584)	-	15,546
Hospital machinery and equipment	82,646	36,025	(155)	1,141	(20,753)	-	98,904
Furniture and fixtures	20,684	10,372	(97)	41	(3,472)	-	27,528
Facilities	69,224	68	(2)	42,221	(2,868)	(5,438)	103,205
Property, plant and equipment in progress **(b)**	21,666	64,355	(2,925)	(44,650)	-	(332)	38,114
Total	217,348	122,950	(5,311)	-	(38,595)	(5,770)	290,622

(a) Spin-off of real estate assets of Hospital Antônio Prudente Ltda, with the transfer of quotas of the subsidiary's capital, as settlement through the reduction of existing debts or cash payments.

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

12 Intangible

Changes in intangible assets for the year ended December 31, 2018 and 2017 are as follows:

		Consolidated			
	Annual amortization rate	Cost	Accumulated amortization	2018 - Net	2017 - Net
Acquisition of portfolio (iii)	20.00%	25,097	(1,486)	23,611	102
Software	20.00%	21,389	(5,194)	16,195	8,213
Trademarks and patents		1,701	-	1,701	1,701
Non-Compete		9,000	(2,700)	6,300	8,100
Investment goodwill (i)		36,452	-	36,452	23,158
Advances (ii)		30,835	-	30,835	4,684
Total		124,474	(9,380)	115,094	45,958

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

	Consolidated				
	12/31/2016	Additions	Amortization	Write-off	12/31/2017
Acquisition of portfolio	194	-	(84)	(8)	102
Software	1,782	7,904	(1,409)	(64)	8,213
Trademarks and patents	1	1,700	-	-	1,701
Non-Compete	-	9,000	(900)	-	8,100
Goodwill on investments (i)	16,065	7,093	-	-	23,158
Advances (ii)	-	4,684	-	-	4,684
Total	18,042	30,381	(2,393)	(72)	45,958

(i) Goodwill formed on acquisitions of the related entities that are part of the Company's growth strategy to improve the service to its users, given the increased demand for health care services from the network of providers. The acquired entities are as follows:

Grupo Luiz França

On November 28, 2014 and February 9, 2015, the Group decided to acquire 48.99% and 51% of the quotas of Luiz França Serviços Hospitalares Ltda. (children's hospital) and Pronto Socorro Infantil Luiz França Ltda. (health care company), in Fortaleza (CE), for the fair value of R$18,717. At the acquisition date, the entity had net assets in the amount of R$2,652, resulting in a goodwill due to the future profitability of R$16,065, recognized as an intangible asset on the acquisition date. To implement this acquisition, the economic and financial report of the entities was used, complying with the provisions of the Brazilian Corporation Law. The payment for the transaction was made as follows:

- Initial payment of R$4,000 when the deal was closed.
- Residual balance divided into 24 equal and successive monthly installments, payable as of the month following the first payment, recognized in current and non-current liabilities, according to the maturity schedule in the subsequent periods.

SEMED Serviços Médicos e Hospitalares de Camaçari Ltda.
On July 3, 2017, the Group decided to acquire 99.99% of the quotas of SEMED - Serviços Médicos e Hospitalares de Camaçari Ltda., in Camaçari (BA), for the fair value of R$14,000, with R$5,207 made of net assets, on which a goodwill of R$8,793 was recognized, with the allocation of R$ 1,700 in trademarks and patents and R$ 7,093 in goodwill.

The transaction also resulted in the recognition of a non-compete agreement, as a separate transaction, in the amount of R$9,000, an intangible asset with five-year-life set, according to an agreement signed between the parties. The payment for the transaction was made as follows:

- Payment of 25% of the total amount of the transaction when the deal was closed.
- Payment of 25% of the total amount of the transaction 30 days after the first payment.
- Residual balance divided into 16 equal and successive monthly installments, payable as of the month following the two installments listed above, recognized in current and non-current liabilities, according to the maturity schedule in the subsequent periods.

The Group evaluates the impairment of assets as of December 31, annually, or when there are indications of impairment of their book value.

Instituto de Medicina Intensiva Ltda.

As described in note 10, item c.

(ii) Advances for the acquisition of new software that is being deployed in 2018 and will start being used in 2019.

(iii) On October 29, 2018, according to Circular Letter 15/2018/GGREP/DIRAD-DIPRO/DIPRO, the National Regulatory Agency for Private Health Insurance and Plans (ANS) authorized, on preliminary basis, the voluntary transfer of the total portfolio of Assistência Médica Hospitalar Ltda. (UNIPLAM), company that operates in the complementary health sector located in Teresina, state of Piauí. The portfolio has around 25 thousand beneficiaries, mostly located in Teresina.

13 Technical reserves for health care plan company

	Consolidated	
	12/31/2018	**12/31/2017** (Submitted)
Provision for unearned premiums or consideration - PPCNG (a)	36,537	33,954
Provision for events to be settled (d)	58,028	61,490
Provision for events to be settled - SUS (c)	162,463	135,497
Provision for Events Incurred but Not Reported - IBNR (d)	151,097	128,529
Total	408,125	359,470

(a) PPCNG refers to the accounting record of the amount charged by the Company’s operators to cover a contractual risk proportional to the days not yet elapsed within the monthly coverage period, for appropriation as income only in the subsequent period, when the term is effectively incurred.

(b) Provision for guarantee of events that have already occurred, recorded in the accounts and not yet paid. The accounting record is made at the full amount informed by the supplier or beneficiary when the collection is presented to the entity and is subsequently adjusted for cancellations and discounts after the Group's employees (medical auditors) is realized.

(c) The Group records in this account events related to reimbursements of medical expenses to the SUS, in accordance with ANS Joint Regulatory Instruction 5, of September 30, 2011 and subsequent amendments.

(d) Provision for payment of events that have already occurred and that were not informed to the Company before the end of the period, which was incorporated based on actuarial methodology. The calculations were obtained based on run-off triangles that consider the historical development of events paid in the last 12 months, to establish a future projection by period of occurrence.

The technical reserves represent the calculation of expected risks inherent to the health care operations of the subsidiary Hapvida Assistência Médica Ltda. which is subject to the mandatory maintenance of financial guarantees intended to cover such risks, established by ANS Normative Resolution nº 209/09 and subsequent amendments, as described below:

- **Minimum adjusted shareholders' equity and solvency margin**: To operate in the health care market regulated by ANS, shareholders' equity of the health care company must be adjusted for economic purposes as established by ANS Normative Resolution 209/09 and subsequent amendments. The adjusted shareholders' equity is calculated as shareholders' equity less non-current intangible assets, tax credits arising from tax losses, deferred sales expenses and prepaid expenses. The Group establishes the adjusted shareholders' equity and assesses if the solvency margin is sufficient monthly, in accordance with ANS Regulatory Instruction 373/15 and subsequent amendments.

  The Group achieved the sufficiency of this requirement in all periods presented, as shown in the following comparative table:

	12/31/2018	**12/31/2017**
Adjusted shareholders' equity (PMA)	1,196,942	904,539
Margin of required solvency (MS)	671,107	503,640
Sufficiency determined	525,835	400,899

- **Guarantee assets:** Pursuant to the rules established by ANS Normative Resolution nº 159/07 and subsequent changes, health and dental care companies must have sufficient guarantee assets to cover all recognized technical reserves at the balance sheet date and deducted from the PPCNG and the portion of events to be settled concerning the charges made by the providers in the last 30 days.

  The Group achieved the sufficiency of this requirement in all periods presented, as shown in the following comparative table:

	12/31/2018	**12/31/2017**
Respective guarantee assets required	343,427	278,409
Linked effective guarantee assets (see Note 6-c)	407,135	368,181
Calculation of sufficiency	63,708	89,772

Changes in technical reserves

	PPCNG	Provision for events to be settled - SUS	Provision for events to be settled	IBNR	Total
Balances at 12/31/2017 (Resubmitted)	33,954	135,497	61,490	128,529	359,470
Formations	5,195,408	35,331	4,116,306	24,288	9,371,333
Reversals	(5,192,825)	(8,365)	-	(1,720)	(5,202,910)
Write-offs	-	-	(4,119,768)	-	(4,119,768)
Balances at 12/31/2018	36,537	162,463	58,028	151,097	408,125

14 Social security charges

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Provision for vacation and 13th salary	-	-	63,716	52,480
Salaries payable	1,876	-	47,893	43,364
Other social security obligations	905	168	1,338	354
Total	2,781	168	112,947	96,198

15 Taxes and contributions payable

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Refis	-	-	1,924	325
Non-consolidated Refis (a)	-	1,913	7,862	35,007
Income taxes - Municipal	-	-	6.277	6,591
Social security contribution	383	49	13,993	10,857
Income taxes - Federal	3,556	128	10,611	11,759
Withholding taxes from third parties	1,341	107	22,613	11,991
Other	-	242	4,577	4,372
Total	5,280	2,439	67,857	80,902
Current	5,280	2,197	55,890	59,249
Non-current	-	242	11,967	21,653

(a) In November 2013, the Company's entities joined Refis, a special program created by the Federal Government to pay federal tax debt. This program was created by Law 11941/09 and granted discounts on charges levied on tax debt. The Group pays monthly installments, and, after the deferral and consolidation of tax debits, the Group will have the option to pay 100% of the outstanding debt.

In September 2017, the Group joined another special program created by the Federal Government, also to pay federal tax debt in installments, in accordance with Law 13496/17. The Group concluded the early settlement of installments in the first quarter of 2018. At the closing date of these quarterly financial statements, the federal tax authorities had not yet completed the consolidation of the Group's debits.

The amount of federal taxes is being updated by SELIC.

16 Provision for tax, civil and labor risks

The Group is a party to judicial and administrative lawsuits in several courts and government bodies, arising from the regular course of its operations, involving tax, labor, civil and contingency matters with the regulatory agency (ANS).

The Group makes a provision for all legal and administrative proceedings classified as probable loss risk, which it considers sufficient to cover possible losses.

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Provisions for tax lawsuits (including ANS)	34,890	46,125	171,324	157,077
Provision for civil lawsuits	-	-	66,338	66,103
Provisions for labor lawsuits	-	-	25,779	25,604
Total	34,890	46,125	263,441	248,784

Changes incurred in provision for risks for the year ended December 31, 2018 and 2017 are detailed as follows:

	Parent company (Tax)
Balances at January 01, 2017	41,860
Net additions and reversals	4,767
Write-offs	(502)
Balances at December 31, 2017	46,125
Net additions and reversals	(11,163)
Write-offs	(72)
Balances at December 31, 2018	34,890

	Consolidated			
	Civil	**Labor**	**Tax**	**Total**
Balances at January 01, 2017	57,335	43,235	133,837	234,407
Additions	22,188	-	18,440	40,628
Reversals	(549)	(633)	(7,818)	(9,000)
Write-offs	(12,871)	(3,730)	(650)	(17,251)
Transfers	-	(13,268)	13,268	-
Balances at December 31, 2017	66,103	25,604	157,077	248,784
Additions	19,652	7,930	40,240	67,822
Reversals	(3,749)	(3,964)	(24,004)	(31,717)
Write-offs	(15,668)	(3,602)	(2,178)	(21,448)
Transfers	-	(189)	189	-
Balances at December 31, 2018	66,338	25,779	171,324	263,441

Risks with prognosis of probable loss:

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

(i) Provisions for civil lawsuits and proceedings

- **Theme: Contractual Grace Period -** The contingency addressed comes from civil lawsuits filed by beneficiaries seeking to obtain health care coverage from its 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 contractually. In relation to the theme presented herein, the Company and its subsidiaries have provisioned the amount of R$ 8,666 (R$ 8,885 in 2017).

- **Theme: Legal and/or Contractual Coverage Exclusion** - The addressed contingency comes from civil proceedings filed by beneficiaries seeking to obtain coverage for services not covered by law and/or contract, such as: aesthetic, experimental procedures, not provided for in the ANS mandatory coverage list or outside the Use Guidelines - DUT, Home Care, artificial insemination, services outside the geographic scope etc. 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 contractually. In relation to the theme presented herein, the Company and its subsidiaries have provisioned the amount of R$ 11,432 (R$ 7,700 in 2017).

- **Theme: Indemnity lawsuits - Medical Acts -** The contingency addressed comes from civil proceedings filed by beneficiaries seeking compensation for damages suffered by allegedly inadequate medical conduct. In such cases, the plaintiffs seek to assign the Company and/or its subsidiaries the joint liability to the Company for the medical act practiced by their accredited professionals. In relation to the theme presented herein, the Company and its subsidiaries have provisioned the amount of R$ 9,924 (R$ 8,461 in 2017).

- **Theme: Debts with Providers in General -** The contingency arises from civil lawsuits filed by service providers in general, seeking to obtain payment of amounts supposedly owed by the Company and/or its subsidiaries on several grounds, such as: disallowances of hospital accounts, contractual rescissions, etc. Regarding the topic presented herein, the Company and its subsidiaries provisioned the amount of R$ 7,565 (R$ 9,207 in 2017).

The amounts of provisions related to judicial and administrative proceedings of a civil nature not covered by the themes above are distributed in claims of lower representativeness, which do not account for a relevant portion of the provision presented herein.

(ii) Provisions for labor lawsuits and proceedings

- **Theme: Recognition of the employment relationship** - The contingency addressed comes from labor lawsuits filed by individuals, service providers, seeking to obtain recognition of an alleged employment relationship maintained with the Company, even without the presence of the typical assumptions of an employment relationship. In this scenario, we can use as example: physicians, radiology technicians, physical therapists, speech therapists, etc. In relation to the theme presented herein, the Company and its subsidiaries made a provision in the amount of R$ 12,284 (R$12,913 in 2017).

• **Theme: Labor amounts and severance pay -** The contingency addressed arises from labor lawsuits filed by former employees, individually, who claim the receipt of labor amounts and severance pay related to the period in which they worked for the Company and/or 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. In relation to the topic presented herein, the Company and its subsidiaries have provisioned the amount of R$ 11,041 (R$ 9,065 in 2017).

(iii) Provisions for tax lawsuits and proceedings

• **Theme: ANS administrative fines/ reimbursement to SUS (regulatory aspects) -** The contingency addressed arises from administrative proceedings and tax foreclosures filed by the National Regulatory Agency for Private Health Insurance and Plans (ANS), in which administrative fines are charged due to alleged breaches to the standards regulating the activity of health care companies, and amounts related to reimbursement to SUS, resulting from the attendance of beneficiaries of the Company in the public network and in the Unified Health System (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$ 86,965 (R$ 77,663 in 2017), to support probable losses arising from lawsuits, and the amount of R$ 46,552 (R$ 25,189 in 2017) to cover probable losses arising from administrative claims.

• **Theme: Tax foreclosures - Service taxes (ISS) -** The contingency now treated comes from Tax Foreclosures filed by Municipal Treasury Secretaries, which intend to collect the service tax allegedly due by the Company and/or its subsidiaries as a result of its operating activities. In relation to the theme presented herein, the Company and its subsidiaries have provisioned the amount of R$ 2,538 (R$ 5,331 in 2017).

Risks with possible loss forecast:

The Group discusses other lawsuits for which the legal advisers estimate as possible loss, not creating an accounting provision.

Below is a breakdown of the risk amounts and a description of the main issues arising from lawsuits and administrative proceedings classified as possible loss, in which the Company and/or its subsidiaries are party, related to the year ended December 31, 2018:

	Parent company		**Consolidated**	
Cases with possible loss - nature:	**2018**	**2017**	**2018**	**2017**
Tax	2,591	-	653,941	582,749
Civil	784	-	232,674	181,377
Labor	768	7,778	68,945	66,538
Total	4,143	7,778	955,560	830,664

(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$ 9,978 (R$ 9,960 in 2017), 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$ 14,275 (R$ 13,183 in 2017), 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$ 116,347 (R$ 102,617 in 2017), 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$ 27,118 (R$ 14,423 in 2017), 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$ 30,688 (R$ 37,087 in 2017), 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$ 26,224 (R$ 21,444 in 2017), related to labor lawsuits and proceedings, classified as possible loss risk.

(ii) Contingent liabilities for lawsuits and tax lawsuits

- **Theme: ANS Administrative Fines/Reimbursement to SUS -** In relation to the subject presented, the Company and its subsidiaries presented a contingent liability of R$ 96,375 (R$ 81,710), related to regulatory proceedings and R$ 50,259 (R$63,798), 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 Company and its subsidiaries presented a contingent liability of R$ 89,764 (R$ 55,648 in 2017), 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 Company and its subsidiaries, 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$ 91,937 (R$ 87,158 in 2017), 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 Company and its subsidiaries 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$ 212,294 (R$ 206,265 in 2017), related to tax lawsuits and proceedings, classified as possible loss risk.

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

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Tax judicial deposits	66	-	60,402	32,122
Civil judicial deposits	262	331	28,690	19,248
Labor judicial deposits	110	-	7,799	7,137
Total	438	331	96,891	58,507

17 Shareholders' equity

a. Consolidated capital

On March 29, 2018, the Special Shareholders' Meeting (SSM) approved the split of shares proposed by the Company's Management, in the proportion of one common share for two common shares.

a.1. Capital increase and expenditures with issuance of shares (IPO)

In the second quarter of 2018, the Company's capital increased R$ 2,631,028, amount originated from the sale of shares. The cost consumed with the share issue operation was R$ 100,809, reflecting a net effect of R$ 2,530,219, as shown below:

Changes in net capital:

Balance of net capital at December 31, 2017	280,000
Issue of shares	2,631,028
Expenses with issuance of shares	(100,809)
Balance of net capital at December 31, 2018	2,810,219

Accordingly, subscribed and paid-up capital as of December 31, 2018 is 2,810,219 (R$ 280,000 as of December 31, 2017), comprised by 671,958,573 shares, distributed between shareholders proportionally to their interest in the company.

b. Nature and purpose of reserves

Recording the accumulated retention of profits for future use as per the shareholders' decision.

c. Legal reserve

Formed compulsorily on the allocation of 5% of net income for the year, until it reaches 20% of the capital.

d. Dividends

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

Balance of dividends and interest on own capital as of December 31, 2016	308,526
Proposed dividends in 2017	687,226
Proposed dividends in 2017 - Non-controlling shareholders	1,964
Dividends and interest on own capital effectively paid in the period	(161,378)
Balance of dividends and interest on own capital as of December 31, 2017	836,338
Dividends proposed on December 31, 2018 - Non-controlling shareholders	677
Dividends proposed on December 31, 2018 - Non-controlling shareholders	63,167
Interest on own capital proposed to the controlling shareholder, net of corporate income tax (i)	82,399
Interest on own capital proposed to minority shareholders, net of corporate income tax (i)	24,385
Dividends payable from investments acquired	1,319
Dividends and interest on own capital effectively paid in the period	(823,772)
Balance of dividends and interest on own capital as of December 31, 2018	184,513

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

e. Basic and diluted earnings per share

Earning per share is basically calculated by dividing net income for the period attributed to controlling shareholders, by the weighted average number of outstanding common shares.

Diluted earnings per share are calculated by dividing net income for the period, attributable to controlling shareholders, by the weighted average number of common shares outstanding after adjustments for all common shares that can be diluted.

Before the split of shares occurred on March 29, 2018	**12/31/2018**	**12/31/2017**
Net income attributable to controlling shareholders (In thousands of Reais)	787,470	648,768
Weighted average number of shares	563,465	280,000
Basic and diluted earnings per share (In thousands of reais)	1.40	2.32

After the split of shares occurred on March 29, 2018	**12/31/2018**	**12/31/2017**
Net income attributable to controlling shareholders (In thousands of Reais)	787,470	648,768
Weighted average number of shares	633,465	560,000
Basic and diluted earnings per share (In thousands of reais)	1.24	1.16

18 Net income from services rendered

	Consolidated	
	2018	**2017**
Gross considerations	4,758,160	3,999,792
Income from other activities	25,569	19,971
Deductions (a)	(207,831)	(171,782)
Total	4,575,898	3,847,981

(a) Deductions refer substantially to taxes levied on income.

19 Cost of services rendered

	Consolidated	
	2018	**2017**
Medical and hospital costs and others	(2,732,094)	(2,247,799)
Change of IBNR (a)	(22,568)	(14,139)
Total	(2,754,662)	(2,261,938)

(a) The Group changed its estimate of the IBNR calculation due to revised reliable data in relation to the events included in the actuarial methodology used to estimate this provision. This change was recorded as a change in the accounting estimate.

20 Sales expenses

	Consolidated	
	2018	**2017**
Advertising expenses	(38,341)	(35,857)
Commission expenses	(256,393)	(237,501)
Provision for credit losses	(148,680)	(104,817)
Total	(443,414)	(378,175)

21 Administrative expenses

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Own personnel expense	(25,937)	(9,332)	(195,346)	(162,093)
Outsourced service expenses	(7,026)	(1,375)	(98,918)	(77,424)
Expenses with location and operation	(2,580)	(1,041)	(103,159)	(98,120)
Tax expenses	(13,682)	(1,616)	(38,073)	(35,599)
Judicial expenses and provisions for civil, labor and tax risks.	11,163	(4,767)	(62,442)	(31,628)
Sundry expenses, net.	(1,445)	6,857	(9,240)	(21,746)
Total	(39,507)	(11,274)	(507,178)	(426,610)

22 Net Financial Result

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Financial income				
Income from investments, except for guarantee assets	77,509	-	153,260	82,682
Income from investments - Guarantee assets	-	-	21,706	27,172
Income from late receipt	-	-	24,745	24,019
Charge reduction - REFIS	2,542	1,117	12,314	5,019
Other	-	21	1,064	419
	80,051	1,138	213,089	139,311
Financial expenses				
Discounts granted	-	-	(15,932)	(7,279)
Bank expenses	(11)	(10)	(7,924)	(9,179)
Charges on taxes	(2,700)	(1,681)	(10,212)	(9,915)
Inflation adjustment	(43)	(11)	(6,557)	(1,221)
Other	-	(10)	(644)	(173)
	(2,754)	(1,712)	(41,269)	(27,767)
Total	77,297	(574)	171,820	111,544

23 Income tax and social contribution

a. Reconciliation of effective rate of income tax and social contribution recognized in income (loss)

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

	12/31/2018		12/31/2017	
Income before income tax and social contribution		1,042,335		894,996
Combined rates:				
IRPJ, plus the additional tax rate		25%		25%
CSLL		9%		9%
Expense with income tax and social contribution at official rates	34.00%	354,394	34.00%	304,299
Permanent differences				
Tax loss for which a deferred tax asset was not formed	0.91%	9,527	-	-
Expenditures with issuance of shares	-3.29%	(34,274)	-	-
Interest on own capital (iv)	-5.84%	(60,912)	-	-
Non-deductible provisions (i)	0.62%	6,415	1.07%	9,606
Other additions and exclusions	0.02%	194	-0.28%	(2,481)
	-7.58%	(79,050)	0.80%	7,125
Impacts of the tax on entities taxed by deemed profit (ii)				
Reversal of the tax effect by the actual profit	-2.72%	(28,366)	-9.87%	(88,339)
Income tax and social contribution calculated at deemed profit	0.67%	7,023	2.38%	21,313
	-2.05%	(21,343)	-7.49%	(67,026)
Expense with income tax and social contribution (rate at %)	24,37%	254,001	27.31%	244,398
Current income tax and social contribution (iii)		(315,089)		(242,067)
Deferred income tax and social contribution		61,088		(2,331)
Expense with income tax and social contribution		(254,001)		(244,398)

(i) Referring to the provision for personnel expenses and rates of the regulatory agency in estimated bases, previously taxed when created.

(ii) Exclusion of the effects of the use of statutory rates on the profit before income tax and social contribution of the Group's entities that are taxed under the deemed profit system, in accordance with current legislation.

(iii) The Company and its subsidiaries effectively disbursed R$ 336,091 in 2018 (R$ 234,994 in 2017) for the payment of income tax and social contribution calculated in the year, and provisioned a balance related to the calculation of the immediately preceding year.

	Consolidated	
	2018	2017
Balance at the beginning of the year	54,479	47,406
Calculated income tax and social contribution	315,089	242,067
Balance of income tax and social contribution of acquiree	383	
(-) Payments made	(336,091)	(234,994)
Balance at the end of the year	33,860	54,479

The Company and its subsidiaries do not recognize income tax and social contribution expenses directly in shareholders' equity.

b. Tributes to recover

During the year, tax credits of income tax and social contribution on net income in the amount of R$ 43,382 (R$ 4,366 in 2017) were recorded as a result of withholdings on the distribution of interest on capital and income from financial investments, as well as payments recorded as recoverable taxes that will be offset in the course of the next financial year, without the need for impairment, given the Group's ability to generate results for this purpose.

c. Deferred income tax and social contribution

	Parent company				
	Balance at 12/31/2016	**Recognized in income (loss)**	**Balance at 12/31/2017**	**Recognized in income (loss)**	**Balance at 12/31/2018**
Provision for tax, civil and labor risks (i)	14,233	1,450	15,683	(3,820)	11,863
Credit on tax loss and negative basis	-	-	-	55,916	55,916
Other tax credits	-	-	-	12	12
Total	14,233	1,450	15,683	52,108	67,791

	Consolidated				
	Balance at 12/31/2016	**Recognized in income (loss)**	**Balance at 12/31/2017**	**Recognized in income (loss)**	**Balance at 12/31/2018**
Provision for tax, civil and labor risks (i)	79,698	4,888	84,586	4,983	89,569
Provision for credit losses (i)	13,050	(6,328)	6,722	6,449	13,171
Expenses with deferred commissions	(29,201)	(3,955)	(33,156)	(13,499)	(46,655)
Credit on tax loss and negative basis (ii)	-	-	-	55,916	55,916
Deductible provisions	-	-	-	6,849	6,849
Other tax credits	3,701	3,064	6,765	390	7,155
Total	67,248	(2,331)	64,917	61,088	126,005

(i) Only the transaction of entities for which it is probable that future taxable income is made available for the Group to be able to use the respective benefits were included in the calculation of deferred income tax and social contribution.

(ii) Tax loss carryforward formed in prior years.

24 Leases

The Company and its subsidiaries lease a range of establishments under the operating lease model where the Group operates especially the hospital care units. These contracts usually have a long duration with option of renewal after end of first period. The rent paid to the lessor is adjusted to market prices at regular intervals, and the Company and its subsidiaries do not participate in the residual value of the leased assets.

As of December 31, 2018 and 2017, the future lease payments under non cancellable leases were payable as follows:

	2018	2017
Years:		
<1	84,344	86,628
1-5	295,219	299,458
>5	808,977	808,988
Total	1,188,540	1,195,074

The amounts are monthly recognized as lease costs for the period. The amounts reported in the above table include future payments of contracts with related parties effective as of March 2018, the details of which are disclosed in note 9, including general conditions regarding the period of validity, global value of contracting, contractual revision and price adjustments.

25 Financial instruments

The effect of the initial application of CPC 48/IFRS 9 in the Group's financial instruments is described in Note 4.n. Due to the transition method chosen, the comparative information was not restated to reflect the new requirements.

(i) Fair value hierarchy

When measuring fair value of an asset or liability, the Company 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 other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3**: securities for assets or liabilities, which are not based on observable market data (non-observable inputs).

In the years ended December 31, 2018 and 2017, the Company and its subsidiaries made no transfers between financial assets or transfers among hierarchic levels.

The financial instruments of the Company and its subsidiaries are presented in the following table, which contain the book value of financial assets and liabilities. The table below does not include information on the fair value of financial assets and liabilities, since the book value is a reasonable approximation of the fair value.

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

		December 31, 2018			
		Value per level			
	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Cash and cash equivalents		-	185,484	-	185,484
Interest earning bank deposits	6	-	3,388,006	-	3,388,066
Related parties	9	-	3,337	-	3,337
		-	3,576,827	-	3,576,827
Total		**-**	**3,576,827**	**-**	**3,576,827**
Financial liabilities not valued at fair value					
Suppliers		-	(61,381)	-	(61,381)
Related parties	9	-	(42,657)	-	(42,657)
Other accounts payable		-	(30,857)	-	(30,857)
		-	(134,895)	-	(134,895)
Total		**-**	**3,441,932**	**-**	**3,441,932**

		December 31, 2017			
		Value per level			
	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Interest earning bank deposits	6	-	40,404	-	40,404
Financial assets not measured at fair value					
Cash and cash equivalents		-	104,209	-	104,209
Interest earning bank deposits	6	-	1,301,724	-	1,301,724
Related parties	9	-	9,182	-	9,182
		-	1,415,115	-	1,415,115
Total		-	**1,455,519**	-	**1,455,519**
Financial liabilities not valued at fair value					
Suppliers		-	(56,139)	-	(56,139)
Related parties	9	-	(48,016)	-	(48,016)
Other accounts payable		-	(28,663)	-	(28,663)
		-	(132,818)	-	(132,818)
Total		-	**1,322,701**	-	**1,322,701**

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, 2018 and 2017, the Company and its subsidiaries do not have transactions and balances of assets or liabilities from operations carried out with derivative financial instruments.

(ii) Measurement of fair value

Valuation techniques and significant unobservable inputs
We present the valuation techniques used to measure Level 2 fair values for financial instruments not measured at fair value in the balance sheet, as well as significant non-observable inputs used. The evaluation processes are described in Note 3.d.

(iii) Risk management

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

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

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

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

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

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

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

Determination of technical reserves and guarantee assets

The calculation of technical reserves is performed monthly by actuarial staff, and is monitored by the 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 nº 392, to ensure that the requirements established by the industry's regulatory agency are met. In addition, the Group assesses at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts and liability adequacy tests. Should this assessment show that the liability amount per agreement is improper in light of estimated future cash flows, all insufficiency of technical reserve should be recognized in income (loss) for the period. The Group did not register adjustments due to the tests of adequacy of liabilities.

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

Market risk and sensitivity analysis

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

As of December 31, 2018, 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 12/31/2018	Risk	Scenario (3.19%)	Scenario (4.78%)	Probable scenario (6.37%)	Scenario (7.96%)	Scenario (9.56%)
Balance of pledged financial investments	467,135	CDI change (6.37%)	14,878	22,317	29,756	37,196	44,635
Balance of investments (free)	2,920,871	CDI change (6.37%)	93,030	139,545	186,059	232,574	279,086

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 interest earning bank deposits.

Accounts receivable

Credit risk for the Company is considered as low by Management mainly for the health care company to which the monthly billings are made before services are rendered. Most of Company's accounts receivable is related to the risk coverage period (over time). As mentioned in Note 7, 8.7% of our accounts receivable are more than 60 days late. In addition, in order to reduce risk of having the beneficiary's treatment costs without having been paid, the Company adopts the practice of canceling overdue plans as regulated by the National Regulatory Agency for Private Health Insurance and Plans (ANS) for the health care company.

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

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

Interest earning bank deposits

Regarding the credit risks from interest earning bank deposits, 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						
	December 31, 2018	**December 31, 2017**	**Fitch[1]**		**Moody´s**			**S&P[3]**	
			CP	LP	CP	LP		CP	LP
Banco Santander S.A.	879,041	331,092	-	-	Br-1	Aaa.br		brA-1+	brAA-
Banco Itaú Unibanco S.A.	694,837	78,903	F1+	AAA	BR-1	Aa1.br		brA-1+	brAA-
Banco Bradesco S.A.	538,850	385,774	F1+	AAA	BR-1	Aa1.br		brA-1+	brAA-
Banco do Brasil S.A.	647,283	108,117	F1+	AA	BR-1	Aa1.br		B	BB-
Caixa Econômica Federal	278,566	381,664	F1+	AA	BR-1	Aa1.br		brA-1+	brAA-
Banco Safra S.A.	222,269	54,365	F1+	AA+	BR-1	Aa1.br		brA-1+	brAA-
Other	127,160	2,213	-	-	-	-	-	-	-
	3,388,006	**1,342,128**							

[1] Last individual disclosure in 2018
[2] Ratings List Brazil, published on January 2, 2019.
[3] Ratings from several Brazilian financial institutions reviewed after action on sovereign ratings; Published on January 12, 2018.

Cash and cash equivalents

The Group held "Cash and cash equivalents" in the amount of R$ 185,484 as of December 31, 2018 (R$ 104,209 as of December 31, 2017). 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**	**2019**	**2020**	**>2021**	**Total**
Financial liabilities not valued at fair value						
Suppliers		(61,381)	(61,381)	-	-	(61,381)
Related parties	9	(42,657)	(42,657)	-	-	(42,657)
Other accounts payable		(30,857)	(22,942)	(4,373)	(3,542)	(30,857)
Total		(134,895)	(126,980)	(4,373)	(3,542)	(134,895)

26 Insurance coverage

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

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

*   *   *

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