Hapvida Participações e Investimentos S.A.

Individual and consolidated interim financial statements

June 30, 2020

Contents

Cora Coralina Walk-in Emergency Unit – Goiânia/GO

Quarterly Results – 2nd Quarter 2020

Hapvida (ex-acquisitions)

- Health and dental net enrollment grows 2.4%
- Net revenues of R$1.4 billion (+10.4%)
- MLR ex-SUS of 51.2% (-6.1 p.p.) in the quarter
- EBITDA of R$430.2 million (+46.4%)
- EBITDA margin of 30.5% (+7.5 p.p.)

Hapvida (including acquisitions)

- Health and dental net enrollment grows 53.3%
- Net revenues of R$2.1 billion (+62.7%)
- MLR ex-SUS of 53.7% (-3.6 p.p.)
- EBITDA of R$607.8 million (+106.9%)
- EBITDA margin of 29.3% (+6.3 p.p.)

Earnings Call
May 14th. 2020 (Friday)
Portuguese (with simultaneous translation into English)
1pm (Brazil) | 12pm (US/DST)
Webcast: ri.hapvida.com.br
Phone number: Brazil: +55 (11) 3181-8565 | **USA:** +1 (412) 717-9627

MESSAGE FROM MANAGEMENT

In our last earnings release, about 90 days ago, Covid-19's challenges in Brazil had just begun. Now, after nearly five months of the evolving pandemic, the social, economic and health implications for supplementary health are better understood. In challenging times like this, Hapvida relied on one of its most basic values: to ensure, with care and warmth, excellence in customer service. We did this with integrity, compassion and innovation. We are grateful and proud of our team formed by more than 60,000 people, including employees and providers, who went to great lengths to support those we care about the most: our 6.3 million customers. The second quarter of 2020 may prove to be one of the most challenging periods in our history from an operational standpoint, but we arrive to its end with a great sense of accomplishment. Brazil, as a continental country, had its regions hit by the pandemic in a very heterogenous way. In our main operations, in the North and Northeast regions, the worst seems to have passed. However, some cities in regions such as the South, Southeast and Midwest are still suffering from upward epidemiological curves. Therefore, we remain vigilant and prepared to take care of our customers and employees with the same energy and excellence as always.

EBITDA for the second quarter of 2020 was R$ 607.8 million, an increase of 106.9% compared to the same period of the previous year. This was substantially higher than expected, mainly because of the temporary postponement of elective procedures. Even when we disregard the acquisitions, EBITDA was R$ 430.2 million, 46.4% higher than the previous year. As the pandemic progressed in Brazil, in March and April, the demand for elective care was drastically reduced due to mobility restriction and social distancing measures. Access to medical services was also restricted due to the suspension of deadlines for medical appointments, exams and elective surgeries, as recommended by ANS (National Supplementary Health Agency). Elective appointments which started to recover since May, are now at around 90% of their historical levels. It is important to note that since the beginning of June we started to address the backlog of elective surgeries that had been suspended due to the pandemic. As of the date of this report, excluding regions where elective surgeries are not yet advised, more than 90% of these elective surgical procedures had already been performed and accommodated without impact on our operations. Thus, the ex-SUS medical loss ratio (MLR) in 2Q20 was 51.2%, an extraordinary decrease of 6.1 p.p. compared to 2Q19. When we look at the cash MLR of 49.8% of Hapvida (ex-acquisitions), there is a significant reduction of 7.3 p.p. compared to 2Q19. The expectation is that the demand for elective services will converge to historical levels by the end of this year. The Company's net revenue increased 10.4% (ex-acquisitions) and 62.7% (including acquisitions) compared to 2Q19.

The Company continues to grow and expand its operations, gaining market share and being present in new regions. During the second quarter, we started an operation in Brasilia with a portfolio of roughly 13 thousand clients which will, initially, be assisted by an accredited network. In addition, we continued to execute our inorganic expansion plan and recently announced the acquisition of Grupo São Jose (GSJ), one of the main supplementary health players in São José dos Campos, in the Vale do Paraíba region, state of São Paulo. GSJ has a portfolio of approximately 51 thousand health beneficiaries, two hospitals totaling 104 beds (of which 20 are ICU beds), one clinic, and an ambulatory unit with emergency care. Caring for people and ensuring access to quality healthcare at affordable prices were common goals that united Hapvida and GSJ. This is an additional strategic acquisition that, when completed, will further strengthen our presence in the state of São Paulo, consolidating our growth through a vertical and integrated platform and reinforcing the commitment to creating value for our shareholders. The conclusion of this transaction is subject to certain conditions precedent including the approval of regulatory authorities.

Even in the face of this challenging pandemic period, we continued to invest in expanding and improving our proprietary assistance network. Five new medical units were opened in the previous months: in Goiânia (GO), we inaugurated our Cora Coralina walk-in emergency center, an unit with more than 2,500 square meters which offers adult and pediatric emergency services 24 hours a day; in Uberaba (MG) we inaugurated a medical clinic focused on primary care and also a new hospital care wing a Mário Pálmério Hospital, with ample structure and medium and high complexity care support; we added a lab unit located within the facilities of our brand new hospital in Mossoró (RN); and in the city of Salvador (BA) we built a preventive medicine unit and an ambulatory care clinic. Finally, we remain the first and only Brazilian healthcare company to have its own network, including hospitals, in the five regions of the country.

MESSAGE FROM MANAGEMENT

Our efforts have been recognized by the Institutional Investor 2020, the most respected ranking of Capital Markets in the world, with Hapvida receiving several awards related to the healthcare sector in Latin America. The recognition reinforces our commitment to continuously seek the best practices to connect with our outside investors, continuously working in an agile and transparent manner. In this sense, we have just released our first Sustainability Report for which we followed the guidelines of the Global Reporting Initiative (GRI), the first and most widespread methodology applied in the reporting practice, in Brazil and in the world. The Company considers this document to be a great tool to enhance our transparency with all stakeholders, which are equally important for the success of our business.

With a high degree of transparency and commitment to all our stakeholders, Hapvida released several communications to the market on the impacts of Covid-19 in our operations. Some of the more recent measures adopted to combat the disease and mitigate the potential effects of the pandemic include:

- we are the only health operator in Brazil that has been, since the beginning of the pandemic, publishing daily newsletters about our operations focused on combating Covid-19. The released data comprise, for example, the number of visits, hospitalizations, deaths and recoveries. As of the date of this release, more than 12.7 thousand patients had recovered from the disease;
- we performed more than 107 thousand medical appointments and advice by telemedicine (by telephone or video) for our beneficiaries, reducing everyone's exposure to the virus;
- we monitor the occupancy rate in our hospitals daily to offer an optimal and exclusive structure to our beneficiaries, especially for those regions that still have an upward curve of cases. As of June 30, we had 3,063 beds. including 767 ICU beds; and
- we suspended the monthly price readjustments for 90 days for individual or family plans, affinity plans and small companies (i.e. up to 29 lives).

The supplementary healthcare market in Brazil remains quite fragmented, hence, it should continue to go through consolidation in the following years. We trust our business model and we are prepared to seize good market opportunities that may eventually arise. For this, we remain with a robust balance sheet, with high liquidity and low indebtedness, and with approximately R$ 3.4 billion of free cash. We also believe in the replicability of the vertical and integrated model. In this sense, we are ahead-of-schedule in the integration of newly acquired companies, preparing them to become major regional platforms for organic and inorganic growth.

We continue with the purpose of ensuring access to quality health for as many people as possible. To all our clients, shareholders, board members, employees, medical and dental providers, brokers, business partners, and other stakeholders, thank you for your trust.

Jorge Pinheiro
CEO

1. INTEGRATION AND REPORTING CRITERIA

Hapvida's consolidated results considers a combination of Hapvida's results with those of Grupo São Francisco, Grupo América and RN Saúde.

In order to report a clear view on the impact of the acquisitions (Grupo São Francisco, Grupo América and RN Saúde), we will present in this release the operational and financial data with and without the acquisitions mentioned above. Accordingly, Hapvida's results without the acquisitions mentioned above will be identified as “Hapvida (ex-acquisitions)”. The consolidated results that include the acquisitions of Grupo São Francisco, Grupo América and RN Saúde will be identified as “Hapvida (including acquisitions)”. Some operational and financial indicators of Grupo São Francisco (GSF), Grupo América (America) and RN Saúde will sometimes be presented individually and sometimes together. The data presented together will be identified as “Acquired Companies”.

2. HIGHLIGHTS

	Hapvida (ex-acquisitions)			Hapvida (including acquisitions)			Hapvida (including acquisitions)		
FINANCIAL HIGHLIGHTS (R$ million)	**2Q20**	**2Q19**	**Var. %**	**2Q20**	**2Q19**	**Var. %**	**1H20**	**1H19**	**Var. %**
Net Revenues	1,409.4	1,276.3	*10.4%*	2,076.3	1,276.3	*62.7%*	4,155.1	2,533.3	*64.0%*
Medical Costs - Cash	702.1	728.2	*-3.6%*	1,088.5	728.2	*49.5%*	2,249.2	1423.0	*58.1%*
Medical Costs - Ex-SUS	721.9	731.5	*-1.3%*	1,115.6	731.5	*52.5%*	2,319.5	1,448.5	*60.1%*
Total Medical Costs	736.6	751.4	*-2.0%*	1,132.6	751.4	*50.7%*	2,412.2	1,477.8	*63.2%*
Sales Expenses	137.0	129.4	*5.9%*	179.8	129.4	*39.0%*	334.4	248.1	*34.8%*
Administrative Expenses	131.5	122.6	*7.3%*	200.3	122.6	*63.3%*	410.3	253.4	*61.9%*
EBITDA	430.2	293.8	*46.4%*	607.8	293.8	*106.9%*	1,075.6	594.3	*81.0%*
Net Income	177.5	223.4	*-20.5%*	278.6	223.4	*24.7%*	443.2	428.8	*3.4%*

	Hapvida (ex-acquisitions)			Hapvida (including acquisitions)			Hapvida (including acquisitions)		
CONSOLIDATED RATIOS (% ROL)	**2Q20**	**2Q19**	**Var. %**	**2Q20**	**2Q19**	**Var. %**	**1H20**	**1H19**	**Var. %**
Cash MLR (ex-Peona; ex-SUS; ex-D&A)	49.8%	57.1%	*-7.3 p.p.*	52.4%	57.1%	*-4.6 p.p.*	54.1%	56.2%	*-2.0 p.p.*
Ex-SUS MLR	51.2%	57.3%	*-6.1 p.p.*	53.7%	57.3%	*-3.6 p.p.*	55.8%	57.2%	*-1.4 p.p.*
Total MLR	52.3%	58.9%	*-6.6 p.p.*	54.5%	58.9%	*-4.3 p.p.*	58.1%	58.3%	*-0.3 p.p.*
Sales Expenses	9.7%	10.1%	*-0.4 p.p.*	8.7%	10.1%	*-1.5 p.p.*	8.0%	9.8%	*-1.7 p.p.*
Administrative Expenses[1]	9.3%	9.6%	*-0.3 p.p.*	9.6%	9.6%	*0.0 p.p.*	9.9%	10.0%	*-0.1 p.p.*
Ebitda Margin	30.5%	23.0%	*7.5 p.p.*	29.3%	23.0%	*6.3 p.p.*	25.9%	23.5%	*2.4 p.p.*
Net Income Margin	12.6%	17.5%	*-4.9 p.p.*	13.4%	17.5%	*-4.1 p.p.*	10.7%	16.9%	*-6.3 p.p.*

	Hapvida (ex-acquisitions)			Hapvida (including acquisitions)		
OPERATING HIGHLIGHTS	**2Q20**	**2Q19**	**Var. %**	**2Q20**	**2Q19**	**Var. %**
Members Health and Dental (thousands)	**4,186**	**4,086**	***2.4%***	**6,266**	**4,086**	***53.3%***
Members Heath	2,385	2,420	*-1.5%*	3,500	2,420	*44.6%*
Members Dental	1,801	1,666	*8.1%*	2,766	1,666	*66.0%*
Proprietary service network	**231**	**216**	***6.9%***	**438**	**216**	***102.8%***
Hospitals	29	27	*7.4%*	39	27	*44.4%*
Emergency Units	19	19	*0.0%*	41	19	*115.8%*
Clinics	91	82	*11.0%*	184	82	*124.4%*
Diagnostics	92	88	*4.5%*	174	88	*97.7%*

[1]Administrative Expenses ratio measured by dividing total administrative expenses without depreciation and amortization by net revenues.

3. QUALITY OF CARE

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

5-STAR SERVICE

The 5 star service, implemented in 2019, is an instant satisfaction survey with ratings between 1 and 5 stars carried out by our customers after each eligible interaction. This program is a valuable tool for the entire Company as it will enable us to see opportunities for improvement and recognize the best performance in serving our customers. Our hospitals, clinics, diagnostic units, walk-in emergency centers, laboratory collection points, dentistry services, preventive medicine units, telemedicine and the wellness and well-being promotion programs (such as Nascer Bem. Viver Bem and Family Doctor) are evaluated. Throughout the program's existence, we have received almost 3 million evaluations. In the second quarter of 2020 more than 730 thousand evaluations were received. The overall average for the month of March 2020, based on 294,000 responses and 142,000 evaluations, was 4.48.

ATENDIMENTO 5 ESTRELAS

4.48
overall average rating

Waiting time for urgent/emergency care

Hapvida has a tech platform with a system that allow us to monitor all our units in real time 24x7. This system, along with video cameras present in all units, allows the Company's Observation and Control Center to monitor the service and waiting times in all walk-in emergency centers. If the waiting time exceeds 15 minutes, the system signals the Control Center to take immediate actions to speed up the operation. In 2Q20, 82.2% of all of 0.8 million urgent and emergency consultations carried out in our hospitals and walk-in emergency services took place within 15 minutes.

82.2%
service in 15 minutes or less

Viver Bem – A VidaHap Program

Viver Bem is a wellness program for Hapvida's beneficiaries that offers a resolutive and efficient service aiming to reduce diabetes complications. A robot system identifies through patients' blood tests with some alterations that indicate that they have or may have type 2 diabetes mellitus. The contact with the patient is carried out by a trained professional from our exclusive call center for the wellness programs. Available in Fortaleza, Recife and Salvador, it comprises doctors, nursing technicians and nutritionists specialized in the treatment of people with diabetes and aims to encourage a change in the people's lifestyle. The program also has a management center conducted by a nursing team trained in the remote care of patients with diabetes. Until June 2020, the group of monitored patients presented a very significant difference in glycated hemoglobin reduction when compared to the control group. At the end of 2Q20, around 5,500 patients were enrolled in this program.

Reduction of glycated hemoglobin
160.0%
higher than control group

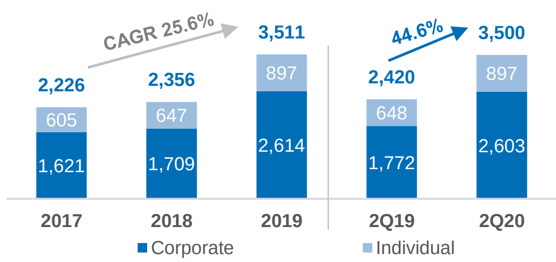
4. MEMBERS

The number of health plan beneficiaries increased by 44.6% in the quarter compared to 2Q19. Inorganic growth highlights are: the portfolio of 852 thousand beneficiaries (150 thousand in individual plans and 702 thousand in group plans) resulting from the acquisition of the São Francisco Group; the portfolio of 218 thousand beneficiaries (110 thousand in individual plans and 108 thousand in group plans) from the acquisition of Grupo América; and the portfolio of 46 thousand beneficiaries (7 thousand in individual plans and 39 thousand in group plans) from the acquisition of RN Saúde.

There was a net reduction of 36 thousand lives in Hapvida's health portfolio (ex-acquisitions) when compared to 2Q19, of which about 18 thousand lives were in corporate plans, mainly due to the cancellation of two corporate contracts (15 thousand lives) which had a negative contribution margin. The remaining losses on corporate plans were due to layoffs in client's companies as a result of the pandemic. The net reduction of 18 thousand lives in individual plans was a consequence of the increase in cancellations and the contraction of new sales.

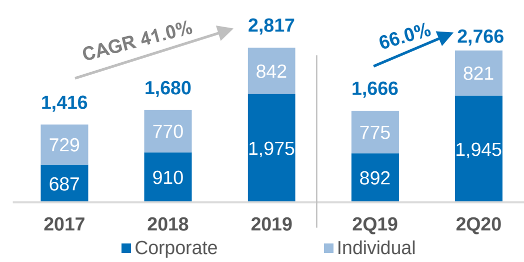
Hapvida (including acquisitions) - Members (Health)

(million)

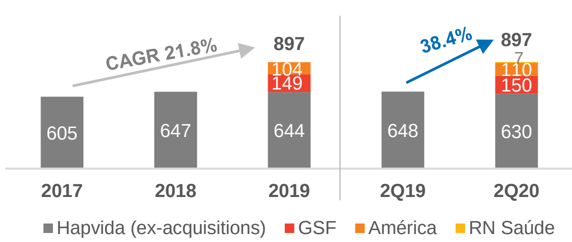


Hapvida (including acquisitions) - Members (Dental)

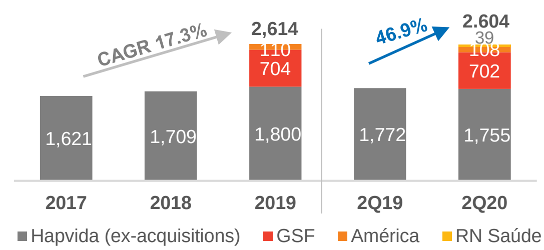
(million)



Health Members - Individual

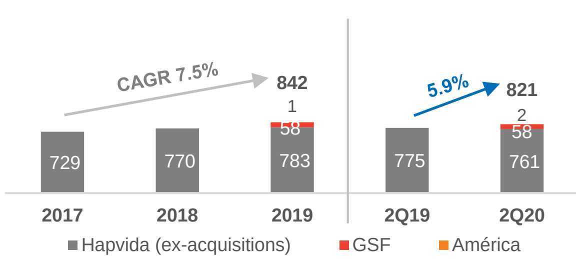


Health Members - Corporate

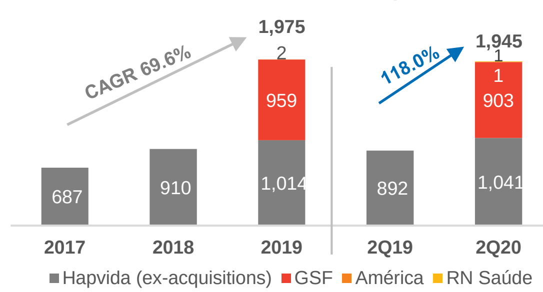


The number of dental plan beneficiaries grew by 66.0% in this quarter compared to the same period last year. There were 961 thousand lives (58 thousand in individual plans and 903 thousand in group) with the acquisition of Grupo São Francisco, 3 thousand lives (2 thousand in individual plans and 1 thousand in group) with the acquisition of Grupo América, and 831 lives of group plans with the acquisition of RN Saúde. Regarding the organic development of Hapvida, there was a reduction of 14 thousand lives in individual plans and an increase of 149 thousand lives in group plans.

Dental Members - Individual

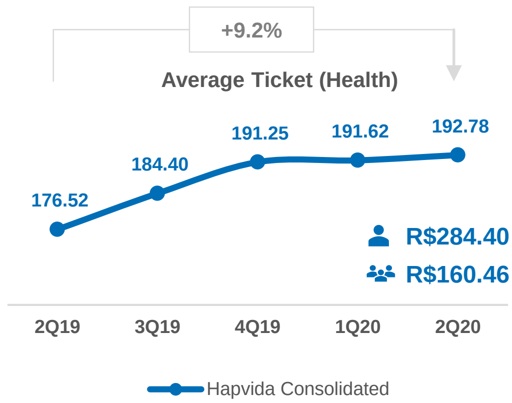


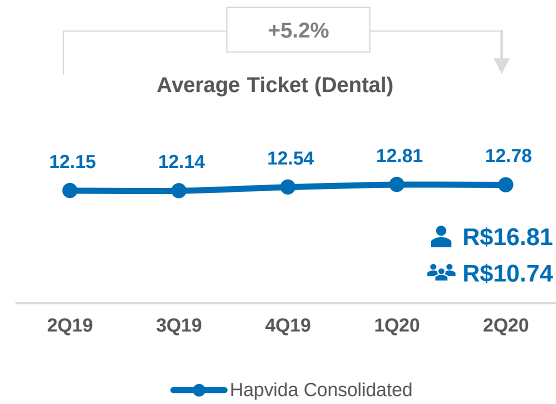
Dental Members - Corporate



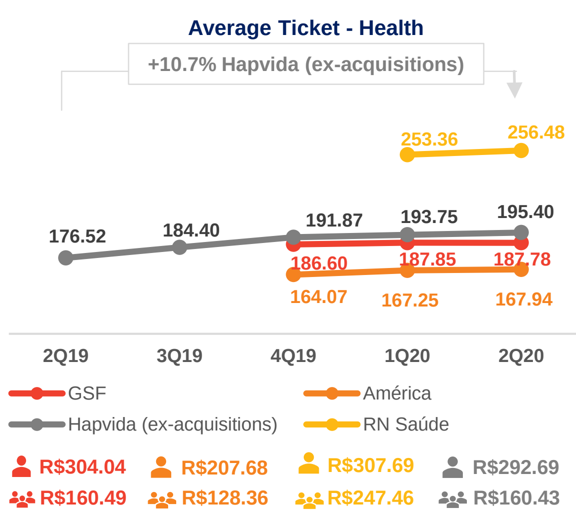
5. AVERAGE TICKET

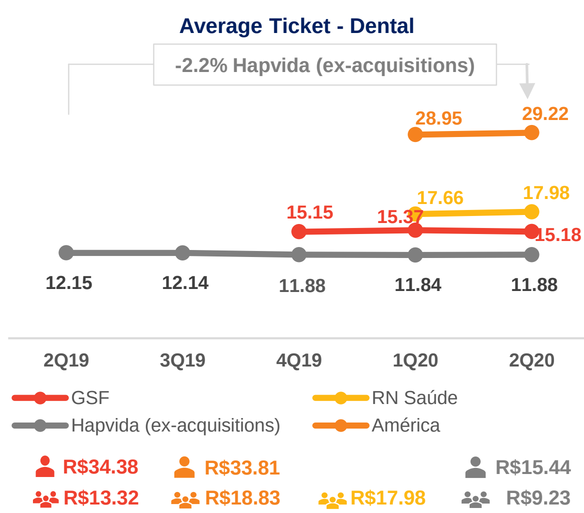
Regarding the health portfolio, Hapvida's (including acquisitions) average ticket grew by 9.2% compared to 2Q19, mainly due to the readjustments of existing contracts and new sales at Hapvida (ex-acquisitions), in addition to a higher average ticket due to the entry of RN Saúde. For the dental portfolio, Hapvida's (including acquisitions) average ticket increased 5.2% against 2Q20, mainly due to the higher average ticket from the acquired companies.





In the health segment, Hapvida's (ex-acquisitions) average ticket grew by 10.7% compared to 2Q19, mainly due to price adjustments in existing contracts.





In the dental segment, Hapvida's (ex-acquisitions) average ticket decreased by 2.2% compared to the same period last year, mainly due to the net addition of 95 thousand lives to the "Mais Odonto Urgente" plan category (urgent dental care only), that has a lower average ticket.

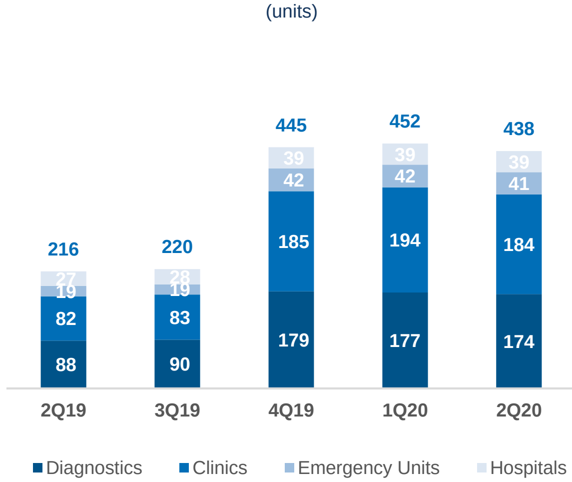
Individual or Family plans   Group (Corporate, SME, Affinity) plans

6. PROPRIETARY HEALTHCARE NETWORK

Hapvida continues to expand its own network through the inauguration of new units, and the expansion and remodeling of the existing ones. We remain focused on our strategy of increasing verticalization levels to guarantee the quality of care, cost efficiency, better control losses and frequency of utilization (usage).

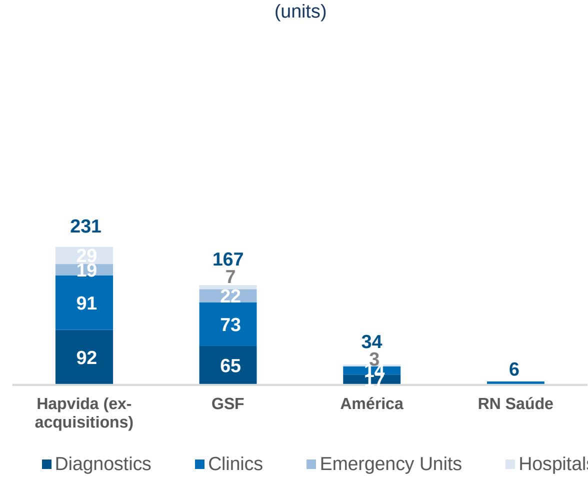
Hapvida's Own Network (including acquisitions)

(units)



Breakdown by Group – 2Q20

(units)

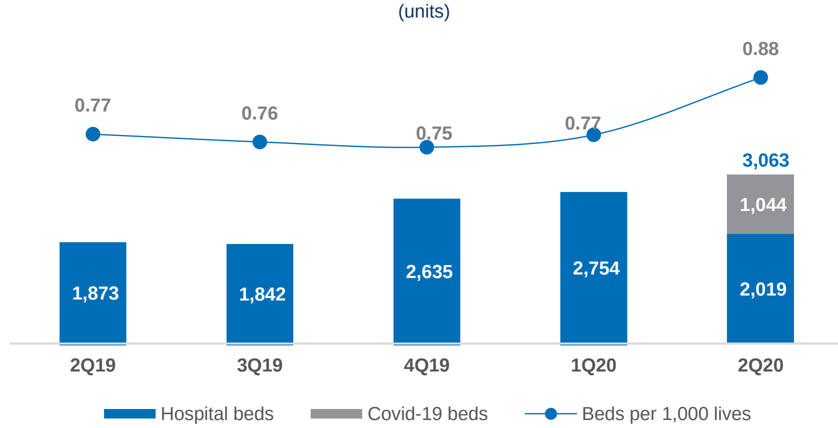


Including assets from acquired companies, the Company ended 2Q20 with 39 hospitals, 41 emergency care units, 184 clinics and 174 diagnostic imaging and laboratory collection units, thus totaling 438 service points accessible to our beneficiaries, in all five regions of Brazil.

Throughout the quarter, 2 medical clinics were opened and 11 clinincs, 1 emergency care unit, and 4 diagnostic units were closed. This is part of our plan to consolidate the medical care in new and larger units.

Beds per 1,000 lives - Hapvida consolidated

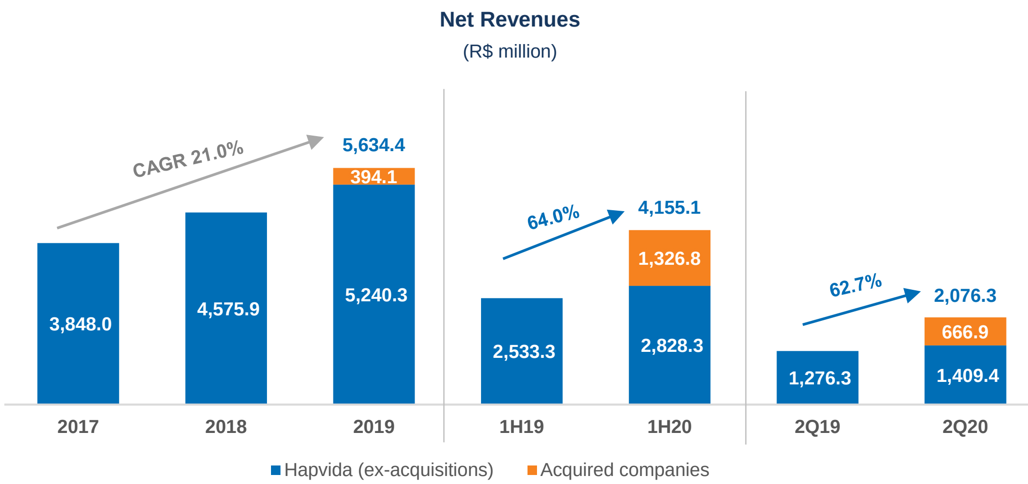
(units)



The company ended 2Q20 with a total of 3,063 hospital beds in operation, which represents an increase of 1,190 beds in comparison with the same quarter of the previous year. The main changes were: 28 beds at the Hospital Geral Padre Cícero (Juazeiro do Norte-CE); 35 beds at the Hospital de Parauapebas (PA); and 17 more beds in Mossoró/RN (addition of 33 beds with the inauguration of Hospital Celina Guimarães and reduction of 16 beds with the closure of Hospital Rodolfo Fernandes). Additionally, we incorporated 545 new beds resulting from the acquisition of Grupo São Francisco (addition of 18 beds this quarter) and 169 beds with the acquisition of Grupo América (reduction of 16 beds this quarter). The increase of 309 beds compared to 1Q20 was a result of the expansion to treat suspected or confirmed cases of Covid-19. During the second quarter, 1,044 beds were made available for this purpose, which are gradually being transformed into regular beds or being demobilized.

7. NET REVENUES

In 2Q20, net revenues increased by 62.7% when compared to 2Q19, mainly influenced by: (i) R$528.2 million from Grupo São Francisco; (ii) R$103.2 million from Grupo América; (iii) R$35.5 million from RN Saúde; (iv) increase of 10.7% in Hapvida's average ticket of health plans (ex-acquisitions), reflecting the necessary price adjustments applied to existing contracts and sales of new contracts; and (v) a net increase of 135 thousand lives in group dental plans, including growth of 16.7% in the number of beneficiaries group dental plans at Hapvida (ex-acquisitions).



8. MLR, MEDICAL COSTS AND TECHNICAL RESERVES

The cost of medical services comprises cash medical costs and some non-cash items, such as depreciation and amortization (D&A) with IFRS16, provision for events Incurred But Not Reported (IBNR) and SUS reimbursement provisions.

To better facilitate the understanding and evolution of the Company's medical loss ratio (MLR), we present below the breakdown of Hapvida's total medical losses (ex-acquisitions), followed by a table with medical losses from the acquired companies only, and, finally, a consolidated table with numbers from Hapvida and the acquired companies. Additionally, we are also disclosing SUS reimbursement provisions in a separate topic.

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

Composition of Medical Costs and MLR – Hapvida (ex-acquisitions)

(R$ million)	2Q20	2Q19	2Q20 x 2Q19	1Q20	2Q20 x 1Q20	1H20	1H19	1H20 x 1H19
Medical Costs - Cash	(702.1)	(728.2)	-3.6%	(756.9)	-7.2%	(1,459.0)	(1,423.0)	2.5%
Depreciation and Amortization (D&A IFRS16)	(25.9)	(20.9)	23.9%	(24.5)	5.5%	(50.4)	(40.3)	25.0%
Change in IBNR provision	6.1	17.6	-65.2%	(4.2)	-247.0%	2.0	14.9	-86.9%
Change in SUS reimbursement provision	(14.7)	(19.8)	-25.9%	(69.8)	-78.9%	(84.5)	(29.3)	188.6%
Medical Costs – Total	(736.6)	(751.4)	-2.0%	(855.4)	-13.9%	(1,592.0)	(1,477.8)	7.7%
Cash MLR (ex-Peona; ex-SUS; ex-D&A)	**49.8%**	**57.1%**	**-7.3 p.p.**	**53.3%**	**-3.5 p.p.**	**51.6%**	**56.2%**	**-4.6 p.p.**
Ex-SUS MLR	**51.2%**	**57.3%**	**-6.1 p.p.**	**55.4%**	**-4.2 p.p.**	**53.3%**	**57.2%**	**-3.9 p.p.**
Total MLR	**52.3%**	**58.9%**	**-6.6 p.p.**	**60.3%**	**-8.0 p.p.**	**56.3%**	**58.3%**	**-2.0 p.p.**

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

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

Hapvida's ex-SUS MLR (ex-acquisitions), the index that best represents the performance of our operations and which excludes the variation in the provisions for reimbursement to SUS, was 51.2% in 1Q20 and 53.3% in 1H20, a reduction of 6.1 p.p. and 3.9 p.p. compared to the same comparative periods. When we look at the cash MLR of 49.8% of Hapvida (ex-acquisitions), there is a significant reduction of 7.3 p.p. compared to 2Q19.

Due to the Covid-19 pandemic and adherence to the ANS (National Supplementary Health Agency) and other health authorities' recommendations, all elective appointments and procedures (except when qualified as urgency or emergency) were suspended. This, combined with measures of social distance, caused a significant drop in the demand for medical services in the period. For this reason, some of our units were partially or totally closed for a certain period within the quarter, which led to a decrease in medical costs (R$ 7.6 million in 2Q20). For 1H20, however, this cost increased in absolute value, but had lower representativeness, decreasing 1.2 p.p. The IBNR also reversed (R$ 6.1 million in 2Q20 and R$ 2.0 million in 1H20) due to the low demand for medical services in the accredited network. In addition, the Company continues to show gains in operational efficiency as a result of medical loss management projects and stronger wellness promotion programs. We also had improvements in the verticalization of medical costs with an increase of 1.2 p.p. in the volume of services provided within Hapvida`s proprietary network, both in 2Q20 and in 1H20. It is important to note that since the beginning of June we started to address the backlog of elective surgeries that had been suspended due to the pandemic. As of the date of this report, excluding regions where elective surgeries are not advised, more than 90% of these elective surgical procedures had already been performed and accommodated with no impact on our operations.

The index showed significant improvements in 2Q20 even with some negatives impacts, such as: (i) personnel, material and logistics expenses due to the measures adopted to face the Covid-19 and other viral diseases (R$ 47.6 million in 2Q20 and R$ 48.4 million in 1H20); (ii) the annual collective bargaining agreement and new hires, including personnel expenses from the new units (R$ 14.2 million in 2Q20 and R$ 31.2 million in 1H20); and (iii) the increase in expenses related to the new units, including the Parauapebas hospital and other new emergency units and clinics (R$ 5.3 million in 2Q20 and R$ 15.0 million in 1H20. including the Joinville hospital).

The total loss ratio (which includes D&A on the IFRS16 basis, changes in IBNR provisions and SUS reimbursement) was 52.3% in 2Q20, a decrease of 6.6 p.p. versus 2Q19 due to the decrease in the reimbursement provision to SUS (R$ 9.8 million in 2Q20 versus R$ 19.8 million in 2Q19) in addition to the same reasons explained above.

8.2 Medical costs and MLR – Acquired Companies (Groups São Francisco, América and RN Saúde)

The ex-SUS MLR of the Acquired Companies was 59.0% and 61.2% respectively in 2Q20 and 1H20. The total MLR was 59.4% in 2Q20 and 61.8% in 1H20. And the cash MLR was 57.9% in 2Q20 and 59.6% in 1H20. All ratios showed significantimprovements, including synergies collected as a result of the successful and on going integration plan.

Composition of Medical Costs and MLR – Acquired Companies*

(R$ million)	2Q20	1Q20	2Q20 x 1Q20	4Q19	1H20
Medical Costs - Cash	(386.4)	(403.8)	-4.3%	(252.8)	(790.2)
Depreciation and Amortization (IFRS16)	(18.2)	(8.7)	110.4%	(5.2)	(26.9)
Change in IBNR provision	11.0	(5.9)	-286.5%	(9.4)	5.1
Change in SUS reimbursement provision	(2.3)	(5.9)	-61.0%	(5.5)	(8.2)
Medical Costs - Total	(396.0)	(424.2)	-6.7%	(272.8)	(820.2)
Cash MLR (ex-IBNR provision; ex-SUS; ex-D&A)	**57.9%**	**61.2%**	**-3.3 p.p.**	**64.1%**	**59.6%**
MLR (ex-SUS)	**59.0%**	**63.4%**	**-4.4 p.p.**	**67.8%**	**61.2%**
Total MLR	**59.4%**	**64.3%**	**-4.9 p.p.**	**69.2%**	**61.8%**

*GSF América (4Q19, 1Q20 and 2Q20) and RN Saúde (1Q20 and 2Q20).

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

8.3 Medical costs and MLR – Hapvida (including acquisitions)

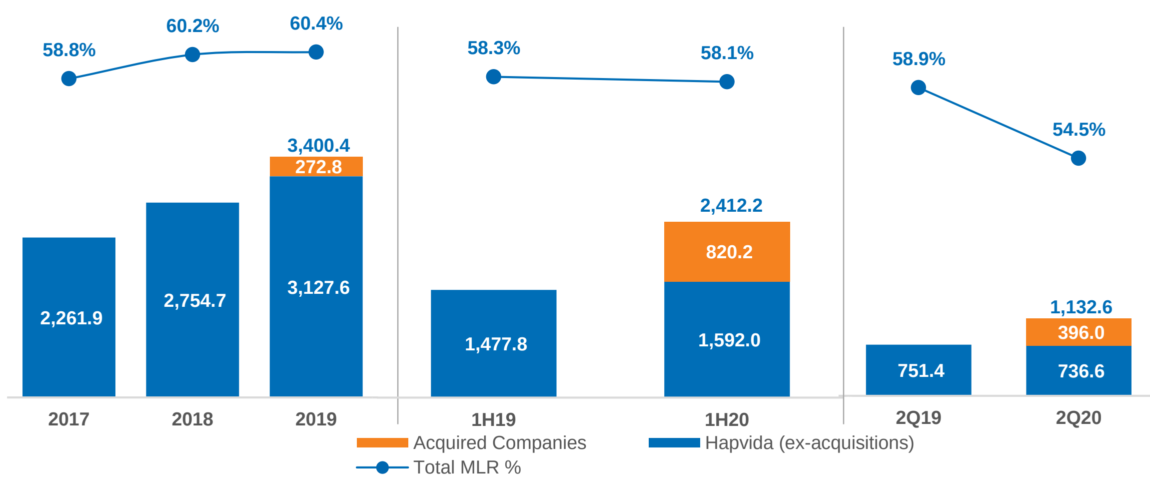
Composition of Medical Cost and MLR – Hapvida (including acquisitions)

(R$ million)	2Q20	2Q19	2Q20 x 2Q19	1Q20	2Q20 x 1Q20	1H20	1H19	1H20 x 1H19
Medical Costs - Cash	(1,088.5)	(728.2)	49.5%	(1,160.7)	-6.2%	(2,249.2)	(1,423.0)	58.1%
Depreciation and Amortization (IFRS)	(44.1)	(20.9)	111.2%	(33.2)	32.9%	(77.4)	(40.3)	91.8%
Change in IBNR provision	17.1	17.6	-2.8%	(10.1)	-270.2%	7.1	14.9	-52.6%
Change in SUS reimbursement provision	(17.0)	(19.8)	-14.3%	(75.7)	-77.5%	(92.7)	(29.3)	216.5%
Medical Costs - Total	(1,132.6)	(751.4)	50.7%	(1,279.6)	-11.5%	(2,412.2)	(1,477.8)	63.2%
Cash MLR (ex-IBNR provision; ex-SUS; ex-D&A)	**52.4%**	**57.1%**	**-4.7 p.p.**	**55.8%**	**-3.4 p.p.**	**54.1%**	**56.2%**	**-2.1 p.p.**
MLR (ex-SUS)	**53.7%**	**57.3%**	**-3.6 p.p.**	**57.9%**	**-4.2 p.p.**	**55.8%**	**57.2%**	**-1.4 p.p.**
Total MLR	**54.5%**	**58.9%**	**-4.4 p.p.**	**61.6%**	**-7.1 p.p.**	**58.1%**	**58.3%**	**-0.2 p.p.**

Hapvida (including acquisitions) total MLR in 2Q20 was 54.5% and 58.1% in 1H20, a decrease of 4.4 p.p. and 0.2 p.p. respectively, compared to the same period last year. This was mainly driven by the previously mentioned reasons. Elective appointments, which started to recover since May, are now running around 90% of their historical levels.

Total Medical Costs compositon x MLR - Hapvida (including acquisitions)

(R$ million and %)



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

8.4 SUS reimbursement provisions

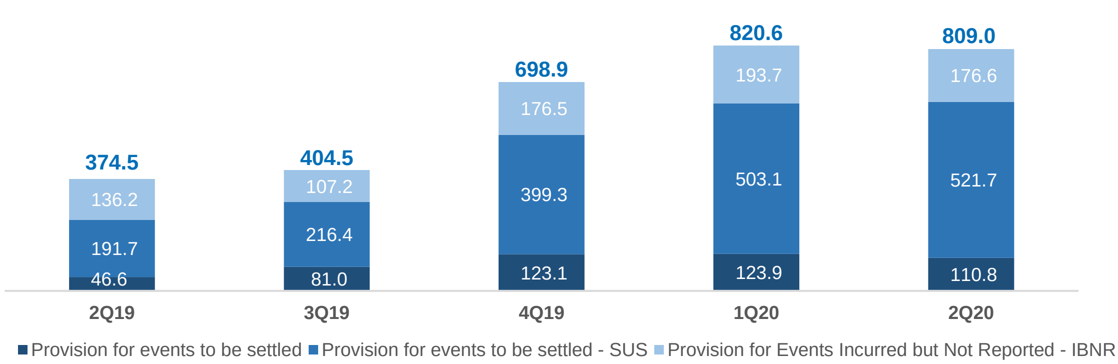
In accordance with the National Supplementary Health Agency (ANS) joint normative instruction 5, of September 30, 2011, and subsequent amendments, the Company must record in its liabilities, with a corresponding entry in the results (Total Medical Costs), a provision related to the Identified Beneficiaries Notices (ABIs) face value multiplied by a percentage defined by ANS itself, which is unique for each healthcare operator and varies with each new batch of ABIs received. Subsequently, if our defense to an ABI is rejected by ANS, the Company records a supplement to the provision at the new value of the GRU (an invoice for federal taxes). In addition, GRUs that miss the payment deadline are subjected to a fine in addition to interest and monetary adjustments for the period elapsed. As of 4Q19, interest, monetary adjustments possible fines began to be recorded in financial expenses. In 2Q20, due to the pandemic, there was no movement of ABIs to GRU and, therefore, all charges related to the reimbursement to SUS showed a significant reduction, including in interest and fines. The expectation is that this process will be normalized throughout the second half of 2020.

(R$ million)	2Q20	1Q20	1H20	1H19
ABIs' provision	9.3	36.4	40.8	9.7
GRUs' principal	5.4	33.4	38.8	9.0
Interest, monetary adjustments and fines	-	-	-	10.5
SUS Reimbursement – Acquired Companies	2.3	5.9	8.2	-
SUS Reimbursement- Medical Cost	**17.0**	**75.7**	**87.7**	**29.3**
Interest, monetary adjustments and fines	12.6	27.1	39.1	-
SUS Reimbursement- Financial Result	**12.6**	**27.1**	**39.1**	**-**
SUS Reimbursement- Hapvida Total	**29.6**	**92.4**	**131.7**	**29.3**

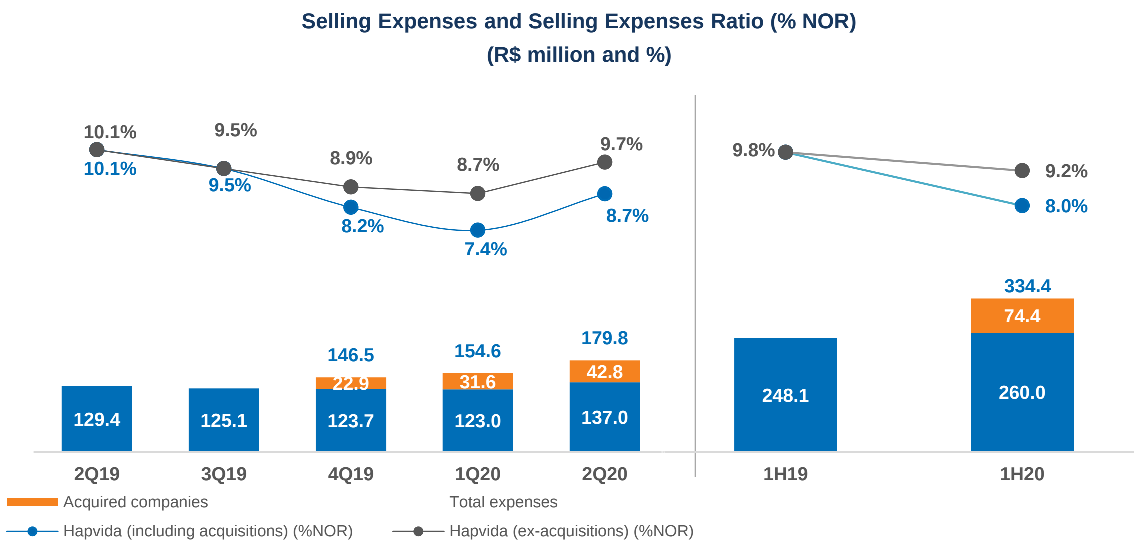
8.5 Technical reserves for claims

The total technical claims provisions ended the quarter at R$ 809.0 million, an increase of 116.0% compared to 2Q19, with a large part of the variation resulting from the "provision for events to be settled - SUS" which increased by R$ 330.0 million, impacted both by the increase in the receipt of ABIs and by the acceleration of the number of ABIs transformed into GRU (invoices) in the last quarters.

Technical Reserves for Claims – Health Care Operations
(R$ million)

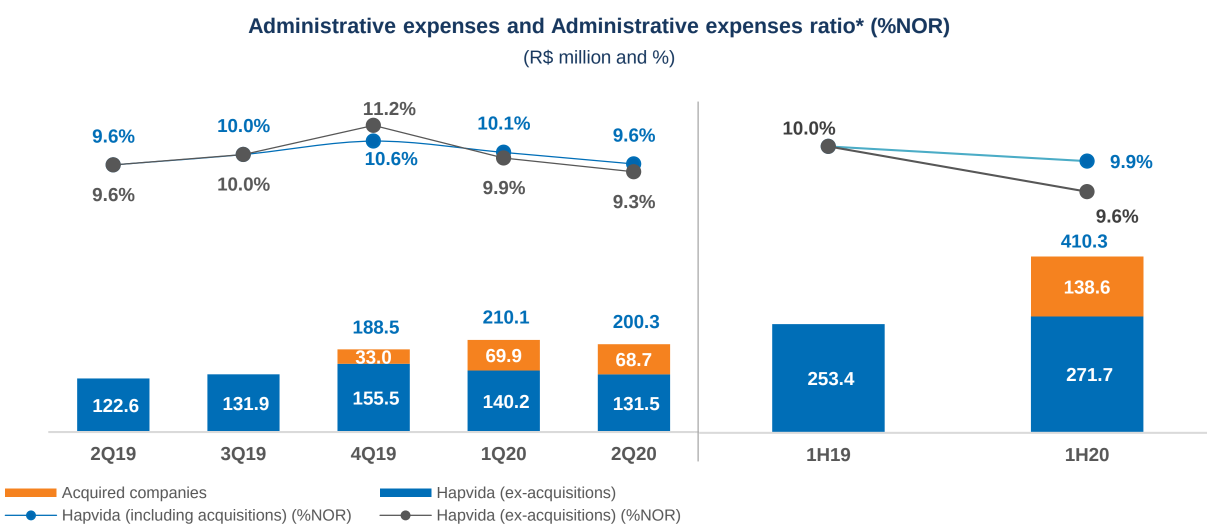


9. SELLING EXPENSES



Regarding Hapvida (ex-acquisitions), the selling expenses ratio (total selling expenses over net revenues) was 9.7% in 2Q20 and 9.2% in 1H20, a reduction of 0.4 p.p. and 0.6 p.p when compared to 2Q19 and 1H19, respectively, due to the lower volume of new sales and lower advertising expenses between the comparative periods. Hapvida's selling expense ratio (including acquisitions) was 8.7% in 2Q20 and 8.0% in 1H20. The Acquired Companies operate, until then, with a lower ratio than Hapvida (ex-acquisitions).

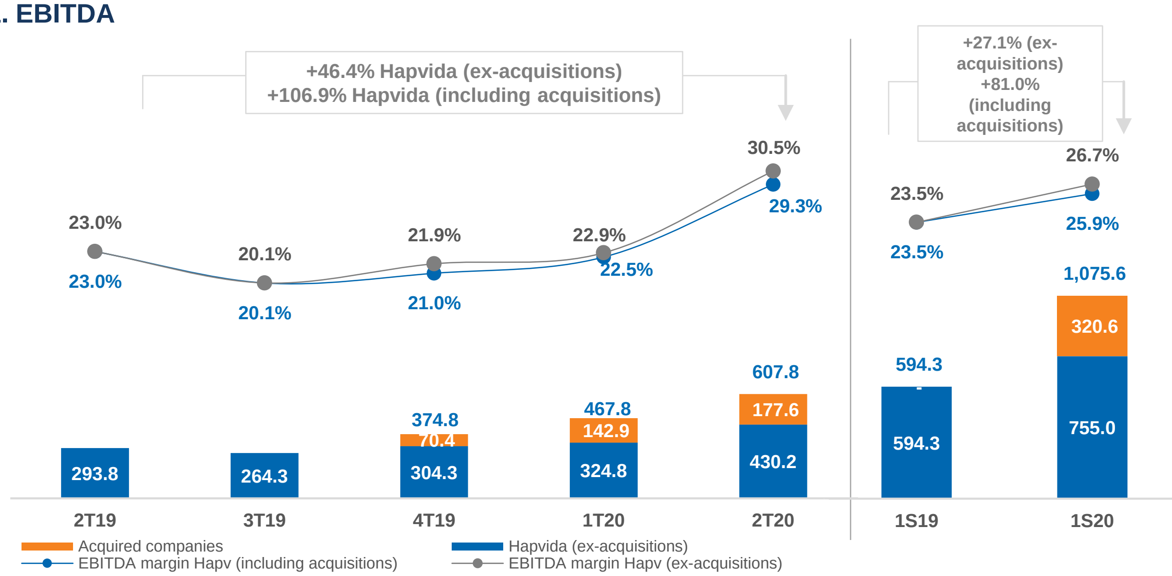
10. ADMINISTRATIVE EXPENSES



*Current and past figures are being presented without depreciation and amortization charges.

Hapvida's (ex-acquisitions) administrative expenses ratio (total administrative expenses over net operating revenue) was 9.3% in 2Q20 and 9.6% in 1H20, an improvement of 0.3 p.p. and 0.4 p.p. in comparison, respectively, with 2Q19 and 1H19. The main variations in the quarter were: (i) management and board of directors bonuses payout (R$ 5.9 million in 2Q20), which occurred in April/2020, different than last year when it happened in March/2019; (ii) collective bargaining agreement and new hires (R$ 3.6 million in 2Q20); and (iii) reduction in traveling and accommodation expenses due to the impacts of Covid-19 (R$ 3.1 million in 2Q20). Hapvida`s ratio (including acquisitions) was 9.6% in 2Q20, stable when compared to 2Q19, even accounting for the administrative expenses of the Acquired Companies in the amount of R$ 68.7 million. Hapvida's 1H20 index (including acquisitions) was stable compared to the same period last year.

11. EBITDA



Hapvida's (ex-acquisitions) EBITDA reached R$ 430.2 million in 2Q20 and R$ 755.0 million in 1H20, an increase of 46.4% and 27.1%, respectively, in relation to the same comparative periods of 2019. The EBITDA Margin in 2Q20 was 30.5% and 26.7% in 1H20, an increase of 7.5 p.p. and 3.2 p.p., respectively, versus the same previous periods. This is mainly driven by factors previously explained, such as the extraordinary reduction in the MLR as a result of the reduced demand for elective services and lower charges for reimbursement to SUS. The expectation is that the elective demand will gradually return to its historical levels. The SUS reimbursement level is expected to normalize beginning on 3Q20. As a result, both the MLR and the EBITDA margin should also eventually return to their pre-pandemic levels.

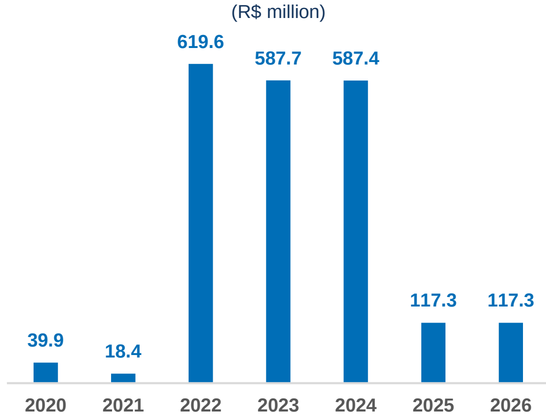
Hapvida's (including acquisitions), EBITDA reached R$ 607.8 million in 2Q20 and R$ 1,075.6 million in 1H20, an increase of 106.9% and 81.0%, respectively, compared to the same comparative periods of 2019 due to the factors previously explained. The EBITDA Margin in 2Q20 was 29.3% and 25.9% in 1H20, an increase of 6.3 p.p. and 2.4 p.p. respectively against the same periods in 2019.

12. DEBT

At the end of the second quarter of 2020, the Company has a debt balance of R$ 2,087.6 million comprised of our first debentures as well as a balance of debt from the balance of the Acquired Companies of R$ 57.0 million. The chart below shows the amortization schedule for the consolidated debt. The net financial debt/EBITDA ratio in 2Q20 is -1.09 due to the net cash position of R$ 2.1 billion.

Indebtedness schedule

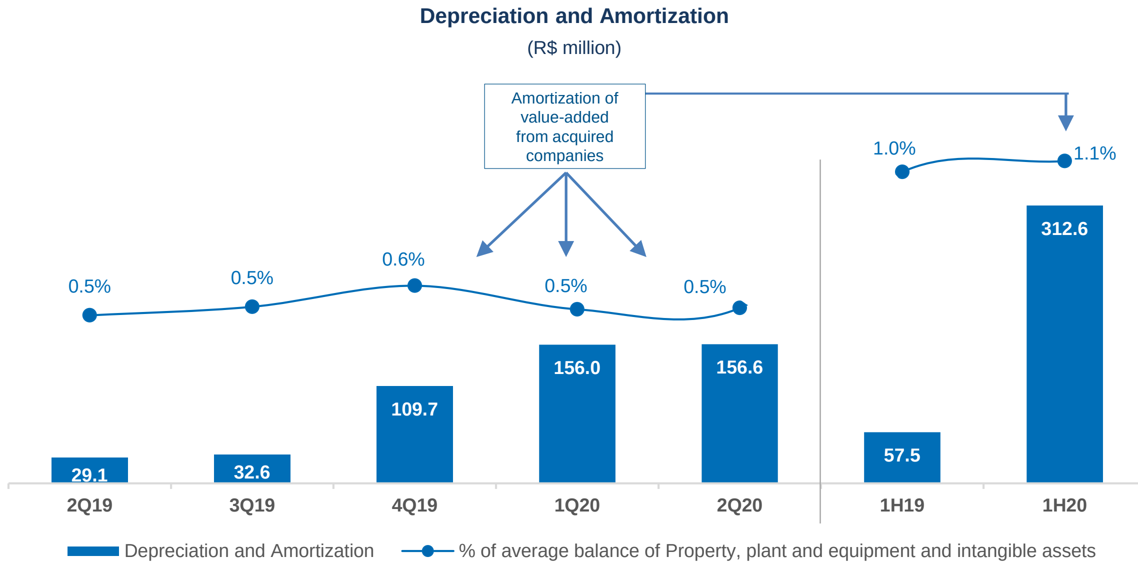
(R$ million)



Net debt/ EBITDA (R$ million)	06/30/2020
Short-term debt*	57.0
Long-term debt*	2,030.6
Gross debt	**2,087.6**
(-) Cash and cash equivalentes and short-term and long-term investments (proforma)	4,195.4
Net debt	**(2,107.8)**
EBITDA LTM**	1,927.3
Net debt/ EBITDA LTM**	**-1.09X**

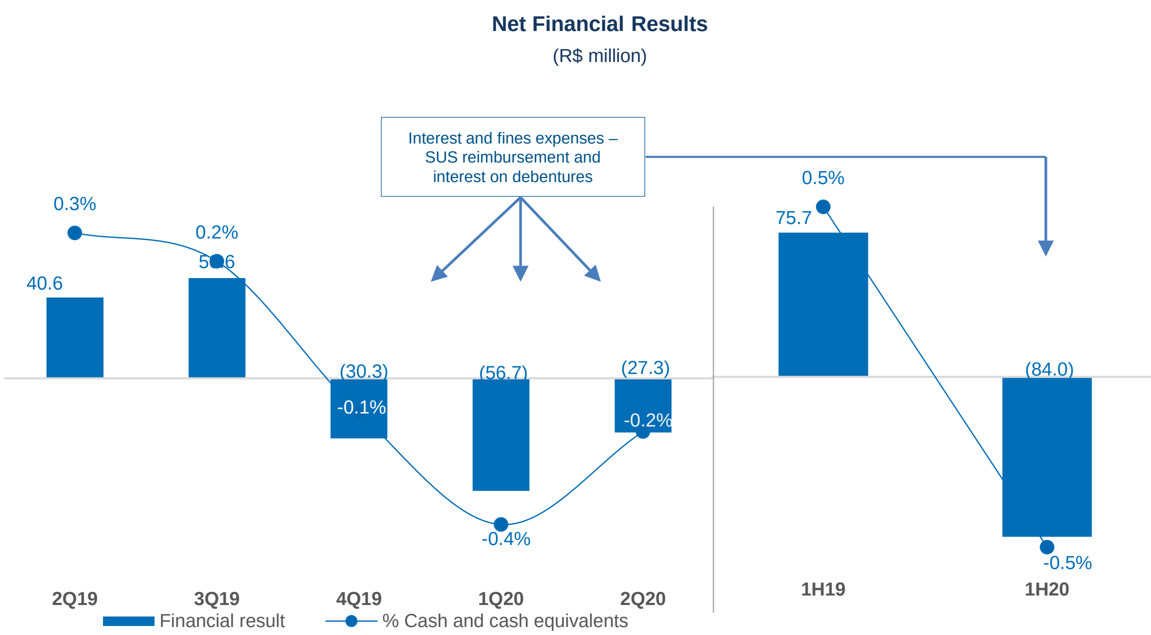
* Debt balance considers the value of debentures net of its respective transaction costs plus other financing lines.
** Adjusted EBITDA excluding provisions for impairment of accounts receivable.

13. DEPRECIATION AND AMORTIZATION



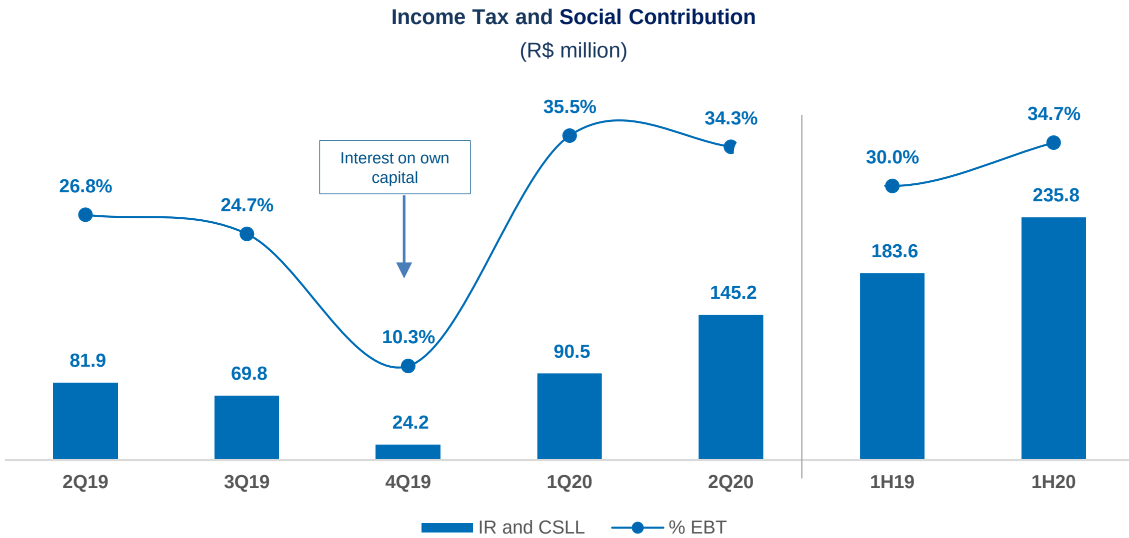
Depreciation and amortization expenses totaled R$ 156.6 million in 2Q20 and R$ 312.6 million in 1H20, equivalent to 0.5% and 1.1%, respectively, of the average balance of the respective equity assets. This indicator was influenced by the amortization of the value added of the Acquired Companies (R$ 101.7 million in 2Q20 and R$ 197.9 million in 1H20) and by the depreciation and amortization from the Acquired Companies (R$ 21.1 million in 2Q20 and R$ 41.8 million in 1H20).

14. FINANCIAL RESULTS



The net financial result in 2Q20 totaled an expense of R$ 27.3 million and in 1H20 an expense of R$ 84.0 million. influenced by: (i) the pro-rata recognition of accrued interest related to debentures issued in the amount of R$ 16.7 million in 2Q20 and R$ 39.0 million in 1H20; (ii) by the recognition of lease interest of R$ 20.5 million in 2Q20 and R$ 41.3 million in 1H20; and (iii) due to the higher volume of interest expenses, fines and monetary adjustments related to SUS reimbursements, which, as of 4Q19, started to be recorded as a financial expenses.

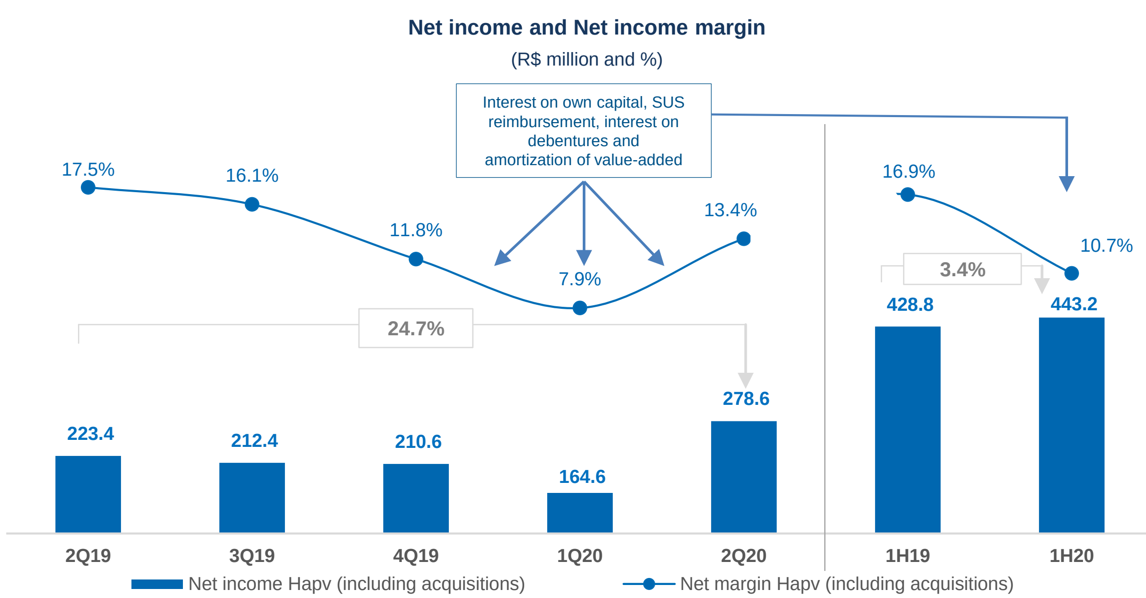
15. INCOME TAX AND SOCIAL CONTRIBUTION



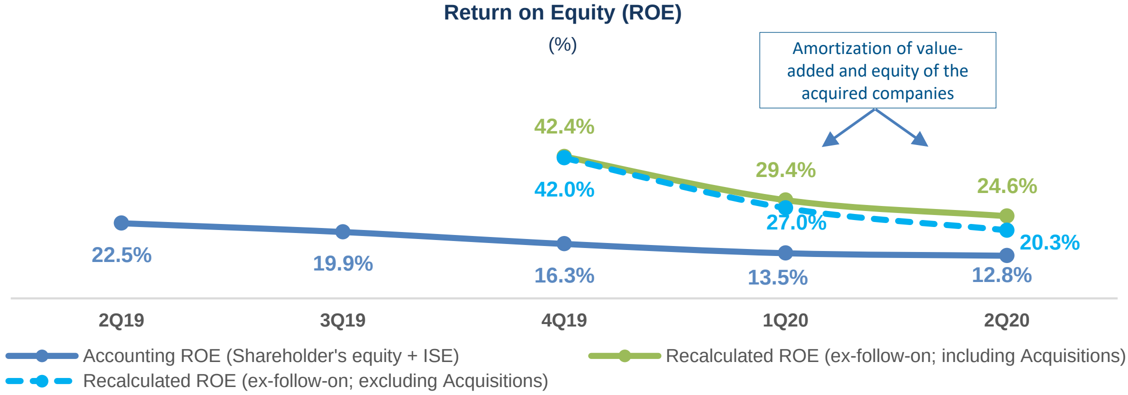
The effective rate was 34.3% in 2Q20 and 34.7% in 1H20, higher than that presented in the comparative periods of 2019 mainly due to the absence of the declaration of interest on own capital in this quarter (R$ 104.4 million in 2Q19 and R$ 4.0 million in 1H20).

16. NET INCOME

Hapvida's net income (including acquisitions) in 2Q20 totaled R$ 278.6 million and R$ 443.2 million in 1H20, with growth of 24.7% and 3.4% in comparison with the same periods in 2019. The net profit margin decreased 4.1 p.p. and 6.3 p.p., respectively, in comparison with the same periods of 2019, impacted by non-cash items such as the increase in depreciation and amortization that went from R$ 29.1 million in 2Q19 to R$ 156.7 million in 2Q20 (including R$ 101.7 million from the amortization of the value added of the Acquired Companies). Additionally, there was an impact of higher financial expenses, greater depreciation and amortization and a higher effective tax rate.



17. ROE



Recalculated ROE (Return on Equity) in the last 12 months was 24.6% at the end of 2Q20, 17.8 p.p. lower than the 42.4% in 2019, mainly due to the full consolidation of equity of the companies acquired at the end 2019 and partial consolidation of results (only 2 months for Grupo São Francisco and 1 month for Grupo América in 4Q19), in addition to the recently acquired company, RN Saúde in 1Q20. Recalculated ROE in 2Q20 excludes R$ 2.6 billion of funds raised in the follow-on, which had not yet been invested by the company as of the end of this quarter.

In R$ million	2Q19	3Q19	4Q19	1Q20	2Q20
Net income (a) with IFRS16	860.3	882.6	851.8	811.0	866.2
Equity (including ISE)	4,041.0	6,820.4	7,481.9	7,646.5	7,925.4
Average equity(b)[1]	3,828.6	4,446.1	5,228.4	5,999.7	6,783.0
ROE (LTM) (c) = (a)/(b)	**22.5%**	**19.9%**	**16.3%**	**13.5%**	**12.8%**
Equity excluding IPO and Follow on	4,041.0	1,598.3	4,671.9	4,836.4	5,115.3
Average equity excluding IPO and Follow on (d)	3,826.6	1,280.1	2,009.3	2,761.4	3,525.7
ROE (LTM) Recalculated (e) = (a)/(d)	**22.5%**	**68.9%**	**42.4%**	**29.4%**	**24.6%**

18. CASH GENERATION AND CAPEX

Free cash flow ex-acquisitions was R$ 337.8 million in 2Q20, an increase of 105.0% versus 2Q19, positively impacted by: higher depreciation and amortization amounts resulting from the amortization of the value added of the acquired companies (R$ 101.7 million) and higher depreciation and amortization arising from the acquired companies (R$ 21.1 million); and the increase of the working capital variation affected by a higher inventory balance at the end of 2Q20. Free cash flow (including acquisitions) was R$ 290.2 million in 2Q20 due to the payment of RN Saúde's acquisition. Comparing 1H20 with the same period of the previous year, the main variation is the working capital, positively impacted by the increase in technical provisions mainly related to SUS reimbursement. Capex rose from additions to property, plant and equipment and intangible assets totaled R$ 166.7 million in 1H20 mainly due to investments in Hapvida's proprietary network, which include the new Celina Guimarães Hospital located in Rio Grande do Norte, 7 new clinics, 1 walk-in emergency, and1 diagnostic unit (disregarding the discontinued units).

In R$ million	2Q20	2Q19	2Q20 x 2Q19	1H20	1H19	1H20 x 1H19
EBIT	**451.2**	**264.7**	**70.5%**	**763.0**	**536.7**	**42.2%**
Effective income tax rate (*)	34.3%	26.8%	7.4 p.p	34.7%	30.0%	4.7 p.p.
NOPAT	**296.6**	**193.7**	**53.1%**	**498.1**	**375.8**	**32.5%**
(+) Depreciation and amortization	156.6	29.1	438.1%	312.6	57.5	443.7%
(+/-) Change in working capital[1]	(23.0)	0.1	n/a	126.4	(24.7)	(611.7%)
(-) Cash CAPEX	(92.4)	(58.1)	59.0%	(166.7)	(134.2)	24.2%
Free cash flow (ex-acquisitions)	**337.8**	**164.6**	**105.0%**	**770.4**	**274.4**	**180.8%**
(-) Companies acquisitions	(47.6)	-	n/a	(94.3)	-	-
Free cash flow	**290.2**	**164.6**	**76.1%**	**676.1**	**274.4**	**146.4%**

(¹) Includes variations: **(i)** current assets: accounts receivable, inventories, other credits and advances to suppliers and **(ii)** current liabilities: suppliers, technical provisions for health care operations net of PPCNG, debts of health care operations net of prepayments, other payables and social obligations.

Statement of Directors on the individual and consolidated interim financial statements for the period ended June 30, 2020.

Pursuant to article 25, paragraph 1, item VI, of CVM Instruction 480/09, the officers responsible for preparing the respective financial statements of the Company hereby declare that they have reviewed, discussed and agreed with the individual and consolidated interim financial statements for the period ended June 30, 2020.

Fortaleza, August 13, 2020

Jorge Fontoura Pinheiro Koren de Lima
Chief Executive Officer

Bruno Cals de Oliveira
Chief Financial Officer and Investor Relations Officer

Statement of the Executive Officers on Independent Auditor's Report

Pursuant to article 25, paragraph 1, item V, of CVM Instruction 480/09, the officers responsible for preparing the individual and consolidated interim financial statements of the Company hereby declare that they have reviewed, discussed and agreed with the Independent Auditors' Report prepared by KPMG Auditores Independentes on the individual and consolidated interim financial statements of the Company for the period ended June 30, 2020.

Fortaleza, August 13, 2020

Jorge Fontoura Pinheiro Koren de Lima
Chief Executive Officer

Bruno Cals de Oliveira
Chief Financial Officer and Investor Relations Officer

KPMG Auditores Independentes
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Independent auditor's report on the review of interim financial statements

To the Shareholders and Board Members of Management of

Hapvida Participações e Investimentos S.A.

Fortaleza - CE

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Hapvida Participações e Investimentos S.A. ("Company"), included in the Interim Financial Information Form - ITR, for the quarter ended June 30, 2020, which comprises the statement of financial position as of June 30, 2020, the statement of profit or loss and comprehensive income for the three and six-months period then ended and of changes in equity and cash flows for six-months period then ended, and notes to the interim financial information.

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

Scope of review

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

Conclusion on the interim financial information

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

Other matters

Interim Statements of added value

The individual and consolidated interim financial information, related to the statements of value added (DVA) for the sex-months period ended June 30, 2020, prepared the under of Company's Management responsibility, presented as supplementary information for IAS 34 purposes, was submitted to review procedures performed jointly with the review of the quarterly information - the Company´s ITR. In order to form our conclusion, we assessed whether these statements are reconciled to the interim financial information and accounting records, as applicable, and whether their forms and content are in accordance with criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us believe that the accompanying statements of value added are not prepared, in all material respects, in accordance with individual company and consolidated interim financial information taken as a whole.

Fortaleza, August 13, 2020

KPMG Auditores Independentes
CRC SP-014428/O-6 S-CE
Original report in Portuguese signed by
Erika Carvalho Ramos
Contadora CRC 1SP224130/O-0

Hapvida Participações e Investimentos S.A.

Statements of Financial Position at June 30, 2020 and December 31, 2019

(Amounts stated in thousands of Reais)

		Parent company		Consolidated	
Assets	**Notes**	**6/30/2020**	**12/31/2019**	**6/30/2020**	**12/31/2019**
Cash and cash equivalents	31	10,213	1,625	206,931	224,229
Short-term investments	12	-	-	2,157,611	1,180,418
Trade accounts receivable	13	-	-	327,340	296,987
Inventories		-	-	127,940	72,704
Recoverable taxes	30.c	62,141	59,385	176,103	160,483
Dividends and interest on shareholders' equity receivab	15	86,701	86,701	-	-
Derivative financial instruments	31	-	-	4,209	-
Other assets		41	689	127,249	81,312
Deferred commission expense	14	-	-	152,993	145,169
Total current assets		159,096	148,400	3,280,376	2,161,302
Long-term investments	12	1,205,624	1,344,854	1,830,843	2,225,563
Deferred income tax	30.d	164,752	150,544	397,927	289,489
Judicial deposits	23	968	1,198	213,753	187,636
Deferred commission expense - Long-term	14	-	-	134,819	127,505
Derivative financial instruments	31	-	-	10,673	2,000
Other debits with related parties	15	82	4,638	3,429	8,135
Other long-term assets		-	-	45,823	45,881
Total long-term assets		1,371,426	1,501,234	2,637,267	2,886,209
Investments	16	8,461,882	7,928,378	-	-
Property, plant and equipment	17	9,805	10,135	2,146,517	2,100,319
Intangible assets	18	149	175	5,184,605	5,305,856
Total non-current assets		9,843,262	9,439,922	9,968,389	10,292,384
Total assets		10,002,358	9,588,322	13,248,765	12,453,686

		Parent company		Consolidated	
Liabilities and equity	**Notes**	**6/30/2020**	**12/31/2019**	**6/30/2020**	**12/31/2019**
Borrowings and financing	19	34,878	48,234	56,964	75,038
Trade payables		117	156	115,915	95,032
Technical reserves for health care operations	21	-	-	984,579	858,143
Debts of health care operations		-	-	7,212	8,808
Payroll obligations	22	940	948	218,373	172,474
Taxes and contributions payable		1,269	17,293	234,333	152,432
Current income tax and social contribution	30.b	-	-	187,824	61,982
Dividends and interest on shareholders' equity payable	15 | 24.c	206,732	206,732	220,020	220,020
Leasing payable	20	1,186	1,078	36,200	36,866
Other debits with related parties	15	16,333	16,314	4,068	4,040
Other accounts payable		567	524	45,611	60,588
Total current liabilities		262,022	291,279	2,111,099	1,745,423
Borrowings and financing	19	1,996,758	1,996,260	2,030,610	2,036,955
Taxes and contributions payable		-	-	23,956	26,146
Leasing payable	20	4,555	5,197	894,150	921,945
Provision for tax, civil and labor risks	23	36,286	35,983	388,309	388,658
Other accounts payable		56	-	95,279	72,674
Total non-current liabilities		2,037,655	2,037,440	3,432,304	3,446,378
Equity	24				
Share capital		5,650,526	5,650,526	5,650,526	5,650,526
Treasury shares		(2)	(2)	(2)	(2)
Capital reserve		222,917	222,917	222,917	222,917
Legal reserve		137,423	137,423	137,423	137,423
Profit reserve		1,248,739	1,248,739	1,248,739	1,248,739
Retained earnings (loss)		443,078	-	443,078	-
Equity attributable to controlling shareholders		7,702,681	7,259,603	7,702,681	7,259,603
Non-controlling interest		-	-	2,681	2,282
Total equity		7,702,681	7,259,603	7,705,362	7,261,885
Total liabilities and equity		10,002,358	9,588,322	13,248,765	12,453,686

See the accompanying notes to the individual and consolidated interim financial statements.

Hapvida Participações e Investimentos S.A.

Statement of Profit or Loss

Periods ended June 30, 2020 and June 30, 2019

(Amounts stated in thousands of Reais)

	Notes	Parent company				Consolidated			
		6/30/2020 Accumulated	**6/30/2020 Quarter**	**6/30/2019 Accumulated**	**6/30/2019 Quarter**	**6/30/2020 Accumulated**	**6/30/2020 Quarter**	**6/30/2019 Accumulated**	**6/30/2019 Quarter**
Net operating revenue	25	-	-	-	-	4,155,086	2,076,298	2,533,257	1,276,257
Costs of services rendered	26	-	-	-	-	(2,412,157)	(1,132,562)	(1,477,771)	(751,360)
Gross income		-	-	-	-	1,742,929	943,736	1,055,486	524,897
Sales expenses	27	(320)	(56)	(57)	(43)	(334,364)	(179,795)	(248,119)	(129,387)
Administrative expenses	28	(17,429)	(8,221)	(18,722)	(7,509)	(643,707)	(310,324)	(268,134)	(128,855)
Equity in income of subsidiaries	16	472,809	290,106	395,117	192,141	-	-	-	-
Other net operating revenues (expenses)		(36)	(1)	-	-	(1,912)	(2,466)	(2,506)	(1,956)
Total		455,024	281,828	376,338	184,589	(979,983)	(492,585)	(518,759)	(260,198)
Income (loss) before financial income (loss) and taxes		455,024	281,828	376,338	184,589	762,946	451,151	536,727	264,699
Financial revenues	29	17,476	9,047	35,189	16,477	88,357	38,803	125,976	65,700
Finance expense	29	(43,630)	(17,647)	(212)	75	(172,334)	(66,090)	(50,281)	(25,079)
Total		(26,154)	(8,600)	34,977	16,552	(83,977)	(27,287)	75,695	40,621
Income (loss) before income tax and social contribution		428,870	273,228	411,315	201,141	678,969	423,864	612,422	305,320
Current income tax and social contribution	30.a	-	-	(5,345)	(2,334)	(344,203)	(210,939)	(211,087)	(108,055)
Deferred income tax and social contribution	30.d	14,208	5,421	22,334	24,344	108,438	65,716	27,468	26,144
Net earnings for the period		**443,078**	**278,649**	**428,304**	**223,151**	**443,204**	**278,641**	**428,803**	**223,409**
Attributable to									
Non-controlling interest		-	-	-	-	126	(8)	499	258
Owners of the Company		443,078	278,649	428,304	223,151	443,078	278,649	428,304	223,151
Earnings per share - basic and diluted		0.60	0.38	0.64	0.33				

See the accompanying notes to the individual and consolidated interim financial statements.

Hapvida Participações e Investimentos S.A.

Statements of comprehensive income

Periods ended June 30, 2020 and 2019

(Amounts stated in thousands of Reais)

	Parent company				Consolidated			
	6/30/2020 Accumulated	**6/30/2020 Quarter**	**6/30/2019 Accumulated**	**6/30/2019 Quarter**	**6/30/2020 Accumulated**	**6/30/2020 Quarter**	**6/30/2019 Accumulated**	**6/30/2019 Quarter**
Net income for the period	443,078	278,649	428,304	223,151	443,204	278,641	428,803	223,409
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	443,078	278,649	428,304	223,151	443,204	278,641	428,803	223,409
Non-controlling interest	-	-	-	-	126	(8)	499	258
Owners of the Company	443,078	278,649	428,304	223,151	443,078	278,649	428,304	223,151

See the accompanying notes to the individual and consolidated interim financial statements.

Hapvida Participações e Investimentos S.A

Statements of changes in shareholders' equity

Periods ended June 30, 2020 and June 30, 2019

(Amounts stated in thousands of Reais)

		Attributable to controlling shareholders								
					Profit reserves					
	Notes	Capital	Treasury shares	Capital reserves	Legal reserve	Profit reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balances at January 01, 2019		**2,810,219**	**-**	**-**	**94,932**	**697,393**	**-**	**3,602,544**	**3,311**	**3,605,855**
Capital increase (decrease)		-	-	-	-	-	-	-	17,500	17,500
Income (loss) for the period		-	-	-	-	-	428,304	428,304	499	428,803
Allocations	24									
Interest on shareholders' equity		-	-	-	-	-	(104,396)	(104,396)	-	(104,396)
Dividends		-	-	-	-	(18,579)	-	(18,579)	-	(18,579)
Balances at June 30, 2019		**2,810,219**	**-**	**-**	**94,932**	**678,814**	**323,908**	**3,907,873**	**21,310**	**3,929,183**
Balances at December 31, 2019		**5,650,526**	**(2)**	**222,917**	**137,423**	**1,248,739**	**-**	**7,259,603**	**2,282**	7,261,885
Non-controlling capital		-	-	-	-	-	-	-	273	273
Income (loss) for the period		-	-	-	-	-	443,078	443,078	126	443,204
Balances at June 30, 2020		**5,650,526**	**(2)**	**222,917**	**137,423**	**1,248,739**	**443,078**	**7,702,681**	**2,681**	**7,705,362**

See the accompanying notes to the individual and consolidated interim financial statements.

Hapvida Participações e Investimentos S.A.

Statements of cash flows - Indirect metho

Periods ended June 30, 2020 and June 30, 2019

(Amounts stated in thousands of Reais)

	Parent company		Consolidated	
	6/30/2020	**6/30/2019**	**6/30/2020**	**6/30/2019**
Cash flows from operating activities				
Net income for the period	443,078	428,304	443,204	428,803
Adjustments to reconcile net income for the period with cash generated by operating activities:				
Depreciation and amortization	613	960	273,635	33,237
Depreciation of right of use assets	612	-	38,944	24,291
Technical reserves for health care operations	-	-	(7,052)	14,401
Equity in income of subsidiaries	(472,809)	(395,117)	-	-
Impairment loss on trade receivables	-	-	122,635	76,906
Write-off of property, plant and equipment	-	-	1,430	301
Write-off of intangible assets	-	-	5,517	10,145
Write-off of investment	-	10,901	-	-
Provision for tax, civil and labor risks	1,251	806	20,112	40,135
Earnings on short-term investments	(17,475)	(37,099)	(47,683)	(99,946)
Gain with derivative financial instruments	-	-	(17,574)	-
Interest and inflation adjustment of leasing	206	335	41,339	35,593
Financial interest and charges from loans, financing and debentures	39,047	-	40,842	-
Exchange-rate change	-	-	16,894	-
Current income tax and social contribution	-	5,345	344,203	211,087
Deferred income tax	(14,208)	(22,334)	(108,438)	(27,468)
(Increase) decrease in asset accounts:				
Trade accounts receivable	-	-	(145,161)	(97,867)
Inventories	-	-	(54,819)	(1,084)
Recoverable taxes	(2,756)	(4,381)	(13,087)	(17,835)
Judicial deposits	(718)	(17)	(46,546)	(31,405)
Other assets	(47)	(62)	(43,722)	(61,054)
Deferred commission expense	-	-	(15,138)	237
Increase (decrease) in liability accounts:				
Technical reserves for health care operations	-	-	111,418	(4,530)
Debts of health care operations	-	-	(1,596)	1,087
Payroll obligations	(8)	(2,781)	44,822	12,714
Trade payables	(39)	(233)	20,883	(16,078)
Taxes and contributions payable	(16,024)	(3,114)	78,302	4,247
Other accounts payable	99	39	6,275	(5,899)
Net cash (invested) generated by operations	(39,178)	(18,448)	1,109,639	530,018
Income tax and social contribution paid	-	(5,345)	(218,361)	(154,572)
Net cash (invested) generated by operating activities	(39,178)	(23,793)	891,278	375,446
Cash flows from investment activities				
Payments to related parties	4,575	-	4,734	5
Acquisition of property, plant and equipment	(869)	16	(126,813)	(99,899)
Acquisition of intangible assets	-	76	(39,828)	(18,217)
Acquisition/disposal of investments	-	(10,901)	(94,347)	(215,381)
Balances attributed to the acquisition of investees	-	-	5,212	-
Advance for future capital increase	(60,000)	-	-	-
Redemption (investments) from short and long term investments	156,705	220,210	(512,233)	135,544
Net cash flow generated (invested) in investment activities	100,411	209,401	(763,275)	(197,948)
Cash flows from financing activities				
Receipts from related parties	-	12	-	9
Funding of loans and financing	-	-	2,064	-
Payment of dividends and interest on shareholders' equity	-	(188,529)	-	(188,617)
Payment of and financing and debentures	(51,905)	-	(84,219)	-
Receipt of derivative financial instruments	-	-	4,730	-
Payment of leasing	(740)	(752)	(68,149)	(48,923)
Non-controlling interest in an acquiree	-	-	273	17,500
Net cash invested in financing activities	(52,645)	(189,269)	(145,301)	(220,031)
Net increase (decrease) in cash and cash equivalents	8,588	(3,661)	(17,298)	(42,533)
Cash and cash equivalents at the beginning of the period	1,625	4,832	224,229	185,484
Cash and cash equivalents at the end of the period	10,213	1,171	206,931	142,951
Net increase (decrease) in cash and cash equivalents	8,588	(3,661)	(17,298)	(42,533)
Non-cash transactions:				
Write-off of judicial deposits with provision for risks	(948)	117	(21,505)	20,081
Balances attributed to the acquisition of investees	-	-	-	23,595
Accounting effect of adopting IFRS 16	-	13,334	(1,651)	862,845

See the accompanying notes to the individual and consolidated interim financial statements.

Hapvida Participações e Investimentos S.A.

Statements of added valu

Periods ended June 30, 2020 and 2019

(Amounts stated in thousands of Reais)	Parent company		Consolidated	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues (1)	**-**	**-**	**4,200,153**	**2,566,603**
Operating revenue	-	-	4,322,825	2,641,375
Other (expenses) revenues	-	-	(37)	2,134
Impairment loss on trade receivables	-	-	(122,635)	(76,906)
Inputs purchased from third parties (2)	**(11,222)**	**(3,391)**	**(2,356,612)**	**(1,480,471)**
Costs of services rendered	-	-	(1,506,132)	(927,319)
Material, energy, outsourced services and other	(11,222)	(3,391)	(850,480)	(553,152)
Gross added value (1) - (2) = (3)	**(11,222)**	**(3,391)**	**1,843,541**	**1,086,132**
Depreciation and amortization (4)	(1,225)	(959)	(312,579)	(57,544)
Net value added produced by the Company (3) - (4) = (5)	**(12,447)**	**(4,350)**	**1,530,962**	**1,028,588**
Added value received as transfer (6)	**490,285**	**430,306**	**88,357**	**126,302**
Equity in net income of subsidiaries	472,809	395,117	-	-
Financial revenues	17,476	35,189	88,357	126,302
Total added-value payable (5+6)	**477,838**	**425,956**	**1,619,319**	**1,154,890**
Distribution of added value	**(477,838)**	**(425,956)**	**(1,619,319)**	**(1,154,890)**
Personnel	**(8,677)**	**(13,100)**	**(602,549)**	**(355,235)**
Direct remuneration	(8,665)	(13,081)	(502,565)	(305,503)
Benefits	(12)	(19)	(53,926)	(28,008)
Severance Pay Fund (FGTS)	-	-	(46,058)	(21,724)
Taxes, rates and contributions	**12,693**	**15,404**	**(520,592)**	**(373,416)**
Federal	12,879	15,614	(468,067)	(327,469)
State	(61)	(118)	(736)	(504)
Municipal	(125)	(92)	(51,789)	(45,443)
Third-party capital remuneration	**(38,776)**	**44**	**(52,974)**	**2,564**
Interest	(39,047)	-	(46,925)	-
Rents	271	44	(6,049)	2,564
Remuneration of own capital	**(443,078)**	**(428,304)**	**(443,204)**	**(428,803)**
Dividends and interest on shareholders' equity	-	(122,975)		(122,975)
Retained earnings	(443,078)	(305,329)	(443,078)	(305,329)
Non-controlling interests in retained earnings	-	-	(126)	(499)

See the accompanying notes to the individual and consolidated interim financial statements.

Notes to the individual and consolidated interim financial statements

(Amounts stated in thousands of Reais)

1 Operations

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

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

Hapvida Participações e Investimentos S.A. is a direct subsidiary of the holding company PPAR Pinheiro Participações S.A.

1.1 Effects of Coronavirus (COVID-19)

In view of the macroeconomic scenario faced by the country due to the new coronavirus pandemic, the Company monitors the course of events and informs that it has often been closely tracking the economic and financial impacts on its businesses.

Credit risk and estimated expected credit losses

The Company has been analyzing payments of monthly fees from its clients daily, as well as possible impacts on the provision for losses due to default and contract cancellation rates, aiming to verify whether there was a significant increase in credit risk.

The life cancellation ratio and the daily receipt of funds from the Company remain in line with the period before the beginning of the pandemic, indicating that from July 31, 2020, date of the last information available, until the publication of this report, there was no increase in the Company’s credit risk. Client contracts are mostly pre-paid and, in the event of default, for corporate clients, after five days of delay there may be a suspension of service to the beneficiary, thus implying less risk of using the service network without the respective payment of the healthcare plan monthly fee.

Liquidity risk and cash generation

Cash generation

During July 2020, there were no indications of deterioration in the Company’s operating cash generation ability that could result in an increased level of liquidity risk.

Leasing
The Company managed to renegotiate some contracts and obtain specific discounts on the rentals of some of its units, which will be recognized in the income (loss) for the periods in which they take effect, without the need to remeasure lease assets and liabilities, in view of the immateriality of the effects of these discounts on the total flow of contractual payments.

Compliance with covenants
Despite the fact that the Company currently complies with the ratio required as a financial covenant for debt instruments, the prospects of maintaining such compliance in the next 12 months were evaluated based on the information available in the issuance of these financial statements, and no indications that the required ratios will not be reached were identified, thus ruling out the likelihood of the early maturity of the debt being declared.

Regarding non-financial covenants, elements that put their full compliance at risk for the same period mentioned above were also monitored and detection of non-compliance indications.

Loss Ratio
In March 2020, the measures adopted by the National Supplementary Health Agency (ANS) resulted, among others, in postponing elective medical procedures, aiming to increase the immediate availability of beds that are being prioritized for Covid-19-related hospitalizations. This measure generated a temporary situation of low occupancy in hospitals belonging to the network that is being reversed by hospitalizations of patients with Covid-19. Currently, it is not possible to determine whether the lower expenses in the short period of low occupation will be sufficient to offset the higher expenses with Covid-19, that depend on the number, severity and duration of cases related to Covid-19.

Moreover, elective care that may not have taken place during this period should partially return to the system at some point in the future. Depending on when and how much of such elective care will be carried out after the pandemic and related expenses, claims may be impacted.

Recoverability of assets

Business combinations
Regarding the main assets acquired through business combinations occurred in the last year, considering current circumstances, the assumptions for updating the cash flow projections that supported the recognition of such assets were reviewed, and no indications of non-recoverability requiring the recording of impairment losses were observed.

Financial instruments
The Company adopts a very conservative investment policy, only investing in fixed income funds and securities in the largest Brazilian financial institutions. The assumptions for measuring financial instruments were reviewed and the Company found that the position represented in these financial statements is realizable, without the need for recording any impairment.

2 Business combinations

2.1 Acquisition of RN Saúde

In July 2019, the Company entered into an agreement for the acquisition of RN Metropolitan Ltda. ("RN Saúde"). The acquisition was completed in January 2020, through Hapvida Assistência Médica Ltda, a subsidiary of the Company, in the amount of R$ 94,349 (considering the price adjustment), pursuant to the contractual provisions, as follows:

(a) R$ 38,229 paid 10 days after the closing date;

(b) R$ 8,500 paid 90 days after the closing date;

(c) R$ 24,533 paid to sellers up to May 2020, after the calculation of the net debt in the closing balance;

(d) R$ 7,526 retained by the Company to guarantee eventual contingencies of a taxable event prior to the closing that may materialize (R$ 7,633 as of June 30, 2020). In the event of not using the portion retained, it will be paid to the sellers as the schedule provided for in the Contract.

(e) The amount of R$ 15,561 was paid to sellers up to June 2020, through the delivery of 258,026 common shares of the Company.

Assets acquired and liabilities assumed

The following are the provisional fair values of identifiable assets and liabilities at the acquisition date, obtained from the preliminary technical report prepared by independent consultants. The measurement of the fair values of the identified assets and liabilities was made on a provisional basis, and its completion must occur within a period of up to one year after the date of acquisition, as provided for in CPC 15 – Business Combination.

	Fair value
Assets	
Cash and cash equivalents	5,212
Short-term investments	22,557
Trade accounts receivable	7,827
Inventories	417
Recoverable taxes	2,533
Other assets	2,992
Judicial deposits	1,076
Property, plant and equipment	5,486
Intangible assets	41,760
Total assets	**89,860**
Liabilities	
Technical reserves for health care operations	20,977
Payroll obligations	1,077
Taxes and contributions payable	1,408
Other accounts payable	2,283
Provision for tax, civil and labor risks	1,045
Total liabilities	**26,790**
Total identifiable net assets at fair value	**63,070**
Equity of the acquire	21,391
Net surplus of assets	41,679
Goodwill due to expected future profitability (temporary)	31,279
Consideration	**94,349**

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

Assets	**Valuation method**
Intangible assets – Trademark	Income Approach (Relief from Royalties)
Intangible assets – Life portfolio	Income Approach (Multi-Period Excess Earnings Model - “MPEEM”)

We describe the evaluation methods below:

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

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

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

Since the acquisition date until June 30, 2020, RN Saúde contributed consolidated net revenues of R$ 72,252 and consolidated net revenues of R$ 16,112 to the Company.

1.1 Acquisition of São Francisco Group

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

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

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

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

(c) R$ 253,225 paid into an assigned account (Escrow Account) on November 1, 2019 (R$ 259,318 as of June 30, 2020), after the monetary updating using the CDI rate. This fund is part of the acquisition price and has been highlighted in a separate account. It aims to guarantee the payment of any losses arising from contingencies whose accrual periods are prior to the closing date of the transaction. The balance of the Escrow Account, after deducting any losses incurred for the period, will be released to the sellers according to the schedule provided for in the Contract. In the initial measurement of the acquisition, no adjustments were identified on the contingent liabilities already existing in the acquired companies. However, the Company will be able to evaluate and complete said measurement for a period of up to 12 months as of the acquisition date;

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

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

Assets acquired and liabilities assumed

The following are the provisional fair values of identifiable assets and liabilities at the acquisition date, obtained from the preliminary technical report prepared by independent consultants. The measurement of the fair values of the identified assets and liabilities was made on a provisional basis, and its completion must occur within a period of up to one year after the date of acquisition, as provided for in CPC 15 – Business Combination.

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

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

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

We describe the evaluation methods below:

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

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

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

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

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

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

1.2 Acquisition of América Group

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

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

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

(b) Portion retained for payment of debts and contingencies, in the amount of up to R$ 50,000 (R$ 50,897 as of June 30, 2020), treated by the Company as a contingent consideration. The retained portion is part of the acquisition price and, after deducting the net debt calculated on the date of closing the acquisition, the remaining amount will be used to guarantee any contingencies arising from events prior to the closing date of the transaction. In the event of not using the remaining amount, it will be paid to the sellers as the schedule provided for in the Contract. In the initial measurement of the acquisition, no adjustments were identified on the contingent liabilities already existing in the acquired companies, but the Company will be able to evaluate and complete this measurement for a period of up to 12 months as of the acquisition date.

Assets acquired and liabilities assumed

The following are the provisional fair values of identifiable assets and liabilities at the acquisition date, obtained from the preliminary technical report prepared by independent consultants. The measurement of the fair values of the identified assets and liabilities was made on a provisional basis, and its completion must occur within a period of up to one year after the date of acquisition, as provided for in CPC 15 – Business Combination.

Fair value

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

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

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

We describe the evaluation methods below:

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

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

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

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

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

1.3 Acquisition of Maida Health Participações Societárias S.A.

In September 2019, the Company, through its subsidiary Hapvida Participações em Tecnologia Ltda.., started to control Maida Health Participações Societárias S.A. (“MAIDA”), with a 75% interest in the total of subscribed shares. MAIDA is a holding company of Infoway Tecnologia e Gestão em Saúde Ltda. (“Infoway”) on the date of the transaction, a technology company that operates in the provision of health management systems services, advisory and implementation of health management models, ranging from their conception to the maintenance of their operation. As well as in the development of innovative health technologies, mainly through an artificial intelligence-based technological platform, in addition to other proprietary software, aimed at bringing efficiency to the health care plan management processes.

The share capital contribution made at MAIDA was as follows: R$ 7,500 paid on the date of the transaction, R$ 5,000 to be paid until 2020, earn-out in the present value of R$ 5,395, which will be paid in the next 5 years, and 100% of Haptech's shares.

Assets acquired and liabilities assumed

The following are the provisional fair values of identifiable assets and liabilities at the acquisition date, obtained from the preliminary technical report prepared by independent consultants. The measurement of the fair values of the identified assets and liabilities was made on a provisional basis, and its completion must occur within a period of up to one year after the date of acquisition, as provided for in CPC 15 – Business Combination.

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

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

Assets	**Valuation method**
Intangible asset - Agreements with Third Parties	Income Approach (Multi-Period Excess Earnings Model - “MPEEM”)
Intangible assets – Software	Replacement Cost
Property, plant and equipment	Replacement Cost

We describe the evaluation methods below:

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

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

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

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

1.4 Acquisition of Hospital das Clínicas e Fraturas do Cariri Ltda.

In August 2019, the Company, through its subsidiary Ultra Som Serviços Médicos S.A., acquired for the amount of R$ 13,526, 100% of quotas of Hospital das Clínicas e Fraturas do Cariri Ltda., a hospital company headquartered in the city of Juazeiro do Norte, State of Ceará.

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

Assets acquired and liabilities assumed

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

1.5 Acquisition of Hospital das Clínicas de Parauapebas Ltda.

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

The acquisition was made for the amount of R$ 4,570, of which R$ 2,285 was paid in cash, R$ 1,371 will be paid to sellers after the calculation of the net debt in the closing statement of financial position, and R$ 931 will be retained by the Company to guarantee eventual contingencies of taxable events prior to the closing that may materialize. In the event of not using the portion retained, it will be paid to the sellers as the schedule provided for in the Contract.

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

3 Corporate reorganization

Aiming to simplify the Group's corporate structure and obtain greater synergy gains by reducing operating costs by sharing administrative structures, the following corporate restructurings were approved:

3.1 - Partial spin-off of Hospital Maternidade Jardim América Ltda.
On April 30, 2020, the Extraordinary General Meeting (AGE) approved the partial spin-off of Hospital Jardim América Ltda., with the transfer of the spun-off assets to Jardim América Saúde Ltda., in the amount of R$ 59,695. Moreover, Jardim América Saúde Ltda. share capital was maintained through the cancellation of the quotas received in the spin-off and the consequent issuance of an equal amount of new quotas assigned to Ultra Som Serviços Médicos S.A., which becomes a direct partner of Jardim América Saúde Ltda.

3.2 - Acquisition of América Clínicas Ltda. by Ultra Som Serviços Médicos S.A.
On May 29, 2020, a Contract for the Purchase and Sale of Quotas of América Clínicas Ltda. was signed between Jardim América Saúde Ltda. and Ultra Som Serviços Médicos S.A. The total price paid was R$ 1.00, since América Clínicas had negative equity at the time.

3.3 - Partial spin-off of Ultra Som Serviços de Saúde Médicos S.A.
On May 31, 2020, the Extraordinary General Meeting approved the partial spin-off of Ultra Som Serviços Médicos S.A. with the transfer of spun-off assets to Hapvida Assistência Médica Ltda. in the amount of R$ 162,497, consubstantiated by the investment in Jardim América Saúde Ltda. As a result of this transaction, Hapvida Assistência Médica Ltda. becomes the holder of all the quotas representing the voting capital of Jardim América Saúde Ltda.

The aforementioned corporate amendments do not change the Company's shareholding structure or cause any dilution to its shareholders.

4 List of subsidiaries

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

	06/30/2020		12/31/2019	
Entity	**Direct**	**Indirect**	**Direct**	**Indirect**
Hapvida Assistência Médica Ltda. (a)	99.99%	-	99.99%	-
Mais Odonto Assistência Odontológica Ltda.	99.99%	-	99.99%	-
Hospital Antônio Prudente Ltda.	99.99%	-	99.99%	-
Ultra Som Serviços Médicos S.A. (b)	100%	-	100%	-
Hapvida Participações em Tecnologia Ltda	99.99%	-	99.99%	-
Maida Health Participações Societárias S.A.	-	74.99%	-	74.99%
Haptech Soluções Inteligentes Ltda.	-	74.99%	-	74.99%
Infoway Tecnologia e Gestão em Saúde Ltda	-	74.99%	-	74.99%
São Francisco Odontologia Ltda. (c)	-	100%	-	100%
São Francisco Atendimento Médico e Serviços Ltda.	-	100%	-	100%
São Francisco Resgate Ltda.	-	100%	-	100%
Documenta Clínica Radiológica Ltda (d)	-	99.97%	-	99.97%
São Francisco Sistemas de Saúde S/E Ltda. (e)	-	99.93%	-	99.93%
GSF Administração de Bens Próprios Ltda.	-	99.93%	-	100.00 %
Centro Avançado Oncológico Ltda.	-	100%	-	100%
SF Health Up Desenvolvimento e Consultoria em Tecnologia da Informação Ltda	-	100%	-	100%
Hemac Medicina Laboratorial e Hemoterapia	-	100%	-	100%
Hospital São Francisco Ltda.	-	99.93%	-	99.93%
Laboratório Regional Ltda.	-	99.93%	-	99.93%
Laboratório Regional I Ltda.	-	99.93%	-	99.93%
Laboratório Regional II Ltda.	-	99.93%	-	99.93%
Odontológica Serviços de Saúde Oral Ltda.	-	100%	-	100%
Hospital Jardim América Ltda. (g)	-	100%	-	100%
Hospital Promed Ltda.	-	100%	-	100%
Hospital Multi Especialidades Ltda-EPP.	-	100%	-	100%
Centro de Diagnóstico e Laboratório Santa Cecília Ltda.	-	100%	-	100%
Clínica de Oftalmologia Jardim América Ltda.	-	100%	-	100%
Jardim América Saúde Ltda. (f)	-	99.99%	-	99.99%
Promed Assistência Médica Ltda.	-	99.99%	-	99.99%
Ame Planos de Saúde Ltda.	-	99.99%	-	99.99%
América Clínicas Ltda.-	-	100%	-	100%
Hospital das Clínicas de Paraupebas Ltda	-	100%	-	100%
RN Metropolitan Ltda.	-	99.99%	-	-
Exclusive Funds				
BB HAPV Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Longo Prazo	89.86%	10.14%	58.50%	41.50%
Santander Hapvida Renda Fixa Referenciado DI Crédito Privado FIC FI	69.60%	30.40%	21.77%	78.23%
Itaú Hap Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa Crédito Privado	85.30%	14.70%	85.28%	14.72%

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

(a) Hapvida Assistência Médica Ltda.
The insurance company came into operation on July 15, 1991 and is registered in ANS - National Health Agency under the number º 36.825-3. It is primarily engaged in the sale of health and dental insurance plans focused on providing healthcare assistance through the network of companies under Hapvida Participações e Investimentos S.A.'s control.

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

(c) São Francisco Odontologia Ltda.
Established in 1998 in the city of Ribeirão Preto, in the state of São Paulo, it is engaged in the provision of dental and administrative services, administration, advisory and implementation of exclusive operation systems for private health care plans in the dental segment, as well as the organization of courses, lectures, seminars and other events in its area of operation. São Francisco Odontologia meets the requirements of Law 9656/98 and has the definitive registration with the National Health Agency (ANS) under No. 36.531-9.

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

(e) São Francisco Sistema de Saúde S/E Ltda.
Headquartered in Ribeirão Preto - SP, it is engaged in the management, advisory, implementation and sales of individual, family and collective health care systems and plans, through its own means of operation or by contracting and/or accrediting legally qualified third parties, as well as the reimbursement of medical, dental, hospital and outpatient expenses to its beneficiaries; outpatient medical care; and the organization of courses, lectures, seminars and other events in its area of operation. The Operator meets the requirements of Law 9656/98 and has the definitive registration with the National Health Agency (ANS) under No. 30209-1.

(f) Jardim América Saúde Ltda.

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

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

(h) Mais Odonto Assistência Odontológica Ltda.
It is primarily engaged in hiring and providing dental services. The company is inactive and its registration with ANS is canceled.

5 Preparation basis

Statement of compliance

The consolidated interim financial statements of the parent company were prepared in accordance with CPC 21 (R1) - Interim Statement with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information. ANS rules for insurance contracts are also observed when there are no conflicts with IFRS content.

The issue of individual and consolidated interim financial statements was authorized by the Board of Directors on August 13, 2020.

Segregation between current and non-current

The Company reviews the amounts recorded in current assets and liabilities at each reporting date, with the purpose of classifying as non-current those amounts whose expected realization exceeds the period of 12 months after the respective base date. Deferred income tax and social contribution assets and/or liabilities are classified in Non-current assets or liabilities.

6 Functional and presentation currency

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

7 Use of estimates and judgments

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

(i) Judgments

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

- **Note 20 –** Leasing payable: to determine if the agreement has a leasing, the term, renewal and classification;

- **Note 21 -** Technical reserves for healthcare operations.

- **Note 23 -** Provision for tax, civil and labor risks.

(ii) Uncertainties on assumptions and estimates

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

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

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

- **Note 13 -** Provision for impairment of accounts receivable. Recognition and provision for impairment of trade accounts receivable.

- **Note 14 -** Deferred sales expenses. Identification of average time that clients remain in the Company's portfolio under the same contract to determine the recognition of deferral of commissions and, pursuant to recognize in book records in the income (loss) for the year.

- **Note 17 -** Review of economic useful life of property, plant and equipment. Determination of estimated useful life of assets, and as a result, of the depreciation rate to be used in the calculation and book records in the income (loss) for the year.

- **Note 18 -** Determination of estimated useful life of intangible assets, and as a result, of the amortization rate to be used in the calculation and book records in the income (loss) for the year. Intangible asset and goodwill impairment test: main assumptions regarding recoverable values, including recoverability of development costs.

- **Note 21 -** Technical provisions for healthcare operations. Recognition and measurement of liabilities related to cost of service that was not informed yet by the service providers.

- **Note 23 -** Provision for tax, civil and labor risks. Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of funds.

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

(iii) Measurement at fair value

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

The Group established a control structure for measuring fair value. This includes an evaluation team with general responsibility of reviewing all significant fair value measurements, including fair values, which are reported directly to the CFO, which discusses the strategies to establish the breakdown of investment portfolio within the Finance and Capital Market Committee.

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

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

- **Level 1:** prices quoted (not adjusted) in active markets for identical assets and liabilities.

- **Level 2:** inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

- **Level 3:** inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

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

In the periods ended June 30, 2020 and December 31, 2019, the Company and its subsidiaries made no transfers between financial assets or transfers among hierarchic levels.

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

- **Note 2 -** Business Combinations; and

- **Note 31 -** Financial instruments.

8 Basis of measurement

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

9 Significant accounting policies

The accounting practices used in the preparation of these interim financial statements are the same as those adopted in the preparation of the Company's individual and consolidated annual financial statements for the year ended December 31, 2019. Thus, individual and consolidated interim financial statements should be read together with the Company’s individual and consolidated annual financial statements for the year ended December 31, 2019, issued on March 25, 2020, comprising the whole set of notes.

10 New pronouncements issued, but not effective

a. IFRS 17 - Insurance Contracts

IFRS 17 introduces a new measurement model for insurance contracts. It establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The objective of IFRS 17 is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The standard is effective for accounting periods beginning on January 1, 2023.

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

11 Operating segments

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

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

The Company has determined that the Statutory Board is the Chief Operating Decision Maker (CODM). The Group’s revenues are entirely derived from customers geographically located in Brazil and there is no customer sales concentration. In addition, all non-current assets are located in Brazil. The Group’s earnings do not fluctuate based on seasonality.

12 Short-term and long-term investments

			Parent Company		Consolidated	
	Monthly average remuneration	**Maturities**	**06/30/2020**	**12/31/2019**	**06/30/2020**	**12/31/2019**
Government and private bonds						
Reverse-sale-and-repurchase agreements (a)	-	-	-	-	-	5,717
Bank Deposit Certificates - Collateral Assets	101.5% CDI	June 2022	-	-	10,003	-
Bank deposit certificates	101.3% CDI	Jul 2020–Jan 2034	-	-	1,337,338	494,697
NTN-B	IPCA + 1.8% p.a.	Aug 2024	-	-	35,048	-
Investment fund						
Fixed income - Collateral assets (b) (d)	40.3% CDI	Without maturity	-	-	810,271	661,223
Fixed income - Exclusives (c) (d)	64.9% CDI	Without maturity	957,424	-	1,313,373	1,748,247
Fixed income - Non-exclusive (d)	71.3% CDI	Without maturity	248,200	1,051,077	482,421	488,778
Other						
Other short and long term investments (d)	-	Without maturity	-	293,777	-	7,319
			1,205,624	**1,344,854**	**3,988,454**	**3,405,981**

(a) Reverse-sale-and-repurchase agreements basically consist of government bonds with a repurchase commitment from the financial institution, with a definite maturity.

(b) Fixed income investment funds - Collateral Assets: They are used as a guarantee for technical reserves of the health care companies, as detailed in Note 21.

(c) Exclusive funds are administered and managed by Banco do Brasil, Banco Santander and Banco Itaú. These funds invest their resources in quotas of other funds administered by the managing banks. The investment policies of exclusive funds determine the concentration of resources in financial assets with low credit risk (ANBIMA classification).

(d) Short and long term investments with no defined maturity date are classified as long-term investments.

13 Trade accounts receivable

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

	Consolidated	
	06/30/2020	**12/31/2019**
Health and dental care plans	487,674	380,166
Agreements and individuals	37,032	53,444
Other	11,298	14,624
Subtotal	536,004	448,234
Impairment loss on trade receivables	(208,664)	(151,247)
Total	327,340	296,987

Breakdown of amounts receivable by maturity age is as follows:

	Consolidated	
	06/30/2020	**12/31/2019**
Neither past due nor impaired	103,871	84,182
Overdue (days):		
Up to 30	124,757	140,582
31–60	63,936	54,719
61–90	37,882	29,562
>90	205,558	139,189
Total	536,004	448,234

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

	Consolidated	
	06/30/2020	**12/31/2019**
Balances at the beginning of the period	151,247	38,738
Acquirees	10,744	89,452
Provisions	122,635	166,968
Net write-offs (a)	(75,962)	(143,911)
Total	208,664	151,247

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

The Group has no concentration of revenue. It is worth noting that the Group's client base is not concentrated. In the period ended June 30, 2020, the major client represented 1.0% (1.2% as of December 31, 2019) of net revenue, while the 10 largest clients represented 4.7% (5.9% as of December 31, 2019) of net revenue in the same period. In the periods ended June 30, 2020 and December 31, 2019 no clients represented more than 5% in net revenue.

14 Deferred commission

	Consolidated	
	06/30/2020	**12/31/2019**
Deferred commissions with Health Care Plan – Current	152,993	145,169
Deferred commissions with health care plan - Non-current	134,819	127,505
Total operating income (expense)	287,812	272,674

Deferred selling expenses. Identification of the average time for contracts to determine the period for deferral of commissions and, consequently, their appropriation to the accounting result for the period.

	06/30/2020	**12/31/2019**
Individual contracts	15–53	15–53
Collective contracts	56–112	56–112

15 Related party transactions and balances

The main balances of assets and liabilities on June 30, 2020 and December 31, 2019, as well as the transactions that influenced the income (loss), relating to operations with related parties, are presented below:

	Parent company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Assets				
Interest on shareholders' equity receivable from subsidiaries	86,701	86,701	-	-
	86,701	86,701	-	-
Other debits with related parties				
Amounts receivable from shareholders (a)	74	-	1,421	1,421
PPAR COM Investimentos Ltda- Amounts receivable (f)	-	-	1,988	1,988
Other	8	4,638	20	4,726
Total	82	4,638	3,429	8,135
Liabilities				
Dividends payable	14,207	14,207	27,022	27,022
Interest on shareholders' equity	192,525	192,525	192,998	192,998
Subtotal	206,732	206,732	220,020	220,020
Other debits with related parties				
Amounts payable to individual shareholders(a)	2,517	2,517	2,552	2,552
Debts with investees (a)	12,371	12,312	-	-
Canadá Administradora de Bens Imóveis Ltda. - Purchase of property, plant and equipment	1,343	1,343	1,343	1,343
Other	102	142	173	145
Total	16,333	16,314	4,068	4,040
Leasing payable with related parties (g)	144	144	620,707	622,878

	06/30/2020	**06/30/2019**	**06/30/2020**	**06/30/2019**
Transactions				
Revenue from medical care services (d)	-	-	751	642
Media broadcasting expenses (c)	-	-	(703)	(658)
Reimbursement of shared use of goods (e)	-	-	(527)	(856)
Interest on leasing with Canadá Administradora de Bens Imóveis Ltda (b)	(6)	(2)	(8,203)	(7,421)
Interest on leasing with Fundação Ana Lima (b)	-	-	(196)	(277)
Interest on leasing with Quixadá Participações Ltda (b)	-	-	(18,398)	(18,455)
	(6)	(2)	(27,276)	(27,025)

The main transactions refer to:

(a) It is a credit from the company's shareholders due to capital employment for acquisition of assets in the previous years. This debt was recorded with no interest and without fixed maturity. The payments were done in accordance to the financial planning of the company's management. The balance has been decreasing over time due to debt settlement, payments and debts compensation with the same shareholders and due to the conversion of these credit on share capital.

(b) Effect of interest in leasing agreements with related parties in accordance with application of IFRS 16.

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

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

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

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

(g) Amount paid for the leasing operation between the Group's companies and related parties Canadá Administradora de Bens Imóveis Ltda., Fundação Ana Lima and Quixadá Participações Ltda.

Remuneration of key management personnel

The Group's Management is comprised by the Board of Directors and a Statutory Executive Board of the Group. Expenses with total management remuneration were R$ 13,295 in the period ended June 30, 2020 (R$ 12,735 as of June 30, 2019).

16 Investments

(i) Parent company

a. Investees' information

	Share capital	Equity	Income (loss) for the period	Number of quotas/shares	Equity interest percentage
Hapvida Assistência Médica Ltda. (a)	1,084,218	2,300,896	413,287	1,084,218	99.99%
Ultra Som Serviços Médicos S/A (a)	5,341,091	6,044,512	48,741	662,736	100%
Hospital Antônio Prudente Ltda.	53,180	88,626	10,628	53,180	100%
Hapvida Participações em Tecnologia Ltda (d)	23,400	24,579	130	23,400	99.99%
Mais Odonto Assistência Odontológica Ltda.	3,303	3,269	23	3,303	100%

b. Changes

Investee	Balance of investments 12/31/2019	Equity in net income of subsidiaries	Advance for future capital increase	Spin-off	Other equity changes	Balance of investments 06/30/2020
Hapvida Assistência Médica Ltda. (a)	1,720,633	413,287	-	162,497	4,479	2,300,896
Ultra Som Serviços Médicos S/A (a)	6,102,067	48,741	60,000	(162,497)	(3,799)	6,044,512
Hospital Antônio Prudente Ltda.	77,998	10,628	-	-	-	88,626
Hapvida Participações em Tecnologia Ltda	24,434	130	-	-	15	24,579
Mais Odonto Assistência Odontológica Ltda.	3,246	23	-	-	-	3,269
	7,928,378	**472,809**	**60,000**	**-**	**695**	**8,461,882**

Investee	Balance at 01/01/2019	Equity in net income of subsidiaries	Interest on shareholders' equity	Capital increase	Acquisition	Merger	Write-off	Balance at 12/31/2019
Hapvida Assistência Médica Ltda.	1,476,166	244,467	-	-	-	-	-	1,720,633
MaisOdonto Assistência Odontológica Ltda.	3,144	102	-	-	-	-	-	3,246
Hospital Antônio Prudente Ltda.	48,677	29,321	-	-	-	-	-	77,998
Ultra Som Serviços Médicos S/A (b)	811,011	442,697	(14,542)	4,834,092	-	28,809	-	6,102,067
OPS Administração e Participações Ltda. (c)	1,120	-	-	-	-	-	(1,120)	-
Haptech Soluções Inteligentes Ltda.)	11,417	(516)	-	-	-	-	(10,901)	-
Vida & Imagem Radiologia e Diagnóstico Ltda. (b)	21,599	6,672	-	-	538	(28,809)	-	-
Hapvida Participações em Tecnologia Ltda (e)	-	1,033	-	23,401	-	-	-	24,434
	2,373,134	723,776	(14,542)	4,857,493	538	-	(12,021)	7,928,378

(a) On May 31, 2020, the Extraordinary General Meeting approved the partial spin-off of Ultra Som Serviços Médicos S.A. with the transfer of spun-off assets to Hapvida Assistência Médica Ltda. in the amount of R$ 162,497. Due to the spin-off and immediate transfer, Hapvida Assistência Médica Ltda. becomes a quotaholder of Jardim América Saúde Ltda.

(b) In December 2019, a meeting of the partners of Ultra Som Serviços Médicos S/A approved the capital increase through the contribution of the partner Hapvida Participações S.A., as well as with the merger of shares of the investee São Francisco Participações S/A. Also, in the same month, the Partners' Meeting of Ultra Som Serviços Médicos S/A approved the merger of the subsidiary. The purpose of the merger was to achieve significant economies of scale through the decrease of expenses given the standardization and rationalization of administrative and operational activities.

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

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

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

c. Acquisition of companies

Medical Medicina
On December 3, 2019, a binding proposal was signed for the acquisition of all shares held by members of Medical Medicina Cooperativa Assistencial from Limeira. The transaction amount was initially set at approximately R$ 294 million. The conclusion of this transaction is subject to the successful negotiation of the respective contractual acquisition instruments and their respective formalizations, as well as the appreciation and approval by the National Supplementary Health Agency (ANS). The transaction was approved by the Administrative Council for Economic Defense (CADE) in March 2020.

Plamed Planos de Assistência
On December 13, 2019, a protocol of understanding was signed for the voluntary transfer of the full portfolio of beneficiaries of Plamed Plano de Assistência Médica Ltda. The transaction amount was initially set at R$ 57.5 million, considering an advance paid to sellers in February 2020 in the amount of R$ 2 million. The conclusion of this transaction is subject to appreciation and approval by the National Supplementary Health Agency (ANS) and of the Administrative Council for Economic Defense (Cade).

São José Group
On July 14, 2020, the Company entered into a binding memorandum of intention for the purchase and sale of quotas and other covenants to acquire 85.71% (which may reach 100%) of the voting capital of Grupo São José comprising: 100% of the capital of the healthcare operator Clínica São José Saúde Ltda., 100% of the capital of Clínica São José Ltda. and 56% of the capital of Pró-Infância SJC Hospital e Pronto Socorro Pediátrico Ltda. (“Grupo São José”). The transaction amount was initially set at approximately R$ 320 million, if all the voting capital of Grupo São José is acquired. The conclusion of this transaction is subject to the successful negotiation of the respective contractual acquisition instruments and their respective formalizations, as well as the appreciation and approval by the National Supplementary Health Agency (ANS) and Administrative Council for Economic Defense (CADE).

As of the date of issuance of these individual and consolidated interim financial statements, the transactions were still being analyzed by the regulatory agencies. Thus, due to the conclusion of the negotiations, there are no effects to be reported in the individual and consolidated interim financial statements for the period June 30, 2020.

17 Property, plant and equipment

		Consolidated			
	Annual depreciation rate	**Cost**	**Accumulated depreciation**	**Net 06/30/2020**	**Net 12/31/2019**
Right of use assets	7.10%	1,005,466	(113,345)	892,121	932,716
Land	-	36,931	-	36,931	33,922
Real estate	4.00%	493,218	(43,346)	449,872	394,394
Vehicles	20.00%	46,670	(24,217)	22,453	18,917
IT equipment	14.70%	81,460	(40,441)	41,019	41,250
Machinery and equipment	9.70%	454,292	(179,561)	274,731	216,176
Furniture and fixtures	10.00%	102,001	(33,849)	68,152	54,283
Facilities	4.00%	310,109	(28,165)	281,944	252,043
Construction in progress	-	73,978	-	73,978	156,618
Other	-	5,316	-	5,316	-
		2,609,441	**(462,924)**	**2,146,517**	**2,100,319**

Changes in property, plant and equipment for the periods ended June 30, 2020 and December 31, 2019 are as follows:

	Consolidated						
	12/31/2019	**Addition**	**Net write-offs**	**Depreciation**	**Transfers**	**Acquisition of companies**	**06/30/2020**
Right of use assets	932,716	-	(1,651)	(38,944)	-	-	892,121
Land	33,922	-	-	-	3,009	-	36,931
Real estate	394,394	2,614	-	(1,894)	52,783	1,975	449,872
Vehicles	18,917	5,571	-	(3,160)	793	332	22,453
IT equipment	41,250	9,402	(12)	(6,948)	(2,908)	235	41,019
Machinery and equipment	216,176	27,033	(370)	(18,456)	50,208	140	274,731
Furniture and fixtures	54,283	7,384	(85)	(4,326)	10,326	570	68,152
Facilities	252,043	3,538	(128)	(5,810)	30,066	2,235	281,944
Construction in progress (a)	156,618	63,519	-	-	(146,159)	-	73,978
Other	-	7,752	-	(4,318)	1,882	-	5,316
	2,100,319	**126,813**	**(2,246)**	**(83,856)**	**-**	**5,487**	**2,146,517**

	Consolidated							
	01/01/2019	**Addition**	**Initial adoption – IFRS 16**	**Net write-offs**	**Depreciation**	**Transfers**	**Acquisition of companies**	**12/31/2019**
Right of use assets	-	86,312	806,425	-	(56,488)	-	96,467	932,716
Land	-	(2,994)	-	-	-	-	36,916	33,922
Real estate	3,801	245,832	-	-	(4,333)	4,584	144,510	394,394
Vehicles	2,656	1,127	-	(27)	(1,855)	368	16,648	18,917
IT equipment	22,735	6,063	-	(25)	(7,313)	2,744	17,046	41,250
Machinery and equipment	130,741	48,180	-	(459)	(24,634)	17,436	44,912	216,176
Furniture and fixtures	35,253	10,733	-	(83)	(5,570)	4,131	9,819	54,283
Facilities	171,633	1,055	-	-	(8,554)	85,691	2,218	252,043
Construction in progress (a)	46,334	159,253	-	(4,719)	-	(113,579)	69,329	156,618
Other	1,375	-	-	-	-	(1,375)	-	-
Total	414,528	555,561	806,425	(5,313)	(108,747)	-	437,865	2,100,319

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

18 Intangible assets

	Annual amortization rate	Consolidated			
		Cost	**Accumulated amortization**	**Net 06/30/2020**	**Net 12/31/2019**
Customer portfolio (i)	16.84%	2,386,951	(327,325)	2,059,626	2,259,171
Software	16.64%	101,893	(31,036)	70,857	79,828
Patents and trademarks	-	414,303	-	414,303	374,878
Non-compete	11.39%	36,255	(6,743)	29,512	30,206
Goodwill due to expected future profitability	-	2,550,360	-	2,550,360	2,477,311
Other	-	63,636	(3,689)	59,947	84,462
		5,553,398	**(368,793)**	**5,184,605**	**5,305,856**

Changes in intangible asset for the period ended June 30, 2020 and December 31, 2019 are as follows:

	Consolidated						
	12/31/2019	**Addition**	**Net write-offs**	**Amortization**	**Transfers**	**Acquisition of companies**	**06/30/2020**
Customer portfolio (i)	2,259,171	32,779	(5,517)	(200,923)	(25,884)	-	2,059,626
Software	79,828	701	-	(8,479)	(1,397)	204	70,857
Patents and trademarks	374,878	8,899	-	-	30,526	-	414,303
Non-compete	30,206	-	-	(2,065)	1,371	-	29,512
Goodwill due to expected future profitability	2,477,311	31,279	-	-	41,770	-	2,550,360
Other	84,462	39,127	-	(17,256)	(46,386)	-	59,947
	5,305,856	**112,785**	**(5,517)**	**(228,723)**	**-**	**204**	**5,184,605**

	Consolidated						
	01/01/2019	**Additions**	**Amortization**	**Write-off**	**Transfer**	**Acquisitions of companies**	**12/31/2019**
Customer portfolio (i)	23,611	2,234,776	(76,121)	(23,751)	-	100,656	2,259,171
Software	16,195	6,328	(9,382)	-	39,652	27,035	79,828
Patents and trademarks	1,701	373,149	-	-	-	28	374,878
Non-compete	6,300	27,255	(3,349)	-	-	-	30,206
Goodwill due to expected future profitability	36,452	2,360,357	-	-	-	80,502	2,477,311
Advances	30,835	8,817	-	-	(39,652)	-	-
Other	-	86,707	(2,245)	-	-	-	84,462
Total	115,094	5,097,389	(91,097)	(23,751)	-	208,221	5,305,856

(i) These are client portfolios arising from the acquisition of São Francisco Group and América Group, as highlighted in note 2 – Business combination. Also in 2019, the Company acquired all the client portfolio of Free Life Operadora de Planos de Saúde Ltda., which had 25,000 beneficiaries on the acquisition date (16,000 beneficiaries as of December 31, 2019).

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

The goodwill and brand balances were tested for impairment purposes on December 31, 2019 using the discounted cash flow for each cash-generating unit ("CGU").

	06/30/2020					
	San Francisco group	**América Group**	**RN Saúde**	**Ultrasom**	**MAIDA**	**Total**
Book value - Goodwill	1,993,976	356,664	31,279	163,054	5,387	2,550,360
Book value - Brands	359,943	43,758	8,899	1,703	-	414,303

According to the recoverability analysis prepared on December 31, 2019 by an independent company, the Company concluded that the value in use of CGUs is higher than their respective book value, indicating that there is no evidence of impairment loss.

As of June 30, 2020, we assessed the impairment indications of these assets and concluded that there is no evidence of impairment.

Both the São Francisco Group and the América Group are CGUs with sound cash generation, secure capital structure and strategic positioning to absorb the possible migration of less accessible health care plan beneficiaries, thus allowing greater resilience in maintaining their expected revenue and profitability in the medium and long term. Thus, management believes that there should be no material impact on the performance of companies over the next periods.

Notwithstanding the analysis carried out to date, based on the numbers available to Management, the Hapvida Group will constantly monitor the assistance and financial impacts of the pandemic on its operations, communicating its investors whenever it identifies material adverse impacts on its financial statements and on the operation’s profitability.

19 Loans, financing and debentures

a. Breakdown - Loans, financing and debentures

			Parent company		Consolidated	
Type	**Maturity**	**Interest rate**	**06/30/2020**	**12/31/2019**	**06/30/2020**	**12/31/2019**
Working capital	07/08/2020–11/08/2021	0.9567–3.876 p.a.	-	-	53,067	63,362
Finame	01/15/2020–07/17/2023	3.00–12.91% p.a.	-	-	2,871	4,089
Debentures	July 2024–July 2026	109–110.55% DI rate	2,031,636	2,044,494	2,031,636	2,044,494
Other	01/31/2020–06/08/2021	121.19% - DI rate	-	-	-	48
Total operating income (expense)			**2,031,636**	**2,044,494**	**2,087,574**	**2,111,993**
Current			**34,878**	**48,234**	**56,964**	**75,038**
Non-current			**1,996,758**	**1,996,260**	**2,030,610**	**2,036,955**

b. Changes - Loans, financing and debentures

	Parent company	Consolidated		
	Debentures	Borrowings and financing	Debentures	Total
Balances at January 1, 2019	**-**	**-**	**-**	**-**
Acquisition of companies (a)	-	64,637	-	64,637
Issuance	2,000,000	-	2,000,000	2,000,000
Issuance costs	(5,146)	-	(5,146)	(5,146)
Recognition of issuance costs	414	-	414	414
Interest accrual	49,226	701	49,226	49,927
Payment of principal	-	(149)	-	(149)
Interest payment	-	(352)	-	(352)
Exchange-rate change (b)	-	2,662	-	2,662
Balances at December 31, 2019	**2,044,494**	**67,499**	**2,044,494**	**2,111,993**
Funding	-	2,064	-	2,064
Recognition of issuance costs	497	-	497	497
Interest accrual	38,550	1,795	38,550	40,345
Payment of principal	-	(31,553)	-	(31,553)
Interest payment	(51,905)	(761)	(51,905)	(52,666)
Exchange-rate change (b)	-	16,894	-	16,894
Balances at June 30, 2020	**2,031,636**	**55,938**	**2,031,636**	**2,087,574**

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

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

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

The working capital agreements have non-financial covenants, which, if not fulfilled, may lead to the early maturity of the respective operations. As of June 30, 2020, the Company is complying all clauses and covenants.

c. Aging - Loans, financing and debentures

As of June 30, 2020, loans, financing and debentures have the following maturity schedule:

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
2020	34,895	48,234	39,889	75,038
2021	-	-	18,414	21,793
2022	587,387	587,900	619,625	606,508
2023	587,387	586,914	587,679	587,208
2024	587,387	586,915	587,387	586,915
2025	117,290	117,268	117,290	117,268
2026	117,290	117,263	117,290	117,263
	2,031,636	**2,044,494**	**2,087,574**	**2,111,993**

d. Debentures

d.1 Issuance of Debentures

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

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

d.2 Guarantees

The debentures of the 1st and 2nd series have unsecured guarantee as suretyship provided by the guarantor Ultra Som Serviços Médicos S.A., the Company's controlled company, as joint and several debtor and main payer of all obligations assumed.

d.3 Covenants

The debentures issued by the Company have contractual clauses and restrictions related to advanced maturity, including, but not limited to, those that oblige the Company to keep a "financial index" higher or lower than 3.0 measure on a quarterly basis. Said financial index is composed by the net debt divided by net income (loss) for the period before the financial result, income tax and social contribution, depreciation and amortization, *stock option non-cash expenses*, *impairment*, non-recurring revenues or expenses, gains (losses) in the sale of assets. As of June 30, 2020, the Company is fully complying with contractual clauses and restrictions related to early maturity. On said base date, the Company's financial ratio is -1.1.

20 Leasing payable

The Company has lease agreements for Real estate rented from third parties and related parties, as well as other leasing and service agreements with terms exceeding 12 months, which are recognized as leasing, as required by IFRS 16.

	Consolidated	
	06/30/2020	**12/31/2019**
Balance at the beginning of the period	**958,811**	**-**
Acquisitions of companies	-	**100,235**
Initial adoption	-	806,425
New contracts	-	31,575
Remeasurements	(1,651)	54,698
Interest accrual	41,339	74,092
Payments	(68,149)	(108,214)
Balance at the end of the period	**930,350**	**958,811**

Below we detail future payments of leasing agreement considerations:

	Consolidated	
	06/30/2020	**12/31/2019**
2020	100,531	105,434
2021	126,003	101,631
2022	116,181	96,202
2023	107,245	91,562
2024	100,162	88,086
>2025	2,020,788	1,998,034
Total minimum payments of leasing	**2,570,910**	**2,480,949**
Less total interest	(1,640,560)	(1,522,138)
Present value of minimum payments of leasing	**930,350**	**958,811**
Current balance	36,200	36,866
Non-current balance	**894,150**	**921,945**

The weighted average rate used to calculate the discount to present value of leasing minimum payments is 9.09% p.a. as of June 30, 2020 (9.10% p.a. as of December 31, 2019). There are no significant differences between the present value of leasing minimum payments and the market value of these financial liabilities.

21 Technical reserves for health care operations

	Consolidated	
	06/30/2020	**12/31/2019**
Unearned premium reserve - UPR (a)	174,126	157,889
Outstanding SUS claims reserve (c)	521,690	399,283
Outstanding claims reserve (b)	110,768	123,075
Incurred but Not Reported claims - IBNR (d)	176,581	176,531
Other provisions	1,414	1,365
Total	984,579	858,143

(c) Unearned premiums reserve (UPR) consists of the accounting recognition of the amount charged by the Group to its clients a pro rata die basis within the monthly coverage period. The recognition as revenue only happens in the subsequent period, when the period of the coverage is actually incurred

(a) Provision for claims that have occurred but not yet been paid. The provision is made for the full amount informed by the hospitals/clinics or by the beneficiary upon submission of documents to the Entity. It is subsequently adjusted for reductions after the validation of Group's employees (medical auditors).

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

(c) Provision to cover payment of losses that occurred but had not yet been reported to the company before the end of the year, which was made based on actuarial calculations. The calculations are obtained based on quarterly run-off triangles considering historic development of claims paid in the past 12 months, to establish a future forecast per occurrence period. For certain providers, for which it is possible to measures the volume of unbilled services, this provision is not constituted on a statistical basis but rather at the real amount of accounts not yet submitted.

Changes in technical provisions

	UPR	Outstanding SUS claims reserve	Outstanding claims reserve	IBNR	Other provisions	Total
Balances at 01/01/2019	36,537	162,463	58,028	151,097	-	408,125
Provisions	5,949,861	122,927	2,077,416	12,570	10	8,162,784
Acquisitions of companies	48,653	67,516	85,425	76,265	1,355	279,214
Reversals	(5,877,162)	-	-	(63,401)	-	(5,940,563)
Restatements	-	48,421	-	-	-	48,421
Settlements	-	(2,044)	(2,097,794)	-	-	(2,099,838)
Balances at 12/31/2019	157,889	399,283	123,075	176,531	1,365	858,143
Provisions	4,232,758	92,654	1,305,964	10,593	113	5,642,082
Acquisitions of companies	1,401	4,736	7,758	7,102	-	20,997
Reversals	(4,217,922)	-	-	(17,645)	(64)	(4,235,631)
Restatements	-	39,679	-	-	-	39,679
Settlements	-	(14,662)	(1,326,029)	-	-	(1,340,691)
Balances at 06/30/2020	174,126	521,690	110,768	176,581	1,414	984,579

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

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

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

The technical provisions represent the calculation of the expected risks related to the healthcare operations of Group operators, which is subject to the mandatory maintenance of collateral assets (described below in section "ii" of this note) intended to cover such risks, established by ANS Regulatory Instruction No. 442/18, and subsequent amendments, as described below:

- **Adjusted minimum equity and solvency margin:** in order to operate in the health plan market regulated by ANS, health and dental insurance companies must maintain the adjusted equity for economic purposes as stated by ANS. Adjusted equity is calculated as the total equity of the provider less non-current intangible assets, tax credits deriving from tax losses, ownership interest in regulated entities, deferred sales expenses, and prepaid expenses. On a monthly basis, the Group determines its adjusted equity and assesses the sufficiency of the solvency margin in accordance with ANS regulation.

The calculated solvency is measured at the individual operator level. The Group has met this requirement, as shown in the following table:

	06/30/2020
Adjusted equity (PLA)	2,108,187
Solvency margin required (SM)	1,231,646
Sufficiency calculation	876,541

- **Collateral assets:** under ANS Regulatory Instruction 392/15, health and other subsequent changes, dental plan providers are required to have sufficient collateral assets to cover the entire technical provisions recognized at the reporting date less Unearned Premium Reserve - UPR and the portion of the Outstanding Claims Reserve relative to collection efforts by providers in the last 30 days.

  The Group has met this requirement, as shown in the following table:

	06/30/2020
Required collateral assets	648,793
Pledged financial investments (see Note 12)	820,274
Other restricted assets	1,975
Effective collateral assets	822,249
Sufficiency	173,456

22 Payroll obligations

	Consolidated	
	06/30/2020	**12/31/2019**
Payroll payable	59,855	11,920
Provision for vacation pay and 13th salary	148,868	147,211
Other payroll obligations	9,650	13,343
Total	218,373	172,474

23 Provision for tax, civil and labor risks

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

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

	Parent company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Provision for tax lawsuits	36,283	35,954	238,261	249,756
Provision for civil risk	3	3	95,480	87,353
Provision for labor risk	-	26	54,568	51,549
Total operating income (expense)	36,286	35,983	388,309	388,658

We detail below the changes in the provision for risks for the period ended June 30, 2020 and December 31, 2019:

Provision for tax, civil and labor risks	**Parent company**
Balances at January 1, 2019	**34,890**
Provisions	1,093
Balances at December 31, 2019	**35,983**
Provisions	2,261
Reversals	(1,010)
Write-offs	(948)
Balances at June 30, 2020	**36,268**

	Consolidated			
	Civil	**Labor**	**Tax**	**Total**
Balances at January 1, 2019	**66,338**	**25,779**	**171,324**	**263,441**
Provisions	40,686	13,807	35,261	89,754
Acquisitions of companies	23,788	21,563	50,829	96,180
Reversals	(9,421)	(4,960)	(3,111)	(17,492)
Write-offs	(33,758)	(4,920)	(4,547)	(43,225)
Transfers	(280)	280	-	-
Balances at December 31, 2019	**87,353**	**51,549**	**249,756**	**388,658**
Provisions	22,031	5,164	14,408	41,603
Acquisitions of companies	427	19	599	1,045
Reversals	(2,760)	(1,577)	(17,155)	(21,492)
Write-offs	(11,571)	(587)	(9,347)	(21,505)
Balances at June 30, 2020	**95,480**	**54,568**	**238,261**	**388,309**

Risks with probable loss forecast:

The main issues of the lawsuits and administrative proceedings, classified as probable losses by the Company are described below:

(i) Provisions for civil lawsuits and proceedings

- **Theme: Contractual Grace Period -** Lawsuits filed by beneficiaries seeking to obtain health care coverage from the health care plan without proper compliance with the grace periods. In this scenario, many court decisions are made disregarding the applicable legislation, without due obedience to the grace periods provided by law and/or contracts. The Company and its subsidiaries have provisioned the amount of **R$ 12,233 (R$ 10,887 as of December 31, 2019).**

- **Theme: Legal and/or Contractual Coverage Exclusion -** Civil proceedings filed by beneficiaries seeking to obtain coverage for services not covered by law or contract, such as: medical procedures not provided for in the ANS list, aesthetic and experimental procedures outside the mandatory list, such as aesthetic treatments, and home care service. In this scenario, many judicial decisions are made in non-compliance with the applicable legislation, without due obedience to the care limits defined by law and/or contracts. The Company and its subsidiaries have provisioned the amount of **R$ 18,459 (R$ 16,223 as of December 31, 2019).**

- **Theme: Indemnity lawsuits - Medical Acts -** Civil proceedings filed by beneficiaries seeking compensation for damages suffered by allegedly inadequate medical conduct. In such cases, the beneficiaries seek to assign joint liability to the Group for the medical act practiced by their accredited professionals. The Company and its subsidiaries have provisioned the amount of **R$ 16,772 (R$ 15,652 as of December 31, 2019).**

- **Theme: Debts with Providers in General -** Civil lawsuits filed by service providers, seeking to obtain payment of amounts supposedly owed by the Group on several grounds, such as: improper charge from hospitals, contractual rescissions, etc. The Company and its subsidiaries have provisioned the amount of **R$ 11,385 (R$ 10,502 as of December 31, 2019)**.

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

(ii) Provisions for labor lawsuits and proceedings

- **Theme: Acknowledgment of employment relationship -** Labor lawsuits filed by service providers, seeking to obtain recognition of an alleged employment relationship maintained with the Company, even without the presence of the typical assumptions of an employment relationship. In this scenario, we can give the following examples: physicians, radiology technicians, physiotherapists, phonoaudiologists etc. The Company and its subsidiaries have provisioned the amount of **R$ 24,640 (R$ 23,729 as of December 31, 2019)**.

- **Theme: Labor amounts and severance pay -** Labor lawsuits individually or jointly filed by former employees or employees, who claim the receipt of labor amounts and severance pay related to the period in which they worked for the Company and/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. The Company and its subsidiaries have provisioned the amount of **R$ 25,951 (R$ 27,268 as of December 31, 2019).**

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

(iii) Provisions for tax lawsuits and proceedings

- **Theme: ANS administrative fines/ reimbursement to SUS (regulatory aspects) -** Administrative proceedings and tax foreclosures filed by ANS, in which administrative fines are charged due to alleged noncompliance with the norms regulating the activity of health plan providers, and amounts related to reimbursement to Unified Health System (SUS), resulting from the attendance of beneficiaries of the Group in the public network and in the SUS, based on article 32 of law 9656/98. In relation to the theme presented herein, the Company and its subsidiaries have provisioned the amount of **R$ 84,495 (R$ 91,767 as of December 31, 2019)**, to support probable losses arising from lawsuits, and the amount of **R$ 74,404 (R$ 78,215 as of December 31, 2019)** to cover probable losses arising from administrative claims.

- **Theme: Tax on Services (ISS) –** This contingency derives from administrative and legal proceedings filed by Municipal Finance Departments through which tax on services allegedly owed by the Company and/or its subsidiaries is collected as a result of their operating activities. The Company and its subsidiaries have provisioned the amount of **R$ 6,276 (R$ 5,734 as of December 31, 2019)**.

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

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

We present below the composition of the amounts of risk arising from judicial and administrative proceedings, classified with a possible risk of loss, in which the Company and/or its subsidiaries are party, related to the period ended June 30, 2020 and December 31, 2019:

	Parent company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Tax (iii)	6,013	2,682	768,665	643,015
Civil (i)	83	50	402,306	288,911
Labor (ii)	-	3,283	251,042	229,437
Total operating income (expense)	6,096	6,015	1,422,013	1,161,363

(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$ 15,587 (R$ 10,547 as of December 31, 2019)**, 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$ 32,253 (R$ 28,897 as of December 31, 2019)**, 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$ 231,932 (R$ 210,804 as of December 31, 2019)**, 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$ 42,914 (R$ 38,663 as of December 31, 2019)**, related to civil, judicial and administrative proceedings, classified as possible loss risk.

(iv) Contingent liabilities for lawsuits and labor lawsuits

- **Theme: Recognition of employment relationship -** In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of **R$ 49,347 (R$ 49,747 as of December 31, 2019)**, 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$ 40,897 (R$ 35,999 as of December 31, 2019)**, related to labor lawsuits and proceedings, classified as possible loss risk.

- **Theme: Assessment Notices / NDFC / NFGC / NFRC -** The contingency currently addressed arises from Assessment Notices and Debt/Tax Notices related to the Employee Government Severance Fund (FGTS) filed against the Company and its subsidiaries claiming administrative fines and FGTS payments arising from alleged violations of the legal rules governing labor and employment relationships. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of **R$ 142,820 (R$ 143,691 as of December 31, 2019)**, related to labor lawsuits, classified as possible loss risk.

(v)Contingent liabilities for lawsuits and tax lawsuits

- **Theme: ANS Administrative Fines/Reimbursement to SUS -** In relation to the theme presented, the Group presented a contingent liability of **R$ 178,705 (R$ 154,380 as of December 31, 2019)**, related to regulatory proceedings and **R$ 34,809 (R$ 27,410 as of December 31, 2019)**, related to administrative proceedings of regulatory nature, classified as possible loss risk.

- **Theme: Tax foreclosures - Service Tax (ISS) -** In relation to the theme presented, the Group presented a contingent liability of **R$ 130,061 (R$ 125,619 as of December 31, 2019)**, related to tax lawsuits and proceedings, classified as possible loss risk.

- **Theme: Tax foreclosures - Business Succession -** The contingency herein refers to tax foreclosures originally filed against other health care companies, in which the National Treasury requested the redirection to the Group, on the grounds of alleged business succession arising from operations of disposal of the portfolio of beneficiaries. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of **R$ 144,062 (R$ 118,490 as of December 31, 2019)**, related to tax lawsuits and proceedings, classified as possible loss risk.

- **Theme: Social Security Matters -** The contingency herein mainly results from tax notices of violation filed against the Group for tax credits due to alleged irregularities or lack payment of social security contributions, among other social security matters. In relation to the theme presented, the Company and its subsidiaries presented a contingent liability of **R$ 226,229 (R$ 217,116 as of December 31, 2019)**, related to tax lawsuits and proceedings, classified as possible loss risk.

Judicial deposits

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

	Parent company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Tax judicial deposits	-	-	149,926	129,041
Civil judicial deposits	858	1,049	52,548	46,985
Labor judicial deposits	110	149	11,279	11,610
Total operating income (expense)	968	1,198	213,753	187,636

24 Equity

a. Share capital

On June 30, 2020 and December 31, 2019, the subscribed and paid-up share capital is broken down as follows:

	06/30/2020	**12/31/2019**
Number of shares	742,985,906	742,985,906
Share capital	5,825,522	5,825,522
Costs with issuance of shares	(174,996)	(174,996)
	5,650,526	**5,650,526**

a. Legal reserve

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

b. Dividends

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

Balance of dividends and interest on shareholders’ equity as of January 01, 2019	184,513
Dividends proposed on December 31, 2019 - minority shareholders	7,616
Dividends proposed on December 31, 2019 - owners of the company	23,210
Interest on shareholders’ equity proposed to minority shareholders, net of corporate income tax (i and ii)	51,738
Interest on shareholders’ equity proposed to the Owner of the Company, net of withholding corporate income tax (i and ii)	140,788
Dividends payable from investments acquired	4,887
Dividends and interest on shareholders’ equity effectively paid in the period	(192,732)
Balance of dividends and interest on shareholders’ equity as of December 31, 2019	220,020
Balance of dividends and interest on shareholders’ equity as of June 30, 2020.	220,020

(i) On June 27, 2019, the Board of Directors’ meeting resolved on the payment of Interest on shareholders’ equity in the gross amount of R$ 104,396, equivalent to R$ 0.15 per share issued by the Company, with a 15% retention, except for the shareholders that proved to be immune or exempt, as well as for the remaining legal hypotheses.

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

c. Earnings per share

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

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

	06/30/2020	06/30/2019
Net income attributable to the Company (R$ thousand)	440,675	428,304
Net income attributable to controlling shareholders (In thousands of Reais)	440,675	428,304
Weighted average number of shares (thousands of shares)	742,986	671,959
Basic and diluted earnings per share (R$ thousand)	0.59	0.64

25 Net operating revenue

	Consolidated			
	06/30/2020		06/30/2019	
	Accumulated	Quarter	Accumulated	Quarter
Insurance revenue	4,217,922	2,106,001	2,637,531	1,327,955
Revenue from other activities	147,309	70,878	10,505	4,697
Deductions (a)	(210,145)	(100,581)	(114,779)	(56,395)
Total	4,155,086	2,076,298	2,533,257	1,276,257

(a) Deductions refer substantially to taxes on revenue.

26 Cost of services provided

	Consolidated			
	06/30/2020		06/30/2019	
	Accumulated	Quarter	Accumulated	Quarter
Medical, hospital and other costs	(2,419,209)	(1,149,666)	(1,492,646)	(768,957)
Change in IBNR	7,052	17,104	14,875	17,597
Total	**(2,412,157)**	**(1,132,562)**	**(1,477,771)**	**(751,360)**

27 Sales expense

	Consolidated			
	06/30/2020		06/30/2019	
	Accumulated	Quarter	Accumulated	Quarter
Expenses on advertising and marketing	(21,235)	(12,519)	(27,019)	(16,774)
Commission expenses	(178,626)	(94,715)	(144,194)	(72,143)
Impairment loss on trade receivables (i)	(122,635)	(66,669)	(76,906)	(40,470)
Other sales expenses	(11,868)	(5,892)	-	-
Total operating income (expense)	(334,364)	(179,795)	(248,119)	(129,387)

(i) The increase in the impairment loss on trade receivables results from the consolidation of the balances of companies acquired at the end of 2019 (São Francisco Group and América Group in October and November 2019, respectively) and at the beginning of 2020 (RN Saúde).

28 Administrative expenses

	Parent company			
	06/30/2020		06/30/2019	
	Accumulated	Quarter	Accumulated	Quarter
Own personnel expenses	(10,005)	(4,447)	(14,311)	(5,536)
Expenses on outsourced services	(3,511)	(2,160)	(1,585)	(1,035)
General services, rentals and utilities	(2,008)	(820)	(1,571)	(814)
Tax expense	(187)	(74)	(368)	(11)
Provision for tax, civil and labor risks	(1,693)	(725)	(703)	50
Other expense, net.	(25)	6	(184)	(163)
Total operating income (expense)	(17,429)	(8,220)	(18,722)	(7,509)

	Consolidated			
	06/30/2020		06/30/2019	
	Accumulated	Quarter	Accumulated	Quarter
Own personnel expenses	(178,821)	(94,737)	(98,139)	(45,969)
Expenses on outsourced services	(108,877)	(48,054)	(45,898)	(25,247)
General services, rentals and utilities	(291,850)	(140,120)	(63,965)	(30,797)
Tax expense	(6,755)	(3,428)	(9,971)	1,339
Provision for tax, civil and labor risks	(41,603)	(20,307)	(45,670)	(26,592)
Other expense, net.	(15,801)	(3,678)	(4,491)	(1,589)
Total operating income (expense)	(643,707)	(310,324)	(268,134)	(128,855)

29 Financial income (loss)

	Parent Company				Consolidated			
	06/30/2020		06/30/2019		06/30/2020		06/30/2019	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Financial revenues								
Interest on investments - except Collateral Assets (a)	17,475	9,047	35,185	16,477	38,199	18,272	95,963	46,836
Financial revenue from investments - Collateral Assets	-	-	-	-	9,484	5,055	7,548	3,778
Interest on overdue receivables	-	-	-	-	17,156	8,487	12,089	6,032
Financial revenues from derivative instruments	-	-	-	-	18,645	3,547	-	-
Other	1	-	4	-	4,873	3,442	10,376	9,054
	17,476	9,047	35,189	16,477	88,357	38,803	125,976	65,700
Financial expense								
Interest in Debentures	(39,047)	(16,651)	-	-	(39,047)	(16,651)	-	-
Interest on leases operations	(206)	(111)	(109)	173	(41,339)	(20,516)	(35,593)	(18,389)
Discounts	-	-	-	-	(11,614)	(4,659)	(9,450)	(3,969)
Bank expenses	(24)	(11)	(98)	(96)	(7,717)	(4,087)	(916)	(573)
Tax on financial income	-	-	-	-	(280)	(210)	(103)	(52)
Financial expenses with derivative instruments	-	-	-	-	(1,071)	(1,071)		
Expense on exchange rate change	-	-	-	-	(16,894)	(2,874)	-	-
Interest on loans and financing	-	-	-	-	(1,795)	(313)	-	-
Inflation adjustment	(87)	(55)	(5)	(2)	(41,842)	(12,998)	(4,212)	(2,095)
Other	(4,266)	(818)	-	-	(10,735)	(2,711)	(7)	(1)
	(43,630)	(17,646)	(212)	75	(172,334)	(66,090)	(50,281)	(25,079)
Total operating income (expense)	(26,154)	(8,597)	34,977	16,552	(83,977)	(27,258)	75,695	40,621

(a) Income from short and long term investments is mainly composed of Bank Deposit Certificate (CDB) income and appreciation of investment fund quotas, according to the average return described in note 12.

30 Income tax and social contribution

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

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

	06/30/2020				06/30/2019			
	Accumulated		Quarter		Accumulated		Quarter	
Income before income tax and social contribution		**678,969**		**423,864**		**612,422**		**305,320**
Rates:								
IRPJ, plus the additional tax rate		25%		25%		25%		25%
CSLL		9%		9%		9%		9%
Expense with income tax and social contribution at the statutory rate	**-34%**	**(230,849)**	**-34%**	**(144,114)**	**-34%**	**(208,223)**	**-34%**	**(103,808)**
Permanent differences								
Tax loss for which a deferred tax asset was not formed	0%	(1,089)	0%	(1,089)	0%	-	-1%	(4,520)
Non-deductible provisions (i)	0%	(2,237)	-1%	(3,187)	0%	(1,654)	0%	254
Other additions and exclusions (ii)	0%	(875)	1%	3,395	4%	26,303	9%	26,162
Subtotal	**-1%**	**(4,201)**	**0%**	**(881)**	**4%**	**24,649**	**7%**	**21,895**
Impacts of the tax on entities taxed by deemed profit (iii)								
Reversal of the tax effect by the actual profit	0%	1,792	1%	3,566	0%	146	0%	-
Income tax and social contribution calculated at deemed profit	0%	(2,507)	-1%	(3,794)	0%	(191)	0%	2
Subtotal	**0%**	**(715)**	**0%**	**(228)**	**0%**	**(45)**	**0%**	**2**
Expense with income tax and social contribution (rate at %)	**-35%**	**(235,765)**	**-34%**	**(145,223)**	**-30%**	**(183,619)**	**-27%**	**(81,911)**
Current income tax and social contribution (iii)	-51%	(344,203)	-50%	(210,939)	-34%	(211,087)	-35%	(108,055)
Deferred income tax and social contribution	16%	108,438	16%	65,716	4%	27,468	9%	26,144
Expense with income tax and social contribution	**-35%**	**(235,765)**	**-34%**	**(145,223)**	**-30%**	**(183,619)**	**-27%**	**(81,911)**

(i) Deduction of the effects of the application of the statutory rates on the profit before income tax and social contribution from the result reported by the group’s entities that pay taxes under the presumed profit method, in accordance with current legislation.

(ii) Related to provisions of personnel expenses and contribution paid to regulatory agency, which are not deductible for tax purposes.

(iii) Deduction of the effects of the application of the statutory rates on the profit before income tax and social contribution from the result reported by the group’s entities that pay taxes under the presumed profit method, in accordance with current legislation.

b. Income tax and social contribution payable

Changes in balances of income tax and social contribution payable in the period are as follows:

	Consolidated	
	06/30/2020	**12/31/2019**
Balance at the beginning of the period	61,982	33,860
Income tax and social contribution	344,203	362,818
Balance of income tax and social contribution of acquiree	-	7,470
(-) Payments made	(218,361)	(342,166)
Balance at end of the period	**187,824**	**61,982**

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

c. Recoverable taxes

The balance refers mainly to income tax and social contribution credits as a result of withholdings on the distribution of interest on shareholders' equity and income from short and long term investments, as well as overpayments recorded as recoverable taxes that will be offset throughout the next period, without no need for impairment, considering the Group's ability to generate income for such purposes.

d. Deferred income tax and social contribution

	Parent company				
	Balance at 01/01/2019	**Recognized in income (loss)**	**Balance at 12/31/2019**	**Recognized in income (loss)**	**Balance at 06/30/2020**
Provision for tax, civil and labor risks	11,863	372	12,235	103	12,338
Credit on tax loss and negative basis	55,916	80,732	136,648	14,247	150,895
Issuance cost of debentures	-	1,609	1,609	(169)	1,440
Deferred tax on right-of-use assets	-	24	24	33	57
Other tax credits	12	16	28	(6)	22
Total	**67,791**	**82,753**	**150,544**	**14,208**	**164,752**

	Consolidated					
	Balance at 01/01/2019	**Recognized in income (loss)**	**Acquisitions of companies**	**Balance at 12/31/2019**	**Recognized in income (loss)**	**Balance at 06/30/2020**
Provision for tax, civil and labor risks	89,569	(1,202)	32,663	121,030	9,393	130,423
Impairment loss on trade receivables	13,171	2,353	10,101	25,625	13,214	38,839
Deferred commissions expenses	(46,655)	(1,631)	(11,151)	(59,437)	(4,115)	(63,552)
Credit on tax loss and negative basis	55,916	101,554	-	157,470	23,459	180,929
Amortization of surplus	-	22,218	-	22,218	70,556	92,774
Deferred tax on right-of-use assets	-	7,591	-	7,591	5,407	12,998
Issuance cost of debentures	-	1,661	-	1,661	(169)	1,492
Deductible provisions	6,849	(45,747)	45,728	6,830	(3,523)	3,307
Exchange-rate change	-	-	-	-	(5,975)	(5,975)
Other tax credits	7,155	(1,604)	950	6,501	191	6,692
Total	**126,005**	**85,193**	**78,291**	**289,489**	**108,438**	**397,927**

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

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

	2022	**2023**	**2024**	**2025**	**Total**
Credit on tax loss and negative basis	45,571	54,043	59,717	30,628	189,959

31 Financial instruments

(i) Accounting classification and fair values

The following table shows the book and fair values of financial assets and liabilities of Hapvida Group, including their fair value classifications:

	Book value			Fair value		
Financial assets	**Amortized cost**	**Fair value through profit or loss**	**Total**	**Level 1**	**Level 2**	**Total**
Short and long term investments						
NTN-B	35,048	-	35,048	30,214	-	30,214
Investment Funds	-	2,606,065	2,606,065	-	2,606,065	2,606,065
Dividends receivable	86,701	-	86,701	-	86,701	86,701
Derivative financial instruments	-	14,882	14,882	-	14,882	14,882
Total	**121,749**	**2,620,947**	**2,742,696**	**30,214**	**2,707,648**	**2,737,862**
Financial liabilities						
Borrowings and financing	(55,938)	-	(55,938)	-	(55,938)	(55,938)
Debentures	(2,031,636)	-	(2,031,636)	-	(1,927,332)	(1,927,332)
Dividends and interest on shareholders' equity payable	(220,020)	-	(220,020)	-	(220,020)	(220,020)
Leasing payable	(930,350)	-	(930,350)	-	(930,350)	(930,350)
	(3,237,944)	-	(3,237,944)	-	(3,133,640)	(3,133,640)

The amounts of cash and cash equivalents, accounts receivable and suppliers are not included in the table above since their book values are close to their fair values due to the maturity of these financial instruments in the short term.

Short and long term investments in CDB have fair value similar to the book value recorded, since they have a grace period of up to 90 days, being remunerated by interest rates indexed to the DI (Interbank Deposits) curve and issued by first-tier financial institutions.

(iv) Measurement at fair value

Assets and liabilities measured at fair value are as follows:

a) Investment funds

- Obtained from the quota values disclosed by financial institutions.

b) Debentures

- Calculated based on market rates, disclosed by Brazilian Association of Financial Market and Capital Entities - ANBIMA.

Derivative financial instruments

As of June 30, 2020, the Company has derivative financial instrument contracts (foreign exchange SWAP), used to reduce exposure to foreign currency exchange rate volatility.

Instrument	Maturity	Long position	Short position	Fair value	Notional	Amounts receivable on 06/30/2020	Amounts receivable on 12/31/2019
Foreign exchange swap	Apr 2022	€ + 0.9567% p.a	100% CDI	6,658	R$25,000	6,658	513
Foreign exchange swap	Mar 2022	USD + 3.876% p.a.	100% CDI + 1.4% p.a.	8,224	R$25,000	8,224	1,487
						14,882	2,000

32 Risk management

Market risks

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

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

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

Sensitivity analysis

As of June 30, 2020, the Company and its subsidiaries have the following sensitivity of its financial assets and liabilities based on the change in the basic interest rate of the economy (CDI), whose impacts are projected according to the scenarios below: The Company considers the CDI rate released as of June 30, 2020 as the probable scenario.

	Balance 06/30/2020	**Risk**	**Scenario -50% (1.08%)**	**Scenario -25% (1.61%)**	**Probable scenario (2.15%)**	**Scenario +25% (2.69%)**	**Scenario +50% (3.23%)**
Short and long term investments							
Balance of pledged short and long term investments	820,274	100% CDI	8,818	13,227	17,636	22,045	26,454
Balance of short and long term investments (free)	3,143,135	100% CDI	33,789	50,683	67,577	84,472	101,366
Debentures							
Debenture - 1st series	(1,792,794)	109% CDI	(21,007)	(31,511)	(42,014)	(52,518)	(63,021)
Debenture - 2nd series	(238,842)	110.55% of CDI	(2,838)	(4,258)	(5,677)	(7,096)	(8,515)
	(2,031,636)		**(23,845)**	**(35,769)**	**(47,691)**	**(59,614)**	**(71,536)**

Underwriting risk

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

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 year. The Group did not record adjustments arising from liability adequacy tests.

Note 21 presents the technical reserves, their natures and breakdown of each obligation related to SUS, due to the particularities set forth by regulation.

Operating risk

Operating risk is defined as the possibility of losses resulting from failure, weakness or inadequacy of internal processes, people and systems or external events.

The operating risk monitoring and management activity aims to mitigate the materialization of risks that may impair the quality of operations during the provision of contracted coverage and/or the provision of services. The identification of operating risks and associated controls is carried out through the mapping of organizational flows, so that, when identified, the impacts of such risks are quantified considering the expected pattern regarding their frequency and severity, using specific methodologies applicable to each risk assessed.

It is worth highlighting that mitigating actions are relevant to provide an environment with greater stability and control, insofar as it has an effective preventive purpose. Thus, the implementation of procedural protocols that guide the performance of the professionals who work in the operation makes a relevant contribution for the services to be performed within the technical and safety standards established by the areas responsible for preparing the manuals. Moreover, there are control areas working 24 hours a day that monitor the main indicators of customer service in the Company's own network units in real time. Both tools are important instruments for identifying situations outside the expected standard, allowing management to act quickly and efficiently before developments occur with impacts on the operation.

Credit risks

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

Accounts receivable

Credit risk for the Company is considered as low by Management mainly for the health care company to which the monthly billings are made before services are rendered. Most of Company's accounts receivable is related to the risk coverage period (over time). As mentioned in Note 13, 45% of accounts receivable are more than 60 days late. In addition, in order to reduce risk of having the beneficiary's treatment costs without having been paid, the Company adopts the practice of canceling overdue plans as regulated by the National Regulatory Agency for Private Health Insurance and Plans (ANS) for the health care company.

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

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

Short and long term investments

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

			Ratings of Financial Institutions					
			Fitch (1)		**Moody´s (1)**		**S&P (2)**	
	June 30, 2020	**December 31, 2019**	**CP**	**Long-term**	**CP**	**Long-term**	**CP**	**Long-term**
Banco Santander S.A.	861,654	957,599	-	-	BR-1	Aaa.br	brA-1+	brAAA
Banco do Brasil S.A.	486,358	903,917	F1+	AA	BR-1	Aa1.br	-	-
Banco Itaú Unibanco S.A.	964,408	853,520	F1+	AAA	BR-1	Aa1.br	brA-1+	brAAA
Banco Bradesco S.A.	1,103,377	260,344	F1+	AAA	BR-1	Aa1.br	brA-1+	brAAA
Caixa Econômica Federal	265,840	229,596	F1+	AA	BR-1	Aa1.br	brA-1+	brAAA
Banco Safra S.A.	214,439	134,292	-	-	BR-1	Aa1.br	brA-1+	brAAA
Other	89,605	66,713	-	-	-	-	-	-
	3,985,681	**3,405,981**						

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

(2) Ratings from several Brazilian financial institutions reviewed after action on sovereign ratings; published on May 10, 2020.

Cash and cash equivalents

The Group held "Cash and cash equivalents in the amount of R$ 206,931 as of June 30, 2020 (R$ 224,229 as of December 31, 2018). 2019). 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.

Regarding the exposure to liquidity risk, the contractual maturities of financial liabilities on the date of the financial statement are shown below:

			Contractual cash flows						
	Notes	**Book value**	**2020**	**2021**	**2022**	**2023**	**2024**	**>2025**	**Total**
Financial liabilities									
Trade payables		(115,915)	(115,915)	-	-	-	-	-	(115,915)
Related parties	15	(3,429)	(3,429)	-	-	-	-	-	(3,429)
Technical reserves (i)	21	(632,457)	(632,457)	-	-	-	-	-	(632,457)
Loans, financing and debentures	19	(2,087,576)	(95,021)	(66,736)	(667,814)	(621,332)	(607,500)	(243,465)	(2,301,868)
Lease liabilities	20	(930,351)	(100,531)	(126,003)	(116,181)	(107,245)	(100,162)	(2,020,788)	(2,570,910)
Other accounts payable		(181,007)	(85,727)	(95,280)	-	-	-	-	(181,007)
Dividends and interest on shareholders equity payable	23	(220,020)	(220,020)	-	-	-	-	-	(220,020)
		(4,170,755)	(1,253,100)	(288,019)	(783,995)	(728,577)	(707,662)	(2,264,253)	(6,025,606)

(i) Comprised of outstanding claims reserve, pursuant to note 21.

33 Insurance coverage

Up to June 2020, the Group renewed insurance to cover declared risks in the amount of R$ 2,065, with an insured amount of up to R$ 499,198, which includes guarantees for the purchase and sale of energy, construction, supply or service rendering, judicial insurance (labor, civil and tax) and rent guarantee insurance.

The Group contracted civil liability insurance to administrators and directors effective from 06/2020 to 06/2021 and maximum guarantee limit of R$ 50,000. The coverage includes pain and suffering, assets, personal guarantees, emergency costs, among other.

34 Subsequent events

Prepayment of interest on shareholders' equity and dividends
At a meeting held on July 13, 2020, the Company's Board of Directors decided to advance the payment of a portion of the amounts declared as interest on shareholders' equity and dividends for the year ended December 31, 2019, to July 24, 2020, in the amount of (a) R$ 6,124 referring to dividends, and (b) R$ 111,521 referring to interest on shareholders' equity.

*   *   *

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