

Interim Financial Information

Rede D'Or São Luiz S.A.

September 30, 2018
with Independent Auditor's Review Report

Rede D'Or São Luiz S.A.

Interim Financial Information

September 30, 2018

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A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with CPC 21 (R1) and IAS 34

Independent auditor's review report on interim financial information

The Shareholders, Board of Directors and Officers
Rede D'Or São Luiz S.A.
Rio de Janeiro – RJ, Brazil

Introduction

We have reviewed the accompanying individual and consolidated interim balance sheets of Rede D'Or São Luiz S.A. as at September 30, 2018, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation and fair presentation of the individual and consolidated condensed interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting and with IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). 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 (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards 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

Based on our review nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of interim financial information.



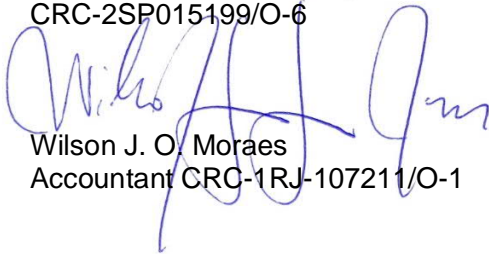
Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2018, prepared under the responsibility of Company management, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies, but is not required of privately-held entities. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not fairly prepared, in all material respects, consistently with the overall accompanying individual and consolidated interim financial information.

Rio de Janeiro, November 01, 2018.

ERNST & YOUNG
Auditores Independentes S/S
CRC-2SP015199/O-6

A handwritten signature in blue ink, appearing to read 'Wilson J. O. Moraes', is written over the printed name and title.

Wilson J. O. Moraes
Accountant CRC-1RJ-107211/O-1

Rede D'Or São Luiz S.A.

Balance sheets
September 30, 2018 and December 31, 2017
(In thousands of reais)

	Note	Company		Consolidated	
		09/30/2018	12/31/2017	09/30/2018	12/31/2017
Assets					
Current assets					
Cash and cash equivalents	4	34,887	32,559	95,113	140,383
Marketable securities	4	3,743,584	1,006,117	5,106,680	3,120,454
Trade accounts receivable	5	2,161,344	1,886,908	3,222,673	2,836,744
Inventories	6	142,412	151,838	233,232	229,235
Taxes recoverable		87,430	60,886	135,316	116,095
Derivative financial instruments	26	59,226	9,350	59,226	9,350
Related parties	7	9,240	7,066	-	-
Dividends receivable		41,195	41,195	-	-
Receivables from sale of property	9	17,500	-	17,500	-
Other		156,765	109,889	220,846	161,438
Total current assets		6,453,583	3,305,808	9,090,586	6,613,699
Noncurrent assets					
Related parties	7	331,134	535,143	23,702	23,483
Deposit for acquisition of building		-	-	92,373	89,823
Judicial deposits	15	109,136	92,807	135,502	119,472
Deferred income tax and social contribution	18	-	-	177,856	113,043
Derivative financial instruments	26	292,769	90,618	762,965	90,618
Investments in subsidiaries, associates and jointly-controlled entities	8	3,531,348	2,702,604	124,664	89,971
Property and equipment	9	2,709,142	2,709,178	4,631,260	3,955,640
Intangible assets	10	2,511,646	2,225,688	4,678,106	3,557,352
Other		50,718	30,560	109,036	59,477
Total noncurrent assets		9,535,893	8,386,598	10,735,464	8,098,879
Total assets		15,989,476	11,692,406	19,826,050	14,712,578

	Note	Company		Consolidated	
		09/30/2018	12/31/2017	09/30/2018	12/31/2017
Liabilities and equity					
Current liabilities					
Trade accounts payable		267,678	278,647	548,492	475,546
Derivative financial instruments	26	18,530	68,512	101,380	68,512
Loans, financing and debentures	12	675,403	475,361	719,596	588,037
Salaries, provisions and social charges		365,949	281,994	529,733	370,030
Tax liabilities	13	174,279	119,563	308,577	272,259
Accounts payable for acquisitions	14	2,596	18,904	28,011	26,249
Dividends and interest on equity payable	17	193,322	268,282	200,536	275,496
Deferred gain on property sales	11	3,920	3,920	3,920	3,920
Other		31,657	37,818	83,342	54,858
Total current liabilities		1,733,334	1,553,001	2,523,587	2,134,907
Noncurrent liabilities					
Derivative financial instruments	26	192,669	44,830	192,669	44,830
Loans, financing and debentures	12	8,535,255	5,028,195	10,956,657	7,136,514
Related parties	7	52,333	54,881	60	60
Tax liabilities	13	126,450	132,778	281,089	282,481
Accounts payable for acquisitions	14	76,486	72,892	341,166	112,255
Deferred income tax and social contribution	18	180,999	178,249	258,790	218,096
Provision for contingencies	15	125,467	128,189	179,561	177,979
Provision for losses on investments	8	34,333	77,803	-	-
Deferred gain on property sales	11	73,260	76,200	73,260	76,200
Other		32,634	29,546	55,136	48,112
Total noncurrent liabilities		9,429,886	5,823,563	12,338,388	8,096,527
Equity					
Capital stock	17	867,776	867,776	867,776	867,776
Capital reserves		2,333,616	2,333,532	2,333,616	2,333,532
Treasury stocks		(476,517)	(339,468)	(476,517)	(339,468)
Income reserves		1,208,388	1,449,778	1,208,388	1,449,778
Retained earnings		888,769	-	888,769	-
Advances for future capital increase		4,224	4,224	4,224	4,224
Total equity attributable to controlling shareholders		4,826,256	4,315,842	4,826,256	4,315,842
Noncontrolling shareholders		-	-	137,819	165,302
Total equity		4,826,256	4,315,842	4,964,075	4,481,144
Total liabilities and equity					
		15,989,476	11,692,406	19,826,050	14,712,578

See accompanying notes.

Rede D'Or São Luiz S.A.

Income statements

Nine-month periods ended September 30, 2018 and 2017

(In thousands of reais, unless otherwise stated)

	Note	Company		Consolidated	
		09/30/2018	09/30/2017	09/30/2018	09/30/2017
Net revenue	19	5,565,077	4,831,145	8,026,372	6,999,284
Costs of services provided	20	(3,880,260)	(3,310,619)	(5,933,955)	(5,048,445)
Gross profit		1,684,817	1,520,526	2,092,417	1,950,839
General and administrative expenses	21	(298,228)	(233,104)	(301,348)	(237,643)
Selling expenses	22	(10,984)	(31,078)	(14,865)	(34,965)
Equity pickup	8	213,174	234,471	17,651	14,154
Other operating income (expenses), net	23	(65,765)	(53,414)	(86,177)	(99,274)
Income before financial income (expenses) and income and social contribution taxes		1,523,014	1,437,401	1,707,678	1,593,111
Financial income	24	374,528	89,875	979,661	143,901
Financial expenses	24	(763,870)	(548,880)	(1,446,193)	(598,456)
Income before income taxes		1,133,672	978,396	1,241,146	1,138,556
Income taxes	18	(244,903)	(186,698)	(346,517)	(326,065)
Net income for the period		888,769	791,698	894,629	812,491
Net income attributable to controlling shareholders		888,769	791,698	888,769	791,698
Net income attributable to noncontrolling shareholders		-	-	5,860	20,793
Basic earnings per share	25	2.0072	1.7986		
Diluted earnings per share	25	2.0002	1.7861		

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of comprehensive income
Nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Net income for the period	888,769	791,698	894,629	812,491
Other comprehensive income	-	-	-	-
Total comprehensive income	888,769	791,698	894,629	812,491
Attributable to:				
Controlling shareholders	888,769	791,698	888,769	791,698
Noncontrolling shareholders	-	-	5,860	20,793

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of changes in equity
 Nine-month periods ended September 30, 2018 and 2017
 (In thousands of reais)

Description	Attributable to Parent Company shareholders											Noncontrolling shareholders	Total	
	Capital reserves				Income reserves						Additional dividends in excess of mandatory minimum dividends			Total equity
	Capital stock	Goodwill reserve (issue of shares)	Goodwill on capital transactions	Share-based payment reserve	Treasury stocks	Legal reserve	Investment reserve	Advances for future capital increase	Retained earnings (accumulated losses)					
Balances at December 31, 2016	867,776	2,335,941	(85,322)	148,523	(331,525)	8,666	607,279	4,224	-	730,717	4,286,279	180,453	4,466,732	
Acquisition of controlling interest in jointly-controlled subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,129)	(2,129)	
Acquisition of noncontrolling interest	-	-	(74,796)	-	-	-	-	-	-	-	(74,796)	(5,674)	(80,470)	
Treasury stocks	-	-	-	-	(7,943)	-	-	-	-	-	(7,943)	-	(7,943)	
Net income for the period	-	-	-	-	-	-	-	-	791,698	-	791,698	20,793	812,491	
Share-based payment reserve (Note 18)	-	-	-	24,449	-	-	-	-	-	-	24,449	-	24,449	
Dividends and interest on equity (Note 18)	-	-	-	-	-	-	(230,215)	-	-	(730,717)	(960,932)	(12,143)	(973,075)	
Reinvested dividends (Note 17)	-	-	-	-	-	-	184,960	-	-	-	184,960	-	184,960	
Balances at September 30, 2017	867,776	2,335,941	(160,118)	172,972	(339,468)	8,666	562,024	4,224	791,698	-	4,243,715	181,300	4,425,015	
Balances at December 31, 2017	867,776	2,335,941	(183,531)	181,122	(339,468)	8,666	1,441,112	4,224	-	-	4,315,842	165,302	4,481,144	
Acquisition of controlling interest in jointly-controlled subsidiary	-	-	-	-	-	-	-	-	-	-	-	(30,651)	(30,651)	
Acquisition of noncontrolling interest	-	-	(30,412)	-	-	-	-	-	-	-	(30,412)	(401)	(30,813)	
Treasury stocks	-	-	-	-	(137,049)	-	-	-	-	-	(137,049)	-	(137,049)	
Net income for the period	-	-	-	-	-	-	-	-	888,769	-	888,769	5,860	894,629	
Share-based payment reserve (Note 17)	-	-	-	30,496	-	-	-	-	-	-	30,496	-	30,496	
Dividends and interest on equity (Note 17)	-	-	-	-	-	-	(241,390)	-	-	-	(241,390)	(2,291)	(243,681)	
Balances at September 30, 2018	867,776	2,335,941	(213,943)	211,618	(476,517)	8,666	1,199,722	4,224	888,769	-	4,826,256	137,819	4,964,075	

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of cash flows Nine-month periods ended September 30, 2018 and 2017 (In thousands of reais)

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Cash flows from operating activities				
Income before income and social contribution taxes	1,133,672	978,396	1,241,146	1,138,556
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	209,227	166,423	278,952	217,940
Gain from property sales	(2,940)	(2,940)	(2,940)	(2,940)
Fair value of debt	(173,106)	11,898	(173,106)	11,898
Interest, monetary and foreign exchange differences, net	433,582	402,248	492,563	373,238
Share-based payment	30,496	24,449	30,496	24,449
Provision for contingencies	-	2,522	(2,095)	2,706
Equity pickup	(213,174)	(234,471)	(17,651)	(14,154)
Allowance for doubtful accounts and provision for disallowances	299,453	239,063	500,251	379,992
(Increase) decrease in assets and increase (decrease) in liabilities				
Trade accounts receivable	(515,519)	(620,658)	(739,479)	(983,151)
Inventories	16,718	848	11,882	1,263
Taxes recoverable	(24,965)	77,538	(18,510)	71,722
Judicial deposits	(12,976)	(16,741)	(15,479)	(1,756)
Other assets	(95,967)	18,792	50,844	11,725
Trade accounts payable	(21,960)	(12,913)	(34,151)	7,439
Payroll and social charges	74,265	69,499	109,659	70,067
Tax liabilities	(8,466)	1,657	(107,924)	(27,135)
Related parties	(147,306)	100,658	382	135
Provision for contingencies	(12,953)	(13,234)	(14,231)	(21,399)
Other liabilities	(29,872)	7,361	(293,630)	(5,366)
	938,209	1,200,395	1,296,979	1,255,229
Payment of interest	(295,236)	(425,319)	(413,373)	(461,907)
Payment of income tax and social contribution	(185,348)	(112,147)	(259,081)	(247,000)
Net cash generated by operating activities	457,625	662,929	624,525	546,322
Cash flows from investing activities				
Payment in business acquisition, net of cash acquired	(306,000)	(133,903)	(841,691)	(131,909)
Capital increase in investees	(382,663)	-	(750)	-
Acquisitions of property and equipment	(395,599)	(357,061)	(1,019,095)	(500,992)
Disposal of property and equipment	250,000	-	250,000	1,018
Acquisitions of intangible assets	(16,506)	(28,477)	(36,468)	(45,438)
Cash from merger of subsidiary	12,404	-	-	-
Acquisitions of marketable securities	(19,077,374)	(7,774,479)	(24,922,054)	(9,974,774)
Redemption of marketable securities	16,432,654	8,385,904	23,096,769	9,960,999
Dividends and interest on equity received	23,188	7,593	3,888	6,213
Net cash from (used in) investing activities	(3,459,896)	99,577	(3,469,401)	(684,883)
Cash flows from financing activities				
Treasury shares acquired	(137,049)	(7,943)	(137,049)	(7,943)
Acquisition of noncontrolling interests	(35,252)	(77,702)	(49,196)	(77,702)
Payment of dividends and interest on equity	(294,914)	(969,976)	(294,914)	(976,276)
Loans, financing and debentures raised	5,052,537	2,395,944	5,053,387	3,405,342
Repayments of loans and financing	(1,592,052)	(1,928,725)	(1,771,022)	(1,985,762)
Swap settlement	25,400	(68,353)	25,400	(68,353)
Other	(14,071)	(100,675)	(27,000)	(113,674)
Net cash from (used in) financing activities	3,004,599	(757,430)	2,799,606	175,632
Increase (decrease) in cash and cash equivalents	2,328	5,076	(45,270)	37,071
Cash and cash equivalents at beginning of period	32,559	20,306	140,383	121,016
Cash and cash equivalents at end of period	34,887	25,382	95,113	158,087

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of value added

Nine-month periods ended September 30, 2018 and 2017

(In thousands of reais, unless otherwise stated)

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Revenue	5,924,392	5,090,507	8,569,497	7,407,345
Sales of goods, products and services	6,220,905	5,326,630	9,066,808	7,784,397
Provision for disallowances and Allowance for doubtful accounts	(299,453)	(239,063)	(500,251)	(379,992)
Other revenues	2,940	2,940	2,940	2,940
Inputs acquired from third parties	(1,945,983)	(1,507,300)	(3,112,376)	(2,516,036)
Costs of services sold	(1,825,086)	(1,434,034)	(2,969,281)	(2,422,629)
Materials, energy, third-party services and other expenses	(120,897)	(70,744)	(145,190)	(90,701)
Loss/recovery of assets	-	(2,522)	2,095	(2,706)
Gross value added	3,978,409	3,583,207	5,457,121	4,891,309
Depreciation and amortization	(209,227)	(166,423)	(278,952)	(217,940)
Net value added	3,769,182	3,416,784	5,178,169	4,673,369
Value added received in transfer	587,702	324,346	997,312	158,055
Equity pickup	213,174	234,471	17,651	14,154
Financial income	374,528	89,875	979,661	143,901
Total value added	4,356,884	3,741,130	6,175,481	4,831,424
Distribution of value added	(4,356,884)	(3,741,130)	(6,175,481)	(4,831,424)
Personnel and related charges	(1,759,758)	(1,590,825)	(2,510,906)	(2,206,484)
Taxes, charges and contributions	(601,278)	(464,981)	(886,702)	(753,996)
Interest, rents and other operating expenses	(1,107,079)	(893,626)	(1,883,244)	(1,058,453)
Dividends and interest on equity	(241,390)	(230,215)	(243,681)	(230,215)
Retained profits	(647,379)	(561,483)	(650,948)	(582,276)

See accompanying notes.

Rede D'Or São Luiz S.A.

Notes to interim financial information

September 30, 2018

(In thousands of reais, unless otherwise stated)

1. Operations

Rede D'Or São Luiz S.A. ("Company" or "Parent Company" and jointly with its subsidiaries "Rede D'Or" or "Group"), headquartered at Rua Francisco Marengo, 1312, in the city and state of São Paulo, is engaged in the rendering of hospital services, offering assistance and hospitality concepts, creating medical and diagnostic excellence centers and generating medical knowledge and experience that ensure safety to customers, either doctors, patients or health care plans.

Rede D'Or operates in the States of Rio de Janeiro, São Paulo, Pernambuco, Brasília, Maranhão and Bahia, with 37 own hospitals and 2 under construction, as well as oncology and radiotherapy clinics and a laboratory. Currently, the Group has 5,940 hospital beds in total.

In 1998, the first hospital unit, Hospital Barra D'Or, was opened, and in 2000 and 2001, respectively, Hospital Copa D'Or and Hospital Quinta D'Or were opened. Since 2004, there have been strategic partnerships with other hospitals, increasing the expertise and reaching other areas in Rio de Janeiro. Since 2007, Rede D'Or has been operating, also through partnerships and acquisitions, in the State of Pernambuco, and from 2018 in the States of Maranhão and Bahia.

As from 2010, through new shareholders, fundraising in the market and own cash generation, Rede D'Or started a strong expansion process through acquisitions and construction of new units. The main business combinations since 2010 were:

Hospital	Location	Year of acquisition
Hospital Brasil	Santo André, SP	2010
Hospital Assunção	São Bernardo, SP	2010
Hospital São Luiz	São Paulo, SP	2010
Hospital Rio de Janeiro	Rio de Janeiro, RJ	2010
Hospital Prontolinda	Rio de Janeiro, RJ	2010
Vivalle Serviços de Saúde	São José dos Campos, SP	2011
Centro Hospitalar São Marcos	Recife, PE	2011
Nossa Senhora de Lourdes	São Paulo, SP	2012
Hospital da Criança	São Paulo, SP	2012
Santa Luzia	Brasília, DF	2012
Hospital do Coração	Brasília, DF	2012
Hospital Norte D'Or	Rio de Janeiro, RJ	2013
Hospital IFOR	São Bernardo, SP	2013
Hospital Villa-Lobos	São Paulo, SP	2015
Sino Brasileiro Serviços Hospitalares	São Paulo, SP	2015
Hospital Maternidade Bartira	São Paulo, SP	2015
Hospital Fluminense	Rio de Janeiro, RJ	2015
Hospital Memorial São José	Recife, PE	2016
Hospital Alpha-Med	São Paulo, SP	2016
Hospital Ribeirão Pires	São Paulo, SP	2016
Hospital São Vicente	Rio de Janeiro, RJ	2017
Hospital UDI	São Luís, MA	2018
Laboratório Richet	Rio de Janeiro, RJ	2018
Hospital São Rafael	Salvador, BA	2018

In addition, the Group has invested in oncology and radiotherapy clinics and laboratories.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

Seasonality

There are no significant seasonal effects in the Company's operations; however, a smaller volume of customers can be observed in December, January and February due to year-end celebrations and vacation period, and a larger volume of customers can be noted in the winter.

2. Basis of preparation and presentation and significant accounting practices

This unaudited interim financial information was prepared in accordance with CPC 21 (R1) / IAS 34 - Interim Financial Reporting.

The significant accounting practices adopted by the Group in this unaudited interim financial information are consistent with those adopted in the audited financial statements for the year ended December 31, 2017, issued on March 31, 2018, except for the adoption of IFRS 15 and IFRS 9, effective from January 1, 2018.

IFRS 15 / CPC 47 - Revenue from contracts with customers

IFRS 15 establishes a new five-step model for accounting of revenues from contracts with customers. Revenue is recognized at an amount that reflects the consideration that an entity expects to be entitled in exchange for assets or services to a customer. The application of the standard did not impact the measurement and presentation of revenues, since revenues from contracts with customers are already recorded less estimated rebates, discounts and disallowances, and considering that the control and all rights and rewards arising from provision of Company services flow to the customer upon rendering of the hospital services.

The Company's revenues arise from the provision of hospital services, including the use of medicines and hospital materials. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, i.e. upon rendering of medical services. Revenue is measured at fair value of the consideration received, net of sales discounts, rebates, and related taxes or charges. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent, and eventually concluded that it is acting as a principal in all of its revenue arrangements.

The Company periodically reviews its historical losses on disallowances, as well as its current position of trade accounts receivable and bills, in order to fairly estimate the amounts recoverable of receivables associated with revenues incurred.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation and significant accounting practices (Continued)

IFRS 9/CPC 48 - Financial Instruments

IFRS 9 determines new criteria for classifying financial assets into three categories: (i) measured at fair value through profit or loss; (ii) measured at fair value through other comprehensive income; and (iii) measured at amortized cost. Depending on the characteristics of each instrument, they may be classified under financial income (expense) or comprehensive income (loss). Also, there is a new impairment model for financial assets, a hybrid of expected and incurred losses, replacing the current model of losses incurred, as well as easing of requirements for adoption of hedge accounting.

The presentation and disclosure of financial instruments were changed in accordance with the new concepts introduced by IFRS 9. All of the items below have been evaluated and there will be no accounting impacts resulting from changes in classifications.

<u>Financial assets/liabilities</u>	<u>Previous classification</u>	<u>IFRS 9 classification</u>
Cash and cash equivalents	Measured at fair value	Fair value through P&L
Marketable securities	Measured at fair value	Fair value through P&L
Trade accounts receivable	Loans and receivables	Amortized cost
Receivables from sale of property	Loans and receivables	Amortized cost
Judicial deposits	Loans and receivables	Amortized cost
Trade accounts payable	Loans and financing	Amortized cost
Loans, financing and debentures	Loans and financing (a)	Amortized cost
Salaries, provisions and social charges	Loans and financing	Amortized cost
Accounts payable for acquisitions	Loans and financing	Amortized cost
Derivatives	Fair value through P&L	Fair value through P&L

(a) The debt installment recorded as hedge accounting is measured at fair value through P&L. See Note 26.

The Company and its subsidiaries classify their financial assets and liabilities at amortized cost and at fair value through profit or loss. These classifications are based on the business model adopted by management and on the characteristics of the contractual cash flows.

a) *Financial assets*

Amortized cost

The financial assets held under a business model whose purpose is to maintain financial assets to receive contractual cash flows are recognized at amortized cost. These flows are received on specific dates and comprise exclusively payment of principal and interest.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation and significant accounting practices (Continued)

IFRS 9 / CPC 48 - Financial instruments (Continued)

a) *Financial assets* (Continued)

Fair value through P&L

Assets are recognized at fair value through profit or loss when: (i) they do not fall within the business models for which the classification at amortized cost or at fair value through other comprehensive income would be possible; (ii) refer to equity instruments designated at fair value through profit or loss; and (iii) the financial assets are managed to obtain cash flow from the sale of the assets.

Initial measurement

Upon initial recognition, the entity measures its financial assets and liabilities at fair value considering the transaction costs attributable to the acquisition or issue of the financial asset or liability. For trade accounts receivable, the initial measurement is performed by the price of the transaction.

Subsequent measurement

- Amortized cost: these assets are accounted for using the effective interest rate method, less the expected credit loss amount. In addition, the amount of principal paid is considered for calculation of the amortized cost.
- Fair value through profit or loss: assets classified under this business model are accounted for through the recognition of gain and loss in P&L for the period.

Impairment

The Company recognizes a provision for expected credit loss on its assets classified at amortized cost. This evaluation is carried out prospectively and is based on historical data and models designed for this purpose.

b) *Financial liabilities*

Initial recognition

Financial liabilities are initially recognized at fair value plus transaction costs (for the case of loans and financing and accounts payable).

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation and significant accounting practices (Continued)

IFRS 9 / CPC 48 - Financial instruments (Continued)

b) *Financial liabilities*

Subsequent measurement

- Amortized cost: liabilities classified as amortized cost are accounted for using the effective interest rate method, whereby gains and losses are recognized in P&L when the liabilities are written off and the amortization is recognized.
- Fair value through profit or loss: liabilities classified at fair value through profit or loss are accounted for through the recognition of gain and loss in P&L for the period.

The adoption of these standards did not significantly impact the Company's financial statements.

P&L for the nine-month period ended September 30, 2018 does not necessarily indicate the P&L expected for the entire year ending December 31, 2018. The interim financial information and related notes do not include all the information and disclosures required for the annual financial statements. Therefore, this interim financial information shall be read jointly with the audited annual financial statements as of December 31, 2017.

The estimates and critical accounting judgments adopted by the Company in this interim financial information are consistent with those adopted in the financial statements for the year ended December 31, 2017.

Authorization to conclude the preparation of this financial information was provided by Company management on November 1, 2018.

The financial statements of Rede D'Or comprise the following entities:

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation and significant accounting practices (Continued)

	Interest held (%)			
	09/30/2018		12/31/2017	
	Direct	Indirect	Direct	Indirect
Parent Company - Rede D'Or São Luiz S.A. (a)				
Fully consolidated entities				
Rodin Empreendimentos e Participações S.A.	99.99	0.01	99.99	0.01
Hospital Esperança S.A. ("Esperança")	100.00	-	100.00	-
Hospital UDI (entity acquired in 2018)	-	100.00	-	-
UDI Cárdio - Unidade de Diagnóstico e Tratamento Cardiológico Ltda.	-	100.00	-	-
UDI Imagem - Unidade de Diagnóstico por Imagem Ltda.	-	100.00	-	-
Diagno São Marcos Ltda.	-	100.00	-	100.00
Hospital São Rafael S.A. (entity acquired in 2018)	-	75.00	-	-
Rede D'Or São Luiz Serviços Médicos S.A. ("RM")	99.99	0.01	99.99	0.01
Advance Plano de Saúde S.A.	99.99	0.01	99.99	0.01
PMJ Empreendimentos Imobiliários S.A.	100.00	-	100.00	-
Quinta Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
Onco D'Or Oncologia S.A.	98.90	-	98.90	-
Onco D'Or PE S.A.	-	67.25	-	67.25
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	-	67.18	-	67.18
Núcleo Especializado em Oncologia e Hemato (NEOH)	-	67.15	-	67.15
Clínica de Oncologia Dr. Paulo Emílio Pinto Ltda.	-	49.45	-	49.45
Oncobrasília - Inst. Bras Onco Clínica Ltda.	0.10	98.80	-	98.90
Acreditar Oncologia S.A.	-	98.90	-	98.90
Em Frente Distribuição, Manipulação e Nutrição Ltda. (entity merged in 2018)	-	-	-	59.99
Onco Star SP Oncologia Ltda. (incorporated in 2017)	75.00	-	-	75.00
Jenner S.A. (b)	50.00	41.25	50.00	37.50
Oncologia D'Or S.A.	7.39	83.35	7.39	78.36
Centro de Oncologia do RJ Ltda. ("Salus")	-	90.74	-	89.55
Onco D'Or Oncologia BA Ltda. (former Centro de Hematologia e Oncologia - CEHON)	-	98.90	-	98.57
Centro Médico Jabaquara S.A. (former Centro Diagnóstico NSL S.A.)	97.58	-	97.58	-
Maxclínicas Clínicas e Diagnósticos Ltda.	99.99	0.01	99.99	0.01
TJK Empreendimentos Imobiliários Ltda. (former Diagnolab Exames Complementares Ltda.)	99.99	0.01	99.99	0.01
Centro Hospitalar São Marcos S.A.	100.00	-	100.00	-
Esperança Serviços Médicos e de Diagnósticos S.A.	100.00	-	100.00	-
Hospital Fluminense S.A.	100.00	-	100.00	-
Cardial Serviços Médicos Ltda. (c)	89.44	-	84.00	-
ONCORAD - Serviços de Radioterapia Ltda.	0.02	89.42	0.01	83.99
Unidade de Radiologia Clínica Ltda. ("URC")	72.00	-	72.00	-
Instituto de Ultrassonografia Médica Ltda. ("IUSM")	72.00	-	72.00	-
Laboratório Análises Clínicas - Labvivalle Ltda.	50.10	-	50.10	-
Norte D'Or Participações S.A.	100.00	-	100.00	-
Hospital Norte D'Or de Cascadura S.A. ("Norte D'Or")	-	70.00	-	70.00
Proncordis Pronto Atendimento Cardiológico Ltda.	1.70	98.30	1.70	98.30
Café Verde da Quinta Ltda.	99.99	0.01	99.99	0.01
Campinas Empreendimentos Imobiliários Ltda. (former D'Or Trading Importação Ltda.)	99.99	0.01	99.99	0.01
Olimpia Projeto Rua do Rocio 86 SPE S.A. (acquisition of a plot of land. See Note 9)	100.00	-	-	-

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation and significant accounting practices (Continued)

	Interest held (%)			
	09/30/2018		12/31/2017	
	Direct	Indirect	Direct	Indirect
IFOR Empreendimentos Imobiliários S.A. (former Park D'Or)	99.99	0.01	99.99	0.01
OPUNER do Brasil Ltda.	99.99	0.01	99.99	0.01
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	87.82	10.18	87.82	10.18
Assunção Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
Villa Lobos Empreendimentos Imobiliários S.A.	99.99	0.01	99.99	0.01
Santa Luzia II Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
RDSL Empreendimentos Imobiliários S.A.	100.00	-	100.00	-
Rede D'Or São Luiz Soluções Saúde e Segurança	65.00	-	65.00	-
JTO Holding S.A.	92.00	-	92.00	-
JTO-Fundadores Participações Ltda.	18.40	73.60	18.40	73.60
D'Or Consultoria Corretagem, Seguros e Benefícios	-	92.00	-	92.00
D'Or MG Consultoria em Corretagem de Seguros e Benefícios Ltda. (entity established in 2018)	-	92.00	-	-
D'Or PME Corretagem de Seguros e Serviços Online Ltda. (entity established in 2018)	-	73.60	-	-
D'Or Rio em Corretagem de Seguros S.A. (entity established in 2018)	-	69.00	-	-
New Trix Corretora de Seguros Ltda. (entity acquired in 2018)	-	69.00	-	-
D'Or Bahia Consultoria em Corretagem de Seguros e Benefícios Ltda.	-	73.60	-	40.01
D'Or Kappius Consultoria Empresarial e Corretagem de Seguros S.A. (entity acquired in 2018)	-	46.92	-	-
Hospital Santa Helena S.A.	100.00	-	100.00	-
Hospital Memorial São José Ltda. ("MSJ") (entity merged in 2018)	-	-	100.00	-
Prontimagem Serviços Médicos Ltda.	100.00	-	100.00	-
Laboratório Richet Pesquisas de Physiopathologia Humana Ltda. (entity acquired in 2018)	-	100.00	-	-
GNI01 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI02 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI05 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI06 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI04 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI07 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI09 Empreendimentos Imobiliários Ltda. (entity established in 2018)	99.99	0.01	-	-
GNI10 Empreendimentos Imobiliários Ltda. (entity established in 2018)	99.99	0.01	-	-
GNI11 Empreendimentos Imobiliários Ltda. (entity established in 2018)	99.99	0.01	-	-
GNI12 Empreendimentos Imobiliários Ltda. (entity established in 2018)	99.99	0.01	-	-
GNI13 Empreendimentos Imobiliários Ltda. (entity established in 2018)	99.99	0.01	-	-
Maximagem com Diag. por imagem Ltda.	99.99	0.01	99.99	0.01
Noventa e Nove Participações S.A. (entity merged in 2018)	-	-	100.00	-
Hospital Ribeirão Pires Ltda. (entity merged in 2018)	-	-	-	100.00
Hospital Alpha Med Ltda.	65.99	34.01	65.99	34.01
Gestão Total da Saúde Ltda.	99.99	0.01	99.99	0.01
Sator Empreendimentos e Participações Ltda. (entity acquired in 2017)	100.00	-	100.00	-
Svgávea Empreendimentos e Participações S.A. (entity acquired in 2017)	-	100.00	-	100.00
Hospitais Integrados da Gávea S.A. - Clínica São Vicente (entity acquired in 2017)	-	100.00	-	100.00
Keiki Empreendimentos e Participações S.A.	100.00	-	100.00	-
Santa Luzia III Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
Rede D'Or Finance S.A.	100.00	-	100.00	-
Companies accounted for under the equity method in the consolidated statements				
Fujidayclinic Ltda.	-	49.45	-	49.45
Acreditar Tocantins Oncologia S.A.	-	49.45	-	49.45
Centro Oncológico do Vale Ltda.	-	49.45	-	49.95
Instituto de Radioterapia do Vale do Paraíba Ltda. ("Onco São José dos Campos")	-	49.45	-	49.95
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	-	50.00	-
J Badim S.A. ("Hospital Badim")	-	50.00	-	50.00
EAH Administração Hospitalar Ltda.	-	50.00	-	50.00
Memorial Imagem e Diag Ltda. ("MediAx")	15.00	-	15.00	-
GSSH Part. S.A. (d)	34.46	-	23.88	-
G2D Serviços Tecnológicos S.A. ("Boa Consulta")	15.00	-	15.00	-
Eldorado do Sul Participações Ltda. (b)	-	33.33	-	-

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation and significant accounting practices (Continued)

- (a) These include the following hospitals: São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or. Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Santa Luzia, Hospital do Coração, Sinisgalli, Nossa Senhora de Lourdes, Hospital da Criança, Sino Brasileiro, Villa Lobos, Hospital e Maternidade Bartira, Ifor, Copa Star, Hospital São Caetano, Hospital Memorial São José Ltda. ("MSJ") and Hospital Ribeirão Pires Ltda.
- (b) On June 30, 2018, Onco D'Or Oncologia acquired 33% in Eldorado do Sul Participações Ltda. Through this acquisition there was also an increase of 4.17% of the Company's interest in Jenner S.A. since Eldorado do Sul Participações Ltda. holds interest of 12.5% in Jenner S.A.
- (c) On February 28, 2018, Rede D'Or acquired additional interest of 5.44% in Cardial Serviços Médicos Ltda.
- (d) On April 30, 2018, Rede D'Or acquired additional interest of 10.58% in GGSB Part. S.A.

3. Business combination

Business combinations disclosed in the financial statements as at December 31, 2017, were not subject to significant subsequent adjustments. The fair value of assets acquired and liabilities assumed as well as goodwill determined on acquisitions occurred in 2017 and in the period ended September 30, 2018 are as follows:

	2018		2017	
	Hospital São Rafael (a)	Laboratório Richet (a)	Hospital UDI (a)	Sator
Acquisition date	08/01/2018	07/05/2018	02/07/2018	04/19/2017
Location	BA	RJ	MA	RJ
Interest acquired (%)	75.00	100.00	100.00	100.00
Total consideration	436,459	191,964	441,480	125,244
Payment on acquisition date	246,459	177,464	406,480	110,244
Accounts payable (Note 14)	190,000	14,500	35,000	15,000
Assets				
Cash and cash equivalents	6,992	1,227	4,217	2,361
Trade accounts receivable	99,341	14,193	40,389	24,003
Inventories	12,048	1,340	2,491	3,589
Taxes recoverable	-	338	373	12,119
Related parties	170,906	-	4,120	18,087
Judicial deposits	-	-	551	16,546
Deferred income tax and social contribution	-	1,363	5,943	22,001
Indemnifiable assets	-	1,427	13,919	8,777
Property and equipment	33,465	32,341	114,004	75,619
Intangible assets	10,489	392	1,070	-
Other	5,473	165	3,164	3,351
	338,714	52,786	190,241	186,453
Liabilities				
Trade accounts payable	(82,781)	(13,709)	(10,606)	(10,257)
Loans and financing	(109,265)	(21,424)	(13,726)	(12,283)
Salaries, provisions and social charges	(39,540)	(3,166)	(7,243)	(27,887)
Tax liabilities	(2,046)	(5,805)	(37,747)	(125,608)
Related parties	(170,305)	-	(4,120)	(18,089)
Provision for contingencies	-	(3,989)	(13,919)	(8,777)
Other	(13,752)	(222)	(5,531)	(21,397)
	(417,689)	(48,315)	(92,892)	(224,298)
Total identifiable assets, net	(78,975)	4,471	97,349	(37,845)
Total net identifiable assets, noncontrolling interest	(19,744)	-	-	-
Total consideration	436,459	191,964	441,480	125,244
Goodwill on acquisition (Note 10)	495,690	187,493	344,131	163,089

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

3. Business combinations (Continued)

Other information

	2018		2017	
	Hospital São Rafael (a)	Laboratório Richet (a)	Hospital UDI (a)	Sator
Contribution from acquiree for the Group of income before taxes since the acquisition date	(14,471)	1,840	42,362	8,368
Revenues from the acquiree since the beginning of period	96,684	77,134	267,520	153,353
Income before taxes from acquiree since the beginning of period	(14,471)	11,147	67,276	2,991

(a) The Group is assessing the assets acquired and liabilities assumed at their fair values and, thus, the effects above demonstrated are preliminary.

In addition to the abovementioned business combinations, there were the acquisitions of New Trix Corretora de Seguros Ltda. and Kappius Consultoria Empresarial e Corretagem de Seguros Ltda., whose goodwill generated amounted to R\$ 23,977 and R\$ 1,125, respectively.

The retained amounts (R\$ 115,000, R\$ 14,500, R\$ 35,000 and R\$ 15,000 related to São Rafael Hospital, Richet Laboratory, Hospital UDI and Sator, respectively) are guarantees for potential liabilities assumed by the sellers and will be paid within six years after the agreement execution dates, restated by reference to the Interbank Deposit Certificate (CDI) and SELIC rates.

As part of the São Rafael Hospital purchase and sale agreement, a contingent consideration was agreed conditioned upon the achievement of certain financial goals in the following twelve months. The amount, calculated in R\$ 75 million, was included in Accounts payable for acquisitions (Note 14).

4. Cash and cash equivalents and marketable securities

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Cash and cash equivalents				
Cash and banks	29,682	30,235	56,600	48,511
Short-term investments	5,205	2,324	38,513	91,872
Cash and cash equivalents	34,887	32,559	95,113	140,383
Marketable securities				
Non-boutique investment funds	2,385,881	419,191	3,061,666	1,476,716
Repurchase agreements	556,250	457,187	1,015,874	1,202,868
Bank Deposit Certificates (CDBs)	801,453	129,739	1,029,140	440,870
Marketable securities	3,743,584	1,006,117	5,106,680	3,120,454

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents and marketable securities (Continued)

Short-term investments classified as cash equivalents mature within three months from the investment date, and the amounts classified as marketable securities refer to notes maturing after three months.

Short-term investments classified as marketable securities particularly refer to Bank Deposit Certificates (CDBs) and repurchase agreements backed by debentures, which are part of the "FI Plataforma" and "FIC Plataforma Star" investment fund portfolio, issued by first-tier financial institutions, and with average yield of 100,1% (102,0% at December 31, 2017) of the Interbank Deposit Certificate (CDI).

5. Trade accounts receivable

Accounts receivable comprise receivables from health companies and individuals, as follows:

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Accounts receivable from health insurance and health plans	2,583,374	2,267,263	4,071,464	3,501,612
Accounts receivable from individuals	63,021	36,985	79,964	41,112
Provision for disallowances and Allowance for doubtful accounts	(485,051)	(417,340)	(928,755)	(705,980)
	2,161,344	1,886,908	3,222,673	2,836,744

Changes in provision for disallowances and allowance for doubtful accounts

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Balance at beginning of year	(417,340)	(617,418)	(705,980)	(972,464)
Recognition of provision for disallowances	(299,453)	(217,202)	(500,251)	(357,182)
Write-off of uncollectible amounts	231,742	115,392	351,243	190,295
Set up of allowance for doubtful accounts	-	(21,861)	-	(22,810)
Provision arising from acquisitions	-	-	(73,767)	(17,158)
Balance at end of year	(485,051)	(741,089)	(928,755)	(1,179,319)

At September 30, 2018 and December 31, 2017, the aging list of trade accounts receivable is as follows:

	Company								
	Total	Falling due	Overdue						360 - 720 days
			1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 180 days	181 - 360 days	
09/30/2018	2,646,395	1,723,294	68,274	50,548	52,761	40,495	78,234	229,625	403,164
12/31/2017	2,304,248	1,463,931	69,177	52,109	49,618	45,560	89,509	222,514	311,830

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable (Continued)

	Consolidated								
	Total	Falling due	Overdue						360 - 720 days
			1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 180 days	181 - 360 days	
09/30/2018	4,151,428	2,606,531	112,855	80,994	92,315	63,325	125,443	379,310	690,655
12/31/2017	3,542,724	2,171,336	115,694	83,487	79,410	70,963	141,715	343,135	536,984

6. Inventories

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Medicines	38,782	46,944	80,709	85,633
Special materials	41,250	38,918	57,902	49,410
Disposable materials	36,426	38,606	43,253	48,359
Bracing and prosthetic	1,395	1,496	5,595	1,794
Materials for use and consumption	9,114	8,971	18,592	14,348
Food items	2,475	2,627	2,994	3,079
Dressing room materials	872	1,370	1,764	2,366
Surgical sutures	3,220	3,108	3,944	3,888
Other	8,878	9,798	18,479	20,358
	142,412	151,838	233,232	229,235

7. Transactions with related parties

Significant related-party transactions

The nature of significant related-party transactions is summarized as follows:

- (i) *Lease - the Group leases properties owned by the controlling shareholders: hospitals Copa D'Or and Quinta D'Or and the property of the administrative unit.* They are leased at market value. The impact in P&L for the nine-month period ended September 30, 2018 amounted to R\$ 14,678 (R\$12,594 at September 30, 2017). Leases are annually restated by reference to the Extended Consumer Price Index (IPCA).
- (ii) *Transfers of funds between companies* - in order to support the operations of certain investees and provide funds for expansion and/or acquisitions, the Parent Company transfers funds to its investees. The balances are substantially eliminated in the consolidated interim financial information. These balances are not restated, do not have a maturity, and the collection is expected for the subsequent fiscal year. The remaining consolidated balances refer to the transfer of funds to affiliates and joint ventures.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

7. Transactions with related parties (Continued)

Significant related-party transactions (Continued)

- (iii) *Shared services* - these are centralized services rendered by the Parent Company, such as legal services, marketing, accounting, treasury, accounts payable and accounts receivable. These services are shared among the other entities of the group and have specific allocation criteria based on the contribution of each entity to the consolidated revenue. These balances are substantially eliminated for consolidation purposes.
- (iv) *Debentures* - certain subsidiaries issued nonconvertible debentures, which were acquired by the Parent Company. These issuances were intended to provide funds to the investees for investment in operations and expansion. These balances are substantially eliminated for consolidation purposes.

In addition to the balances presented in the tables below for the nine-month period ended September 30, 2018, the Parent Company and the subsidiary Rede D'Or Finance made a transaction of issuance and purchase of debentures, as disclosed in Note 12.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

7. Transactions with related parties (Continued)

Related-party balances

Company	Company							
	09/30/2018				12/31/2017			09/30/2017
	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	Current assets	Noncurrent assets	Noncurrent liabilities	P&L
Debentures Norte D'Or (a)	9,240	2,273	-	791	7,066	11,364	-	2,523
Shared services								
Medise Medicina Diagnóstico e Serviços Ltda.	-	21,315	-	7,124	-	13,343	-	6,976
Hospital Esperança S.A.	-	25,757	-	23,147	-	7,449	-	22,428
Hospital São Marcos S.A.	-	5,609	-	3,944	-	1,668	-	5,564
Hospital Norte D'Or de Cascadura S.A.	-	-	-	5,084	-	-	-	5,110
Rede D'Or São Luiz Serviços Médicos S.A.	-	-	-	11,396	-	142,060	-	10,246
J. Badim S.A.	-	3,793	-	600	-	3,214	-	1,589
Oncologia D'Or S.A.	-	680	-	1,224	-	9,627	-	136
Hospital Fluminense S.A.	-	-	-	3,596	-	1,472	-	2,047
Hospital Ribeirão Pires LTDA	-	-	-	-	-	5,426	-	4,220
Clínica São Vicente	-	-	-	5,295	-	3,619	-	-
Hospital Memorial São José LTDA	-	-	-	-	-	5,808	-	4,380
Hospital Santa Helena S.A.	-	-	-	12,636	-	13,066	-	9,770
Hospital Alpha-Med LTDA	-	4,010	-	1,812	-	1,976	-	1,461
Esperança Serviços Médicos e Diagnósticos S.A.	-	51	-	-	-	51	-	99
Centro Médico Jabaquara S.A.	-	368	-	-	-	368	-	-
Centro Diagnóstico NSL	-	-	-	-	-	-	-	201
Diagno SM	-	3	-	3	-	-	-	-
URC	-	69	-	69	-	-	-	-
Maximagem	-	143	-	143	-	-	-	-
São Luiz Serviços Médicos S.A. (b)	-	-	871	-	-	-	2,368	-
Centro Diagnóstico NSL (b)	-	255	-	-	-	2,578	-	-
Hospital Norte D'Or de Cascadura S.A.	-	-	900	-	-	10,093	-	-
Hospital Ribeirão Pires LTDA (b)	-	-	-	-	-	4,457	-	-
Hospital Alpha Med.	-	-	2,722	-	-	-	-	-
Unidade de Radiologia Clínica Ltda. (b)	-	11,439	-	-	-	11,993	-	-
Medise Medicina Diagnóstico e Serviços Ltda. (b)	-	-	7,292	-	-	-	9,234	-
PMJ Assessoria e Consultoria Financeira S.A. (b)	-	-	-	-	-	60,894	-	-
Jenner S.A (b)	-	16,688	-	-	-	16,688	-	-
Oncologia D'Or S.A. (b)	-	3,081	-	-	-	6,481	-	-
Hospital Fluminense S.A. (b)	-	-	915	-	-	2,086	-	-
Hospital Esperança S.A. (b)	-	-	27,806	-	-	-	36,055	-
JMJB Diagnósticos e Serviços Hospitalares S.A. (b)	-	7,516	-	-	-	7,499	-	-
Proncordis PA Cardiológico Ltda. (b)	-	150	-	-	-	10,578	-	-
Onco D'Or Oncologia S.A. (b)	-	81,086	-	-	-	99,009	-	-
D'Or Trading Importação Ltda.	-	172	-	-	-	-	-	-
Hospital Santa Helena S.A. (b)	-	-	2,302	-	-	12,103	-	-
Santa Luzia II Emp. Imobiliários Ltda. (b)	-	-	-	-	-	24,550	-	-
Opuner do Brasil Ltda. (b)	-	-	5,808	-	-	-	5,808	-
Instituto D'Or de Pesquisa e Ensino (b)	-	7,454	-	-	-	7,454	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	-	-	-	14,678	-	-	-	12,594
Onco Star	-	109,837	-	-	-	-	-	-
Other	-	29,385	3,717	-	-	38,169	1,416	2,765
	9,240	331,134	52,333	91,542	7,066	535,143	54,881	92,109

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

7. Transactions with related parties (Continued)

Related-party balances (Continued)

Company	Consolidated							
	09/30/2018				12/31/2017			
	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	Current assets	Noncurrent assets	Noncurrent liabilities	P&L
Shared services								
J Badim S.A.	-	3,793	-	600	-	3,214	-	1,589
JMJB Diagnósticos e Serviços Hospitalares S.A.	-	7,516	-	-	-	7,499	-	-
Instituto D'Or de Pesquisa e Ensino	-	7,454	-	-	-	7,454	-	-
J Badim S.A. (b)	-	1,110	-	-	-	1,489	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	-	-	-	14,678	-	-	-	12,594
Other	-	3,829	60	-	-	3,827	60	-
	-	23,702	60	15,278	-	23,483	60	14,183

- (a) On February 09, 2012, Hospital Norte D'Or privately issued nonconvertible, single-series, registered debentures amounting to R\$35,000, maturing on February 10, 2017, with Rede D'Or as the debenture holder. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 3,5% p.a. Interest is paid on a quarterly basis. There are no guarantees for the debentures. Upon a 10-day notice, Norte D'Or is entitled to repay the debentures in advance, as provided for by agreement. On May 8, 2014, the indenture was amended to split the first payment into 10 successive monthly installments beginning August 2014, subject to interest as defined in the original indenture. On November 10, 2015, nonconvertible, single-series, registered debentures amounting to R\$25,000 were issued, with quarterly payments beginning in May 2017 and maturing on November 10, 2019. The debenture holder is Rede D'Or and the other conditions are similar to that of the first issue.
- (b) Transfers of funds for acquisitions of companies, properties, for expansion of operations, among others. These balances are substantially eliminated in the consolidated financial statements. There are no maturity or monetary correction on these balances.
- (c) Lease of properties owned by the controlling shareholders of Rede D'Or.

Key management personnel's compensation

The Group considers "Key management personnel" only the members of its Statutory Board and Board of Directors. At September 30, 2018 and 2017, key management personnel compensation was as follows:

	09/30/2018	09/30/2017
Salaries and bonuses	35,670	30,913
Benefits	133	121
Share-based compensation	30,496	24,449
	66,299	55,483

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

8. Investments

Breakdown of and changes in investments - Parent Company

Company	Balances at 12/31/2017	Equity pickup	Dividends	Acquisition of interest	Capital increase/advance for future capital increase	Transfer	Other	Merger	Balances at 09/30/2018
Medise Medicina Diagnóstico e Serviços S.A.	173,056	32,233	-	-	-	-	-	-	205,289
Hospital Esperança S.A.	71,346	61,417	-	-	-	-	-	-	132,763
Hospital São Marcos (including goodwill)	65,705	13,401	-	-	-	-	-	-	79,106
PMJ Empreendimentos Imobiliários S.A.	180,403	1,398	-	-	152,178	-	-	-	333,979
Norte D'Or Participações S.A. (including goodwill)	71,695	8,369	-	-	67	-	-	-	80,131
Onco D'Or Oncologia S.A.	275,950	42,150	-	-	-	-	(8,954)	-	309,146
Jenner S.A. (including goodwill)	101,233	8,490	-	-	-	-	-	-	109,723
JMJB Diagnósticos e Serviços Hospitalares	23,291	4,220	-	-	-	-	-	-	27,511
Rodin Empreendimentos e Participações S.A.	54,285	(56)	-	-	-	-	-	-	54,229
Quinta Empreendimentos Imobiliários Ltda.	55,137	5,595	-	-	-	-	-	-	60,732
Hospital Fluminense S.A. (including goodwill)	58,588	12,562	-	-	7,599	-	-	-	78,749
Cardial Serviços Médicos (including goodwill)	62,308	2,466	(9,987)	962	5,296	-	-	-	61,045
Hospital Santa Helena S.A. (including goodwill)	332,878	17,741	-	-	46,745	-	-	-	397,364
TJK Empreendimentos Imobiliários Ltda.	21,926	232	-	-	-	-	-	-	22,158
Memorial São José Ltda. (including goodwill) (a)	173,401	-	-	-	-	-	-	(173,401)	-
Hospital Ribeirão Pires Ltda. (including goodwill) (a)	173,807	1,098	-	-	-	-	-	(174,905)	-
Villa Lobos Empreendimentos Imobiliários Ltda.	209,818	3,810	(12,000)	-	-	-	-	-	201,628
Santa Luzia II Empreendimentos Imobiliários Ltda.	33,538	(1,756)	-	-	79,854	-	-	-	111,636
Campinas Empreendimentos Imobiliários Ltda.	45,882	(29)	-	-	457	-	-	-	46,310
Sator Empreendimentos e Participações Ltda.	168,819	12,419	-	-	35,729	-	-	-	216,967
Rede D'or Finance	-	(9,018)	-	-	14,387	-	-	-	5,369
Rede D'Or São Luiz Serviços Médicos S.A.	-	(20,073)	-	-	151,418	(59,630)	-	-	71,715
GGSH Participações S.A.	18,925	5,790	-	12,833	-	-	7,347	-	44,895
Olimpia Projeto Rua do Rocio 86 SPE S.A.	-	-	-	306,000	-	-	-	-	306,000
Proncordis Pronto Atendimento Cardiológico Ltda.	-	(18)	-	-	11,098	(31)	-	-	11,049
Prontimagem Serviços Médicos Ltda.	5,337	4,452	-	-	196,131	-	-	-	205,920
Maximagem com Diag. por imagem Ltda.	62,427	9,127	-	-	-	-	-	-	71,554
Other	262,849	15,843	(1,201)	-	8,366	-	523	-	286,380
	2,702,604	231,863	(23,188)	319,795	709,325	(59,661)	(1,084)	(348,306)	3,531,348
Rede D'Or São Luiz Serviços Médicos S.A.	(59,630)	-	-	-	-	59,630	-	-	-
Onco Star	-	(15,856)	-	-	-	-	-	-	(15,856)
Centro Hospitalar São Marcos S.A.	(16,121)	484	-	-	-	-	-	-	(15,637)
Proncordis Pronto Atendimento Cardiológico Ltda.	(31)	-	-	-	-	31	-	-	-
Café Verde	(2,021)	(3,317)	-	-	2,776	-	(278)	-	(2,840)
	(77,803)	(18,689)	-	-	2,776	59,661	(278)	-	(34,333)
Equity pickup		213,174							

(a) Subsidiary merged into the Parent Company in 2018.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

8. Investments (Continued)

Breakdown of and changes in investments - Parent Company (Continued)

Company	Balances at 12/31/2016	Equity pickup	Dividends	Acquisition of interest	Capital increase/advance for future capital increase	Transfer	Write-off	Other	Merger	Balances at 09/30/2017
Medise Medicina Diagnóstico e Serviços S.A.	149,837	18,322	-	-	-	-	-	30	-	168,189
Hospital Esperança S.A.	255,888	70,968	-	-	(33,000)	-	-	-	-	293,856
Hospital São Marcos (including goodwill)	48,723	13,042	-	-	-	-	-	-	-	61,765
PMJ Empreendimentos Imobiliários S.A.	73,355	645	-	-	104,222	-	-	(3)	-	178,219
Norte D'Or Participações S.A. (including goodwill)	64,889	6,630	(3,878)	-	-	-	-	-	-	67,641
Onco D'Or Oncologia S.A.	117,682	21,325	-	-	-	-	-	(2,876)	-	136,131
Jenner S.A. (including goodwill)	94,738	12,185	-	-	-	-	-	-	-	106,923
JMJB Diagnósticos e Serviços Hospitalares	18,179	4,778	-	-	-	-	-	-	-	22,957
Rodin Empreendimentos e Participações S.A.	52,222	64	-	-	2,020	-	-	-	-	54,306
Quinta Empreendimentos Imobiliários Ltda.	31,808	5,292	-	-	16,265	-	-	-	-	53,365
Hospital Fluminense S.A. (including goodwill)	21,390	8,933	-	-	26,976	-	-	-	-	57,299
Acreditar Oncologia S.A. (including goodwill)	130,105	10,904	(15,921)	-	-	-	-	-	-	125,088
Cardial Serviços Médicos (including goodwill)	55,947	6,992	(3,242)	-	-	-	-	561	-	60,258
Hospital Santa Helena S.A. (including goodwill)	207,264	25,350	-	-	100,275	-	-	(4,893)	-	327,996
TJK Empreendimentos Hospitalares	21,464	388	-	-	-	-	-	10	-	21,862
Memorial São José Ltda. (including goodwill)	143,960	12,471	-	-	11,961	-	-	-	-	168,392
Ribeirão Pires (including goodwill)	168,003	7,077	-	-	-	-	-	115	-	175,195
Cedib (including goodwill) (a)	5,324	-	-	-	-	-	-	-	(5,324)	-
Villa Lobos Empreendimentos Imobiliários Ltda.	11,713	3,351	-	-	193,580	-	-	-	-	208,644
Santa Luzia II Empreendimentos Imobiliários Ltda.	27,036	6,564	-	-	-	-	-	-	-	33,600
Campinas Empreendimentos Imobiliários Ltda.	353	(585)	-	-	45,531	-	-	-	-	45,299
Sator Empreendimentos e Participações Ltda. (b)	-	706	-	125,244	13,519	-	-	-	-	139,469
Other	192,569	21,772	(473)	29,358	53,883	14	(2,343)	6,253	-	301,033
	<u>1,892,449</u>	<u>257,174</u>	<u>(23,514)</u>	<u>154,602</u>	<u>535,232</u>	<u>14</u>	<u>(2,343)</u>	<u>(803)</u>	<u>(5,324)</u>	<u>2,807,487</u>
Rede D'or São Luiz Serviços Médicos S.A.	(31,566)	(16,134)	-	-	-	-	-	-	-	(47,700)
Centro Hospitalar São Marcos S.A.	(25,178)	(4,561)	-	-	13,652	-	-	-	-	(16,087)
Proncordis Pronto Atendimento Cardiológico Ltda.	(14)	(15)	-	-	-	-	-	-	-	(29)
IFOR Empreendimentos imobiliários S.A	(15)	-	-	-	29	(14)	-	-	-	-
Café Verde	(2,100)	(1,993)	-	-	2,954	-	-	-	-	(1,139)
	<u>(58,873)</u>	<u>(22,703)</u>	<u>-</u>	<u>-</u>	<u>16,635</u>	<u>(14)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,955)</u>
Equity pickup		<u>234,471</u>								

(a) Subsidiary merged into the Parent Company in 2017.

(b) Entity acquired on April 19, 2017.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

8. Investments (Continued)

Breakdown of and changes in investments - Consolidated

<u>Company</u>	<u>Balances at 12/31/2017</u>	<u>Equity pickup</u>	<u>Acquisition of interest</u>	<u>Dividends</u>	<u>Advance for future capital increase</u>	<u>Other</u>	<u>Balances at 09/30/2018</u>
JMJB Diagnósticos e Serviços Hospitalares S.A.	23,291	4,220	-	-	-	-	27,511
Instituto de Radioterapia do Vale do Paraíba Ltda.	34,206	5,623	-	(2,577)	750	-	38,002
GGSH Participações S.A.	18,925	5,790	12,833	-	-	7,347	44,895
Other	13,549	2,018	-	(1,311)	-	-	12,256
	<u>89,971</u>	<u>17,651</u>	<u>12,833</u>	<u>(3,888)</u>	<u>750</u>	<u>7,347</u>	<u>124,664</u>

<u>Company</u>	<u>Balances at 12/31/2016</u>	<u>Equity pickup</u>	<u>Dividends</u>	<u>Balances at 09/30/2017</u>
JMJB Diagnósticos e Serviços Hospitalares S.A.	18,179	4,778	-	22,957
Onco São José dos Campos	35,721	4,433	(5,111)	35,043
GGSH Participações S.A.	16,030	3,020	-	19,050
Other	8,234	1,923	(1,102)	9,055
	<u>78,164</u>	<u>14,154</u>	<u>(6,213)</u>	<u>86,105</u>

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

8. Investments (Continued)

Summary of information of significant subsidiaries

	09/30/2018					09/30/2017		
	% Total	% Voting capital	Assets	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
Direct and indirect subsidiaries								
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	98.00	98.00	348,010	132,007	216,003	54,339	35,969	18,322
Rodin Empreendimentos e Participações S.A.	100.00	100.00	54,228	-	54,228	(48)	(56)	64
Hospital Esperança S.A. ("Esperança")	100.00	100.00	2,838,343	2,705,427	132,916	164,270	61,417	(3,959)
Mais-Multi Assistência Incorporada a Saúde Ltda. ("Hospital São Marcos")	100.00	100.00	105,210	36,911	68,299	15,418	13,401	13,042
PMJ Empreendimentos Imobiliários S.A.	100.00	100.00	392,450	58,043	334,407	1,226	1,398	645
Quinta Empreendimentos Imobiliários Ltda.	100.00	100.00	62,695	1,963	60,732	10,168	5,595	5,292
Hospital Fluminense S.A.	100.00	100.00	82,024	16,055	65,969	18,869	12,562	8,933
Cardial Serviços Médicos Ltda.	89.44	89.44	30,004	5,345	24,659	5,212	2,466	8,323
Norte D'Or Participações S.A.	100.00	100.00	54,589	2,909	51,680	(24)	8,369	6,630
Hospital Norte D'Or de Cascadura S.A. ("Norte D'Or")	70.00	70.00	114,612	41,443	73,169	23,635	9,472	10,787
Hospital Santa Helena S.A.	100.00	100.00	359,022	82,567	276,455	34,993	17,741	25,350
Onco Dor Oncologia S.A.	98.90	98.90	258,800	94,678	164,122	32,627	18,395	-
Jenner S.A.	91.25	91.25	149,716	16,688	133,028	(14)	15,564	-
Acreditar Oncologia S.A.	98.90	98.90	94,002	40,870	53,132	24,171	16,108	18,174
TJK Empreendimentos Imobiliários Ltda	100.00	100.00	23,011	853	22,158	1,132	232	-
Villa Lobos Empreendimentos Imobiliários S.A.	100.00	100.00	203,551	1,923	201,628	15,024	3,810	-
Santa Luzia II Emp. Imobiliários S.A.	100.00	100.00	114,517	2,882	111,635	(86)	(1,756)	-
Campinas Empreendimentos Imobiliários	100.00	100.00	46,766	457	46,309	(25)	(29)	12,471
IFOR Empreendimentos Imobiliários S.A (Park D'Or)	100.00	100.00	33	24	9	(13)	(5)	-
Sator Empreendimentos e Participações Ltda	100.00	100.00	2	51,165	(51,163)	12,419	12,419	-
Hospital Ribeirão Pires Ltda.	100.00	100.00	87,621	54,834	32,787	23,798	22,503	7,077
Rede D'Or Finance	100.00	100.00	5,369	-	5,369	-	(9,018)	-
Rede D'Or São Luiz Serviços Médicos S.A.	100.00	100.00	149,243	77,529	71,714	(33,791)	(20,073)	(16,134)
Olimpia Projeto Rua do Rocio 86 SPE S.A.	100.00	100.00	306,000	-	306,000	-	-	-
Proncordis Pronto Atendimento Cardiológico Ltda.	100.00	100.00	9,010	869	8,141	(703)	(1,097)	(906)
Onco Star	75.00	75.00	100,731	128,107	(27,376)	(19,099)	(15,856)	-
Centro Hospitalar São Marcos S.A.	100.00	100.00	615	12,709	(12,094)	(607)	(634)	(4,561)
Café Verde	100.00	100.00	611	3,172	(2,561)	(3,137)	(3,317)	(1,993)

(a) These include the following hospitals: São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or. Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Santa Luzia, Hospital do Coração, Sinisgalli, Nossa Senhora de Lourdes, Hospital da Criança, Sino Brasileiro, Villa Lobos, Hospital e Maternidade Bartira, Ifor, Copa Star, Hospital Memorial São José, Hospital Ribeirão Pires and Hospital São Caetano.

Summary of information of associates and jointly controlled entities

	09/30/2018					09/30/2017		
	% Total	% Voting capital	Assets	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
Companies recognized by the equity method in the consolidated financial information								
Instituto de Radioterapia do Vale do Paraíba Ltda.	50.00	50.00	21,755	10,818	10,937	14,255	5,623	8,867
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	50.00	64,311	9,289	55,022	8,414	4,220	9,555
GGSH Participações S.A.	34.46	34.46	118,708	(1,243)	119,951	21,144	7,048	12,648

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

9. Property and equipment

Breakdown of balances

Description	Depreciation rate	Company					
		09/30/2018			12/31/2017		
		Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	869,078	(488,608)	380,470	784,172	(430,982)	353,190
Surgical instruments	20%	45,544	(24,356)	21,188	39,749	(18,224)	21,525
Machinery and equipment	7% to 10%	304,002	(180,021)	123,981	227,864	(144,110)	83,754
Properties	2.5% to 4%	592,881	(94,252)	498,629	848,716	(77,508)	771,208
Improvements in own properties	4%	163,666	(31,336)	132,330	99,610	(22,738)	76,872
Leasehold improvements	3% to 4%	1,124,291	(280,332)	843,959	816,341	(244,250)	572,091
Furniture and fixtures	10%	133,572	(70,469)	63,103	115,418	(60,013)	55,405
Vehicles	20%	3,986	(2,981)	1,005	3,939	(2,690)	1,249
Installations	10%	99,617	(36,265)	63,352	85,242	(30,804)	54,438
Land	-	155,530	-	155,530	130,020	-	130,020
Construction in progress	-	418,143	-	418,143	582,239	-	582,239
Other	5% to 10%	12,221	(4,769)	7,452	11,799	(4,612)	7,187
		3,922,531	(1,213,389)	2,709,142	3,745,109	(1,035,931)	2,709,178

Description	Depreciation rate	Consolidated					
		09/30/2018			12/31/2017		
		Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	1,118,052	(583,979)	534,073	992,902	(511,585)	481,317
Surgical instruments	20%	53,626	(28,558)	25,068	48,636	(21,655)	26,981
Machinery and equipment	7% to 10%	456,725	(244,567)	212,158	291,036	(196,134)	94,902
Properties	2.5% to 4%	1,054,655	(129,577)	925,078	1,258,561	(99,842)	1,158,719
Improvements in own properties	4%	168,770	(33,753)	135,017	104,053	(24,517)	79,536
Leasehold improvements	3% to 4%	1,419,751	(377,530)	1,042,221	1,032,436	(331,362)	701,074
Furniture and fixtures	10%	186,213	(95,132)	91,081	157,720	(81,750)	75,970
Vehicles	20%	4,699	(4,895)	(196)	4,495	(3,054)	1,441
Installations	10%	156,023	(62,104)	93,919	139,140	(52,972)	86,168
Land	-	793,798	-	793,798	463,442	-	463,442
Construction in progress	-	736,240	-	736,240	743,591	-	743,591
Other	5% to 10%	49,121	(6,318)	42,803	48,645	(6,146)	42,499
		6,197,673	(1,566,413)	4,631,260	5,284,657	(1,329,017)	3,955,640

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

9. Property and equipment (Continued)

Changes in Parent Company

	12/31/2017	Additions	Sales / disposals	Transfers	Additions from mergers	09/30/2018
Cost						
Hospital machinery and equipment	784,172	67,219	-	4,979	12,708	869,078
Surgical instruments	39,749	3,687	-	-	2,108	45,544
Machinery and equipment	227,864	26,209	-	48,542	1,387	304,002
Properties	848,716	851	(257,500)	814	-	592,881
Improvements in own properties	99,610	2,109	-	61,933	14	163,666
Leasehold improvements	816,341	17,895	(10,000)	296,747	3,308	1,124,291
Furniture and fixtures	115,418	13,213	-	-	4,941	133,572
Vehicles	3,939	47	-	-	-	3,986
Installations	85,242	12,909	-	150	1,316	99,617
Land	130,020	-	-	-	25,510	155,530
Construction in progress	582,239	264,527	-	(440,350)	11,727	418,143
Other	11,799	412	-	-	10	12,221
	3,745,109	409,078	(267,500)	(27,185)	63,029	3,922,531
Depreciation						
Hospital machinery and equipment	(430,982)	(57,626)	-	-	-	(488,608)
Surgical instruments	(18,224)	(6,132)	-	-	-	(24,356)
Machinery and equipment	(144,110)	(35,911)	-	-	-	(180,021)
Properties	(77,508)	(21,894)	5,150	-	-	(94,252)
Improvements in own properties	(22,738)	(8,598)	-	-	-	(31,336)
Leasehold improvements	(244,250)	(36,282)	200	-	-	(280,332)
Furniture and fixtures	(60,013)	(10,456)	-	-	-	(70,469)
Vehicles	(2,690)	(291)	-	-	-	(2,981)
Installations	(30,804)	(5,461)	-	-	-	(36,265)
Other	(4,612)	(157)	-	-	-	(4,769)
	(1,035,931)	(182,808)	5,350	-	-	(1,213,389)
Property and equipment, net	2,709,178	226,270	(262,150)	(27,185)	63,029	2,709,142

	12/31/2016	Additions	Additions from mergers	09/30/2017
Cost				
Hospital machinery and equipment	647,982	98,620	3,819	750,421
Surgical instruments	33,257	3,824	-	37,081
Machinery and equipment	193,711	24,898	10	218,619
Properties	442,851	11,782	-	454,633
Improvements in own properties	94,452	1,908	-	96,360
Leasehold improvements	793,676	11,125	-	804,801
Furniture and fixtures	96,030	13,155	3	109,188
Vehicles	3,631	245	-	3,876
Installations	70,417	8,705	-	79,122
Land	122,684	-	-	122,684
Construction in progress	459,643	182,455	-	642,098
Other	11,349	344	-	11,693
	2,969,683	357,061	3,832	3,330,576
Depreciation				
Hospital machinery and equipment	(363,138)	(57,821)	-	(420,959)
Surgical instruments	(12,231)	(4,324)	-	(16,555)
Machinery and equipment	(111,621)	(23,255)	-	(134,876)
Properties	(64,383)	(2,886)	-	(67,269)
Improvements in own properties	(15,951)	(4,757)	-	(20,708)
Leasehold improvements	(176,333)	(44,252)	-	(220,585)
Furniture and fixtures	(49,205)	(7,881)	-	(57,086)
Vehicles	(2,306)	(290)	-	(2,596)
Installations	(24,487)	(4,646)	-	(29,133)
Other	(4,459)	(107)	-	(4,566)
	(824,114)	(150,219)	-	(974,333)
Property and equipment, net	2,145,569	206,842	3,832	2,356,243

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

9. Property and equipment (Continued)

Changes in Consolidated

	12/31/2017	Additions	Sales / disposals	Transfers	Business combination	09/30/2018
Cost						
Hospital machinery and equipment	992,902	120,057	-	5,093	-	1,118,052
Surgical instruments	48,636	4,369	-	-	621	53,626
Machinery and equipment	291,036	44,788	-	54,760	66,141	456,725
Properties	1,258,561	18,375	(257,500)	814	34,405	1,054,655
Improvements in own properties	104,053	2,410	-	62,307	-	168,770
Leasehold improvements	1,032,436	29,291	(10,000)	335,464	32,560	1,419,751
Furniture and fixtures	157,720	16,590	-	-	11,903	186,213
Vehicles	4,495	18	-	-	186	4,699
Installations	139,140	16,718	-	152	13	156,023
Land	463,442	306,000	-	-	24,356	793,798
Construction in progress	743,591	473,482	-	(490,460)	9,627	736,240
Other	48,645	476	-	-	-	49,121
	5,284,657	1,032,574	(267,500)	(31,870)	179,812	6,197,673
Depreciation						
Hospital machinery and equipment	(511,585)	(72,394)	-	-	-	(583,979)
Surgical instruments	(21,655)	(6,903)	-	-	-	(28,558)
Machinery and equipment	(196,134)	(48,433)	-	-	-	(244,567)
Properties	(99,842)	(34,885)	5,150	-	-	(129,577)
Improvements in own properties	(24,517)	(9,236)	-	-	-	(33,753)
Leasehold improvements	(331,362)	(46,368)	200	-	-	(377,530)
Furniture and fixtures	(81,750)	(13,382)	-	-	-	(95,132)
Vehicles	(3,054)	(1,841)	-	-	-	(4,895)
Installations	(52,972)	(9,132)	-	-	-	(62,104)
Other	(6,146)	(172)	-	-	-	(6,318)
	(1,329,017)	(242,746)	5,350	-	-	(1,566,413)
Property and equipment, net	3,955,640	789,828	(262,150)	(31,870)	179,812	4,631,260

The main changes in the nine-month period ended September 30, 2018 were:

- (i) Acquisition of Hospital UDI, Laboratório Richet e Hospital São Rafael S.A.
- (ii) On June 29, 2018, the Company performed two sale and leaseback transactions with the Hospital São Luiz Morumbi's building and with the Hospital Brasil's administration building, located in the city of São Paulo, for the total amount of R\$ 276,861, of which R\$ 10,000 shall be received until June 2019, and the remaining amount of R\$ 7.500 shall be received as soon as Company complies with certain contractual clauses. This price adjustment is restated in accordance with the Interbank Deposit Certificate - CDI index. The rental term is 25 years. The gain of R\$ 9,360 was recorded on P&L at the contract execution date.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

9. Property and equipment (Continued)

Changes in Consolidated (Continued)

- (iii) Expansions of Hospital Vivalle, Hospital Coração, Hospital Bartira remodeling of Onco Star and expansion in various hospitals.
- (iv) Purchase of hospital machinery and equipment, as part of the Company's operational routine and renovation of Hospital Niterói D'Or.
- (v) Interest capitalized at September 30, 2018 amounted to R\$ 13,479 (R\$ 24,014 in the year ended December 31, 2017)
- (vi) Acquisition, through the investee Olímpia Projeto Rua do Rocio 86 SPE S.A. of a land located in the city of São Paulo, in the amount of R\$306,000.

	12/31/2016	Additions	Write-offs	Business combinations	09/30/2017
Cost					
Hospital machinery and equipment	819,559	117,037	(8)	8,845	945,433
Surgical instruments	39,483	4,797	-	-	44,280
Machinery and equipment	249,915	27,603	(649)	3,270	280,139
Properties	786,820	32,984	-	41,203	861,007
Improvements in own properties	97,780	2,553	-	-	100,333
Leasehold improvements	996,741	18,612	-	-	1,015,353
Furniture and fixtures	131,514	17,645	(353)	974	149,780
Vehicles	4,081	351	-	-	4,432
Installations	118,912	11,056	-	429	130,397
Land	391,074	(8,940)	-	22,408	404,542
Construction in progress	508,275	240,052	-	388	748,715
Other	17,012	37,242	(8)	-	54,246
	<u>4,161,166</u>	<u>500,992</u>	<u>(1,018)</u>	<u>77,517</u>	<u>4,738,657</u>
Depreciation					
Hospital machinery and equipment	(424,606)	(71,481)	-	-	(496,087)
Surgical instruments	(14,334)	(5,318)	-	-	(19,652)
Machinery and equipment	(150,724)	(32,674)	-	-	(183,398)
Properties	(70,601)	(14,805)	-	-	(85,406)
Improvements in own properties	(16,920)	(5,347)	-	-	(22,267)
Leasehold improvements	(253,862)	(51,301)	-	-	(305,163)
Furniture and fixtures	(66,952)	(10,479)	-	-	(77,431)
Vehicles	(2,584)	(357)	-	-	(2,941)
Installations	(42,190)	(7,915)	-	-	(50,105)
Other	(6,048)	(6,512)	-	-	(12,560)
	<u>(1,048,821)</u>	<u>(206,189)</u>	<u>-</u>	<u>-</u>	<u>(1,255,010)</u>
Property and equipment, net	<u>3,112,345</u>	<u>294,803</u>	<u>(1,018)</u>	<u>77,517</u>	<u>3,483,647</u>

The main changes in the nine-month period ended September 30, 2017 were:

- (i) Acquisition of Hospital São Vicente (Sator Empreendimentos e Participações Ltda.) on April 19, 2017.
- (ii) Purchase of hospital machinery and equipment, as part of the Group's operational routine.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

9. Property and equipment (Continued)

Changes in Consolidated (Continued)

- (iii) Construction of São Caetano hospitals, renovation of Niteroi D'Or and completion of the Hospital Copa Star.

There is no indication of impairment of P&E.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

10. Intangible assets

	Annual rate	Company		Consolidated	
		09/30/2018	12/31/2017	09/30/2018	12/31/2017
Finite useful lives					
Software	20%	153,105	110,242	181,414	120,173
Exclusivity and 'no compete' agreements	20%	12,425	11,597	54,776	47,679
Indefinite useful life					
Goodwill (a)					
Acquisition of Copa D'Or		80,058	80,058	80,058	80,058
Acquisition of HMSL		668,339	668,339	668,339	668,339
Acquisition of Hospital Brasil		121,398	121,398	121,398	121,398
Acquisition of Hospital Prontolinda		30,595	30,595	30,595	30,595
Acquisition of Vivalle		38,692	38,692	38,692	38,692
Acquisition of São Marcos		-	-	10,807	10,807
Acquisition of Santa Luzia		199,333	199,333	199,333	199,333
Acquisition of Sinisgalli		156,646	156,646	156,646	156,646
Acquisition of Hospital Esperança		-	-	108,408	108,408
Acquisition of Norte D'Or		-	-	28,450	28,450
Acquisition of IFOR		85,724	85,724	85,724	85,724
Acquisition of Sino Brasileiro		241,947	241,947	241,947	241,947
Acquisition of Villa-Lobos		136,074	136,074	136,074	136,074
Acquisition of Bartira		105,584	105,584	105,584	105,584
Acquisition of Onco ABC/Cardeal/JLD		-	-	52,174	52,174
Acquisition of Oncoholding		-	-	159,445	159,445
Acquisition of Hospital Fluminense		-	-	10,658	10,658
Acquisition of Hospital Santa Helena		-	-	125,802	125,802
Acquisition of JTO		-	-	12,567	12,567
Acquisition of Acreditar		-	-	155,720	155,720
Acquisition of Memorial São José (c)		112,528	-	112,528	112,528
Acquisition of Salus		-	-	8,956	8,956
Acquisition of Prontimagem		-	-	6,220	6,220
Acquisition of Alpha-Med		-	-	43,815	43,815
Acquisition of CEHON		-	-	68,757	68,757
Acquisition of Maximagem		-	-	46,742	46,742
Acquisition of Ribeirão Pires (c)		129,739	-	129,739	129,739
Acquisition of NEOH		-	-	33,422	33,422
Acquisition of Sator (see Note 3)		-	-	163,089	163,089
Acquisition of Hospital São Rafael (see Note 3)		-	-	495,690	-
Acquisition of Laboratório Richet (see Note 3)		-	-	187,493	-
Acquisition of Hospital UDI (see Note 3)		-	-	344,131	-
Other goodwill		48,649	48,649	82,103	57,001
Trademarks and patents (b)		190,810	190,810	190,810	190,810
		2,511,646	2,225,688	4,678,106	3,557,352

(a) Goodwill was generated on business combinations performed. See Note 3 for additional information on acquisitions performed in 2018 and 2017.

(b) This mainly refers to Hospital São Luiz trademark recorded upon its acquisition in 2010.

(c) Subsidiary merged into the Parent Company in 2018.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

10. Intangible assets (Continued)

Impairment

Goodwill is allocated to the Cash-Generating Units (CGU) identified by management as being each of the hospitals, as set out in the table above.

The recoverable amount of a CGU is determined based on the calculation of the amount in use. Value in use calculations use cash flow projections before income tax and social contribution based on financial budgets approved by management covering a five-year period. The cash flows beyond the five-year period did not consider a growth rate, since they were based on an actual projection model.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC - Actual). Actual WACC takes into account both debt and equity cost. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing financing the Group is obliged to honor. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

There was no impairment indication of intangible assets for the period September 30, 2018.

11. Deferred gain on property sales

On October 11, 2013 and December 26, 2012, the Company conducted property sale and leaseback transactions, and property lease was accounted for as operating lease.

Part of the gain referring to the excess of sales proceeds and fair value was deferred, as required by CPC 06/IAS 17 - Leases, and has been amortized over the lease term. At September 30, 2018, deferred gains were recorded as follows:

	<u>Parent Company and Consolidated</u>	
	<u>09/30/2018</u>	<u>12/31/2017</u>
Caxias D'Or	36,120	36,120
Hospital Brasil	41,060	44,000
	77,180	80,120
Current	3,920	3,920
Noncurrent	73,260	76,200

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Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

12. Loans, financing and debentures

Banks	Indexes	Spread	Curren- cy	Principal (R\$)	Beginning of maturity	Maturity	Amortization	Guarantees	Company		Consolidated	
									09/30/2018	12/31/2017	09/30/2018	12/31/2017
BNDES/FINEP	TJLP	0.90%	R\$	315,042	Aug/2012	Feb/2025	Monthly	n/a	163,219	307,498	171,676	315,968
IFC-I	LIBOR	3.30%	US\$	93,790	Sept/2011	Apr/2020	Semiannually	Shares and receivables	47,643	48,283	47,643	48,283
IFC-II-A Loan (a)	LIBOR	3.00%	US\$	135,349	Dec/2014	Nov/2024	Semiannually	Shares and receivables	127,608	112,576	127,608	112,576
IFC-II-B1 Loan (a)	LIBOR	3.00%	US\$	386,712	Dec/2014	Nov/2024	Semiannually	Shares and receivables	364,553	321,607	364,553	321,607
IFC II B2 Loan (a)	LIBOR	2.70%	US\$	58,007	Dec/2014	Nov/2022	Semiannually	Shares and receivables	43,071	39,102	43,071	39,102
IFC II C Loan (a)	LIBOR	6.00%	US\$	57,863	Dec/2014	Nov/2027	Semiannually	n/a	62,193	51,365	62,193	51,365
IFC II MCPP Loan (a)	LIBOR	3.00%	US\$	101,512	Dec/2014	Nov/2024	Semiannually	Shares and receivables	95,695	84,421	95,695	84,421
IFC III A1 Loan (a)	LIBOR	3.30%	US\$	157,685	May/2017	Apr/2025	Semiannually	n/a	203,604	166,693	203,604	166,693
IFC III A2 Loan (a)	LIBOR	3.30%	US\$	157,685	May/2017	Apr/2026	Semiannually	Shares and receivables	161,528	158,037	161,528	158,037
IFC III B Loan (a)	LIBOR	3.00%	US\$	252,296	May/2017	Apr/2024	Semiannually	n/a	325,556	266,100	325,556	266,100
IFC III C Loan (a)	LIBOR	5.50%	US\$	94,611	May/2017	Apr/2026	Bullet	n/a	131,141	108,013	131,141	108,013
Proparco Loan (a)	EURIBOR	3.00%	EUR	212,221	Dec/2014	Nov/2024	Semiannually	Shares and receivables	211,763	193,390	211,763	193,390
JP Morgan (a)	Fixed rate	3.35%	US\$	300,000	Apr/2016	Apr/2020	Quarterly	n/a	343,643	288,692	343,643	288,692
Citibank (a)	LIBOR	0.99%	US\$	203,190	Aug/2017	Aug/2022	Bullet	n/a	267,506	221,041	267,506	221,041
CCB	Fixed rate	5.40%	R\$	17,813	n/a	n/a	n/a	n/a	-	40	51,347	7,239
Debentures – 3 rd issuance	100% of DI	2.30%	R\$	650,000	Dec/2011	Dec/2020	Monthly	n/a	293,872	388,255	293,872	388,255
Debentures – 5 th issuance	100% of DI	2.00%	R\$	100,000	Dec/2013	Dec/2018	Yearly	n/a	52,891	49,691	52,891	49,691
Debentures – 7 th issuance 1 st series (c)	100% of DI	1.90%	R\$	600,000	Jul/2016	Jul/2019	Bullet	Receivables	-	621,399	-	621,399
Debentures – 7 th issuance 2 nd series (c)	100% of DI	2.00%	R\$	300,000	Jul/2016	Jul/2020	Bullet	Receivables	-	310,763	-	310,763
Debentures – 7 th issuance 3 rd series (c)	100% of DI	2.10%	R\$	300,000	Jul/2016	Jul/2021	Bullet	Receivables	-	310,825	-	310,825
Debentures – 9 th issuance 1 st series	110% of DI	-	R\$	800,000	Aug/2017	Aug/2020	Bullet	n/a	862,139	833,360	862,139	833,360
Debentures – 9 th issuance 2 nd series	100% of DI	1.75%	R\$	600,000	Aug/2017	Aug/2024	Semiannually	n/a	600,976	600,810	600,976	600,810
Senior notes (a) / (b)	Fixed rate	4.95%	US\$	1,596,400	Jan/2018	Jan/2028	Bullet	n/a	-	-	1,838,916	-
Debentures – 10 th issuance (b)	Fixed rate	11.82%	R\$	1,628,100	Jan/2018	Jan/2028	Bullet	n/a	1,478,019	-	32,439	-
Mortgage-backed Securities (CRIs) – 1 st issuance (c)	99% of DI	-	R\$	662,837	Mar/2018	Mar/2023	Bullet	n/a	652,724	-	652,724	-
Debentures – 1 st issuance – Medise (d)	100% of DI	2.20%	R\$	100,000	Dec/2011	Dec/2018	Monthly	Receivables	-	21,595	-	21,595
Debentures – 1 st issuance – Esperança (d)	100% of DI	2.40%	R\$	200,000	Oct/2012	Oct/2021	Monthly	Shares and receivables	-	-	-	150,525
Debentures – 2 nd issuance – Esperança	100% of DI	1.90%	R\$	100,000	Dec/2013	Dec/2018	Semiannually	Receivables	-	-	9,030	36,335
Debentures – 3 rd issuance – Esperança	110,85% of DI	-	R\$	1,000,000	Aug/2017	Aug/2024	Semiannually	n/a	-	-	994,934	1,025,161
Debentures – 4 th issuance – Esperança	100% of DI	1.27%	R\$	1,000,000	Feb/2018	Dec/2025	Semiannually	n/a	-	-	1,008,491	993,305
Promissory note – 3 rd issuance (e)	112.5% of DI	-	R\$	1,000,000	Apr/2018	Apr/2023	Bullet	n/a	1,029,685	-	1,029,685	-
Mortgage-backed Securities (CRIs) – 2 nd issuance (c)	IPCA	6.00%	R\$	300,000	Jul/2018	Jul/2025	Bullet	n/a	300,375	-	300,375	-
Debentures – 13 th issuance (f)	100% of DI	1.02%	R\$	1,400,000	Sept/2018	Sept/2024	Yearly	n/a	1,391,254	-	1,391,254	-
									9,210,658	5,503,556	11,676,253	7,724,551
								Current	675,403	475,361	719,596	588,037
								Noncurrent	8,535,255	5,028,195	10,956,657	7,136,514

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

12. Loans, financing and debentures (Continued)

- (a) As mentioned in Note 26, the Group contracts derivative financial instruments to hedge foreign exchange differences and adopted the fair value hedge accounting as accounting practice; therefore, these debts are recorded at fair value through profit or loss.
- (b) On January 17, 2018, through its wholly owned subsidiary Rede D'Or Finance, Rede D'Or issued Senior Notes, in the total amount of US\$500,000, restated by interest of 4.95% p.a. maturing on January 17, 2028, with semiannual interest payments starting on July 17, 2018 and the principal in one payment on January 17, 2028. At the same time, also through its subsidiary Rede D'Or Finance, the Company contracted derivative financial instruments to hedge the exchange variation and interest, exchanging for Reais plus CDI + 2,01% p.a. Additionally, the Parent Company issued debentures (10th issuance), which were substantially acquired by the subsidiary Rede D'Or Finance.
- (c) On March 16, 2018, through a securitization company, Rede D'Or issued registered book-entry Mortgage-backed Securities ("CRIs") in the amount of R\$662 million, maturing on March 9, 2023 in a lump-sum payment. The CRI will be remunerated semiannually on a *pro rata temporis* basis, with interest equivalent to 99% of the DI (Interbank Deposit). There are no expected guarantees. On July 18, 2018, through a securitization company, Rede D'Or issued registered book-entry Mortgage-backed Securities ("CRIs") in the amount of R\$300,000 million, maturing on July 15, 2025 in a lump-sum payment. The CRI will be remunerated by IPCA + 6.0563% to be paid semiannually. There are no guarantees.
- (d) During the nine-month period ended September 30, 2018, the Company fully settled these debentures.
- (e) On April 24, 2018, Rede D'Or issued a promissory note, in a single series, in the total amount of R\$1,000,000, maturing on April 24, 2023, remunerated on a *pro rata temporis* basis with interest equivalent to 112.5% of the Interbank Deposit ("DI"). There are no expected guarantees.
- (f) On September 10, 2018, Rede D'Or carried out the issue of nonconvertible debentures totaling R\$1,400,000, maturing on September 10, 2024, with remuneration equivalent to 100% of the Interbank Deposit Certificate (CDI) rate plus 1.02% p.a. There are no guarantees.

Significant loans, financing and debentures were obtained for general corporate purposes, to perform acquisitions, to expand the hospitals and for construction of new units.

Total capitalized costs related to the issue of loans, financing and debentures, in the amount of R\$121,849 at September 30, 2018, was recorded as a reduction of the balances and have been amortized over the term of the agreements.

In addition to the guarantees given, there are covenants required in certain loan and financing contracts, related ratios based on net debt, EBITDA and financial income. To date, the Group is in compliance with all debt covenants.

At September 30, 2018, the noncurrent payable maturity is as follows:

Company		Consolidated	
Year	Amount	Year	Amount
2019	217,266	2019	223,143
2020	1,387,943	2020	1,405,076
2021	334,382	2021	591,126
2022	655,276	2022	1,149,864
2023	2,808,562	2023	3,302,999
2024	1,179,866	2024	1,674,289
2025	342,718	2025	589,911
From 2026 to 2028	1,609,242	From 2026 to 2028	2,020,249
	8,535,255		10,956,657

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Notes to interim financial information (Continued)
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13. Tax liabilities

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Contribution tax on gross revenue for social integration program (PIS)	2,660	2,785	4,149	3,341
Contribution tax on gross revenue for social security financing (COFINS)	22,455	18,405	34,895	27,249
Tax on services (ISS)	64,281	40,181	104,286	65,023
Withholding income tax (IRRF)	12,002	15,186	16,022	19,052
Income tax	26,008	-	54,088	49,902
Social contribution	7,912	-	16,673	15,180
Other	21,462	23,343	43,991	52,562
Tax refinancing programs:				
Tax on services (ISS)	12,915	17,505	36,231	43,457
Refinancing - Law No. 11941/09	62,676	63,642	76,808	80,053
Social security payable	68,000	70,965	171,828	178,322
Other	358	329	30,695	20,599
	300,729	252,341	589,666	554,740
Current	174,279	119,563	308,577	272,259
Noncurrent	126,450	132,778	281,089	282,481

At September 30, 2018, the noncurrent payable maturity is as follows:

Company		Consolidated	
Year	Amount	Year	Amount
2019	4,593	2019	13,120
2020	37,824	2020	62,926
2021	8,779	2021	23,687
2022	8,131	2022	21,065
2023 to 2030	67,123	2023 to 2030	160,291
	126,450		281,089

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

14. Accounts payable for acquisitions

Acquisitions	Restatement index	Company		Consolidated	
		09/30/2018	12/31/2017	09/30/2018	12/31/2017
Ribeirão Pires	CDI	20,449	19,510	20,449	19,510
IFOR	CDI	12,189	11,630	12,189	11,630
Acreditar	CDI	-	13,827	-	13,827
Alphamed	CDI	7,083	6,758	7,083	6,758
Oncologia RJ	CDI	-	-	40,823	39,364
Salus	IPCA	-	-	5,083	6,862
Sator (São Vicente)	SELIC	16,212	15,923	16,212	15,923
UDI	CDI	-	-	36,423	-
Maximagem	CDI	16,690	15,467	16,690	15,467
São Rafael	SELIC	-	-	191,929	-
Laboratório Richet	CDI	-	-	15,000	-
Other acquisitions	CDI	6,459	8,681	7,296	9,163
		79,082	91,796	369,177	138,504
Current		2,596	18,904	28,011	26,249
Noncurrent		76,486	72,892	341,166	112,255

Accounts payable from acquisitions refer to the remaining balance payable of the considerations of the business combinations. At September 30, 2018, the noncurrent payable maturity is as follows:

Company		Consolidated	
Year	Amount	Year	Amount
2019	19,488	2019	95,250
2020	16,272	2020	58,827
2021	7,690	2021	7,690
2022	24,036	2022	96,599
2023	9,000	2023	9,000
2024	-	2024	73,800
	76,486		341,166

15. Provision for contingencies and judicial deposits

The Company and its subsidiaries are parties to various tax, civil and labor claims. The judicial deposits made will only be released in the event that favorable decisions are handed down to the companies. Based on the opinion of its internal and external legal advisors, management recorded a provision for losses deemed sufficient to cover probable losses, as stated below:

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

15. Provision for contingencies and judicial deposits (Continued)

	Company				Consolidated			
	09/30/2018		12/31/2017		09/30/2018		12/31/2017	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax and social security	36,701	(83,881)	24,198	(76,755)	56,990	(104,885)	49,424	(99,169)
Labor	42,736	(10,877)	53,219	(5,240)	54,734	(14,135)	63,136	(7,718)
Civil	46,030	(14,378)	50,772	(10,812)	67,837	(16,482)	65,419	(12,585)
	125,467	(109,136)	128,189	(92,807)	179,561	(135,502)	177,979	(119,472)

15.1. Contingencies assessed as probable loss

Changes in provisions for contingencies for the periods ended September 30, 2018 and 2017 were as follows:

	Company			
	Tax and social security	Labor	Civil	Total
Balances at December 31, 2016	58,944	50,170	26,311	135,425
Additions, net of reversals	(3,237)	(4,463)	10,222	2,522
Payments	-	(8,666)	(4,568)	(13,234)
Balances at September 30, 2017	55,707	37,041	31,965	124,713
Balances at December 31, 2017	24,198	53,219	50,772	128,189
Additions, net of reversals	5,267	(4,083)	(1,184)	-
Payments	(108)	(9,265)	(3,558)	(12,931)
Additions from mergers	7,344	2,865	-	10,209
Balances at September 30, 2018	36,701	42,736	46,030	125,467

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

15. Provision for contingencies and judicial deposits (Continued)

15.1. Contingencies assessed as probable loss (Continued)

	Consolidated			
	Tax and social security	Labor	Civil	Total
Balances at December 31, 2016	79,811	60,014	50,284	190,109
Additions, net of reversals	9,397	(7,538)	663	2,522
Payments	-	(13,802)	(7,381)	(21,183)
Additions from acquisitions (a)	8,970	-	-	8,970
Balances at September 30, 2017	98,178	38,674	43,566	180,418
Balances at December 31, 2017	49,424	63,136	65,419	177,979
Additions, net of reversals	(4,741)	1,104	1,542	(2,095)
Payments	(108)	(9,634)	(4,235)	(13,977)
Additions from business combination (b)	12,415	128	5,111	17,654
Balances at September 30, 2018	56,990	54,734	67,837	179,561

(a) In 2017, additions refer to the acquisition of Hospital São Vicente (Sator).

(b) In 2018, additions refer to the acquisition of Hospital UDI and Laboratório Richet.

Tax proceedings reserves arise mainly from challenges of State VAT (ICMS) on imports of medical equipment, Tax on services (ISS) payable based on a differentiated rate, and of Federal VAT (IPI) on imports.

Labor claims are largely derived from overtime payment, 13th month salary, resignation notice, vacation pay and Unemployment Compensation Fund (FGTS).

Civil and administrative proceedings refer to compensation for alleged moral and material damages.

15.2. Contingencies assessed as possible loss

The proceedings assessed as possible loss, for which no provisions have been recorded, are summarized as follows:

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Tax and social security (a)	1,112,162	381,909	1,202,224	459,095
Labor (b)	285,271	263,482	335,660	325,258
Civil (c)	146,194	114,004	232,181	204,031
	1,543,627	759,395	1,770,065	988,384

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

15. Provision for contingencies and judicial deposits (Continued)

15.2. Contingencies assessed as possible loss (Continued)

- (a) The significant challenges refer to administrative proceedings in the total amount of R\$1.1 billion, of which R\$365 million refers to assessments received in 2016 and 2017 and R\$720 million related to an assessment received in early 2018. These challenges are mostly derived from allegations of the Brazilian Internal Revenue Service (RFB) that certain doctors who render services in hospitals through legal entities would be effectively Company's employees. Therefore, the Brazilian tax authorities assessed the Company demanding the payment of the Social Security Tax (INSS). The Company is currently challenging such allegations.

In addition, the Company is a party to various tax proceedings involving PIS, COFINS, ISS and Real Estate Tax (IPTU), whose amounts are not individually significant.

- (b) Proceedings largely derived from overtime payment, 13th month salary, resignation notice, vacation pay and Unemployment Compensation Fund (FGTS). There are no individually significant proceedings.

- (c) Proceedings related to compensation for moral and material damages. There are no individually significant proceedings.

16. Commitments

At September 30, 2018, Rede D'Or has operating leases referring substantially to buildings from third and related parties for an average period of fourteen years, whose amounts and schedule for non-cancelable minimum payments are as follows:

Year	Company	Consolidated
	(Gross nominal amounts)	
2018	67,912	88,881
2019	271,648	355,523
2020	263,936	347,811
2021	248,590	332,465
2022 to 2050	3,334,546	4,481,531
	4,186,632	5,606,211

Lease expenses recognized in the nine-month period amount to R\$232,224 (R\$216,890 at September 30, 2017) in the Parent Company, and R\$277,643 (R\$262,896 at September 30, 2017) in the Consolidated, referring to all hospitals of Rede D'Or, except for owned buildings of Hospital e Maternidade Assunção, Hospital e Maternidade Nossa Senhora de Lourdes, Hospital Vivalle and Hospital Copa Star.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

17. Equity

a) Capital stock

Breakdown of Company's capital stock is as follows:

Shareholders	09/30/2018		12/31/2017	
	Number of shares	Equity interest	Number of shares	Equity interest
Controlling family (a)	263,849,784	57.37%	263,849,784	57.03%
Pacific RDSL Participações (b)	119,269,748	25.93%	119,269,748	25.78%
Carlyle Group (c)	54,625,943	11.88%	54,625,943	11.81%
Other	22,166,942	4.82%	22,166,942	4.79%
Total common shares	459,912,417	100.00%	459,912,417	99.41%
Preferred shares	-	-	2,734,600	0.59%
Total shares	459,912,417	100.00%	462,647,017	100.00%

(a) This represents equity interest directly held by the "Moll Family" (individuals) and by means of investment fund 'Delta FM&B Fundo Inv. em Participações'.

(b) This represents Singapore sovereign fund ("GIC").

(c) Represented by funds HPT Fundo de Investimento em Participações, HPT II Fundo de Investimento em Participações, RDSL Investimento Secundário FIP, Fundo Brasil de Internacionalização de Empresas – FIP and Fundo Brasil de Internacionalização de Empresas – FIP II.

Subscribed and paid-in capital at September 30, 2018 and December 31, 2017, amounts to R\$867,776, represented by 459,912,417 registered common shares with no par value. As approved in the Company's Articles of Incorporation, the limit of authorized capital is up to 2 billion of shares (units).

Under the Company's Articles of Incorporation, each common share is entitled to a vote in the Company's general meetings.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

b) Income distribution

Changes in the balances of dividends and interest on equity payable in the nine-month periods ended September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Balance payable at December 31	275,496	427,259
Allocation of dividends and interest on equity	243,681	973,075
Payment of dividends and interest on equity	(294,914)	(976,276)
Reinvested dividends	-	(184,960)
Withholding income tax (IRRF)	(23,727)	(24,474)
Balance payable at September 30	200,536	214,624

The distribution and payment of dividends and interest on equity were approved at the General Meeting. Company management intends to propose the allocation of the income reserve at the Special General Meeting (SGM) to be held in December 2018.

c) Treasury shares

At September 30, 2018, the Company held 21,953,021 registered common shares, with no par value, of Rede D'Or, in the amount of R\$476,517, recorded as treasury shares in equity.

Changes in treasury shares are as follows:

	<u>2018</u>			<u>2017</u>		
	<u>Number of shares</u>	<u>Share value (in reais)</u>	<u>Total</u>	<u>Number of shares</u>	<u>Share value (in reais)</u>	<u>Total</u>
Balance at December 31	19,222,619	17.66	339,468	19,734,399	16.80	331,525
Acquisitions	2,960,613	46.98	139,100	1,482,639	33.20	49,225
Sales	(230,211)	8.91	(2,051)	(1,994,419)	20.70	(41,282)
Balance at September 30	21,953,021	21.71	476,517	19,222,619	17.66	339,468

On February 23, 2018, Rede D'Or repurchased 2,734,600 preferred shares of noncontrolling shareholders, for the amount of R\$130,506, recorded as treasury shares. With this purchase, third parties no longer hold any preferred shares.

Other share purchases and sales substantially refer to the share-based payment option plan and acquisition of noncontrolling interests, as described below.

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

d) Share-based payment (stock options)

First Stock Option Plan

At the Annual General Meeting held on November 19, 2011, the Company's shareholders approved the adoption of a share-based payment plan (stock option) for managing officers and employees of the Company. The stock options issued by the Company are first-issue options, thus involving the issuance of new shares or use of existing treasury shares.

On November 30, 2011, the stock option plan comprising the right to purchase 7,074,940 common shares was granted, by means of an individual agreement and its amendments, entered into between the Company and each beneficiary.

In order to be entitled to the right to stock options, beneficiaries have to work for the Company for at least three years (vesting period). Company's management and employees participating in this plan will be fully entitled to such options, at one-fifth of total shares available for the plan, after each 12 months from the grant date. The participants have a maximum of sixty months, as from the end of the vesting period, to exercise the options.

The strike price of options granted was R\$8.09 per share and should remain the same until the options are effectively exercised, subject to monetary restatement (CDI or IPCA).

Second and Third Stock Option Plans

At the Special General Meeting held on November 23, 2012, shareholders approved the Second Stock Option Plan and on May 14, 2013, shareholders approved the Third Stock Option Plan.

The Company granted to beneficiaries of these plans the option for the purchase of 2,390,080 and 3,934,800 registered common shares, with no par value, respectively, through individual contract between each beneficiary and the Company. The contracts follow the same conditions of the First Stock Option Plan.

The strike price of options granted is R\$9.24 per share for the Second Plan and R\$9.34 per share for the Third Plan, subject to monetary restatement (CDI variation).

Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

d) Share-based payment (stock options) (Continued)

Fourth Stock Option Plan

At the Special General Meeting held on June 5, 2014, shareholders approved the grant of the first series of the Fourth Stock Option Plan, and at the Special General Meeting held on July 21, 2014 and respective amendments, shareholders approved the grant of the second series of the Fourth Stock Option Plan.

The Company granted to beneficiaries of the first series the option to purchase 57,615 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. The contracts follow the same conditions of the First Stock Option Plan.

The Company granted to beneficiaries of the second series the option to purchase 1,203,497 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. In order to be entitled to the right to stock options, beneficiaries have to work for the Company for at least three years (vesting period). Company managing officers and employees participating in this stock option plan will be fully entitled to such options as follows: 10% after 12 months from June 2, 2015; 10% 24 months thereafter; 20% 36 months thereafter; 20% 48 months thereafter; 20% 60 months thereafter; 10% 72 months thereafter; and 10% 84 months thereafter. The participants have a maximum forty-eight-month term from the end of the vesting period to exercise the options.

The strike price of options granted in the first series is R\$13.99 per share and for the second series is R\$9.00 per shares, subject to monetary restatement (CDI variation).

Fifth Stock Option Plan

At the Special General Meeting held on February 23, 2015, shareholders approved the first and second series of the Fifth Stock Option Plan.

The Company granted to beneficiaries of the first series the option to purchase 132,513 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. In order to be entitled to the right to stock options, beneficiaries have to work for the Company for at least three years (vesting period). Company managing officers and employees participating in this stock option plan will be fully entitled to such options as from March 31, 2016. The participants have a maximum forty-eight months from the end of the vesting period to exercise the options.

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Notes to interim financial information (Continued)
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(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

d) Share-based payment (stock options) (Continued)

Fifth Stock Option Plan (Continued)

For the beneficiaries of the second series, the stock option is composed of five lots of 39,756 common shares, to be granted annually and exercised as from January 31 of each subsequent year. At the end of 2016, two series have already been granted totaling 79,512 common registered shares, with no par value. The participants have a maximum forty-eight-month term from the end of the vesting period to exercise the options.

The strike price of options granted in the first series is R\$9.00 per share and for the second series is R\$12.68 per shares, subject to monetary restatement (CDI variation).

Sixth Stock Option Plan

At the Special General Meeting held on December 30, 2015, shareholders approved the Sixth Stock Option Plan.

The Company granted to beneficiaries the option to purchase 665,020 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. The stock option is composed of five lots of 133,004 common shares, to be granted annually and exercised as from January 31 of each subsequent year. The participants have a maximum forty-eight-month term from the end of the vesting period to exercise the options.

The strike price of options granted in the first, second and third series is R\$47.23 per share, subject to monetary restatement (CDI variation).

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Notes to interim financial information (Continued)
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(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

d) Share-based payment (stock options) (Continued)

Seventh Stock Option Plan

At the Special General Meeting held on December 21, 2016, shareholders approved the first, second and third series of the Seventh Stock Option Plan.

The Company granted to beneficiaries of the first series of the Seventh Plan the option to purchase 700,000 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. Company managing officers and employees participating in this stock option plan will be fully entitled to such options as follows: 10% after 12 months from June 2, 2015; 10% 24 months thereafter; 20% 36 months thereafter; 20% 48 months thereafter; 20% 60 months thereafter; 10% 72 months thereafter; and 10% 84 months thereafter. The participants have a maximum of seventy-two months, as from the end of the vesting period, to exercise the options.

The Company granted to the beneficiaries of the second and third series of the Seventh Plan the option to purchase 2,700,000 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. The stock option is composed of five lots of 540,000 common shares, to be granted annually and exercised as from January 31 of each subsequent year. The participants have a maximum forty-eight-month term from the end of the vesting period to exercise the options.

The strike price of options granted in the first, second and third series is R\$50.32 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

At the Special General Meeting held on January 1, 2017, shareholders approved the fourth series of the Seventh Stock Option Plan.

The Company granted to beneficiaries of the fourth series of the Seventh Plan the option to purchase 769,753 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. The stock option is composed of a single lot of 769,753 common shares, to be granted as from January 1 of subsequent year. The participants have from 36 to 60 months, as from the end of the vesting period, to exercise the options.

The strike price of options granted in the fourth series is R\$53.69 per share, subject to monetary restatement (IPCA variation).

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Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

d) Share-based payment (stock options) (Continued)

Share-based payment was measured and recognized at fair value, based on the Black, Scholes & Merton model (1973).

The details of the fair value calculation is as follows:

Beginning of maturity	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in Reais)	Vesting
First Stock Option Plan					
01/01/2012	1,414,988	39.60%	10.50%	7.61	Vested
01/01/2013	1,414,988	39.60%	10.50%	7.89	Vested
01/01/2014	1,414,988	39.60%	10.60%	8.28	Vested
01/01/2015	1,414,988	39.60%	10.70%	8.64	Vested
01/01/2016	1,414,988	39.60%	10.70%	8.97	Vested
Second Stock Option Plan					
03/31/2013	478,016	32.39%	7.10%	13.91	Vested
03/31/2014	478,016	32.39%	7.25%	13.67	Vested
03/31/2015	478,016	32.39%	7.61%	13.53	Vested
03/31/2016	478,016	32.39%	8.06%	13.50	Vested
03/31/2017	478,016	32.39%	8.39%	13.49	Vested
Third Stock Option Plan					
03/31/2014	786,960	31.74%	9.11%	14.26	Vested
03/31/2015	786,960	31.74%	10.23%	14.21	Vested
03/31/2016	786,960	31.74%	10.89%	14.16	Vested
03/31/2017	786,960	31.74%	11.34%	14.15	Vested
03/31/2018	786,960	31.74%	11.53%	14.09	Vested
Fourth Stock Option Plan - First series					
03/31/2015	7,453	30.27%	10.81%	16.00	Vested
03/31/2016	12,540	30.27%	11.16%	15.85	Vested
03/31/2017	12,540	30.27%	11.50%	15.83	Vested
03/31/2018	12,541	30.27%	11.66%	15.79	Vested
03/31/2019	12,541	30.27%	11.82%	15.81	Unvested
Fourth Stock Option Plan - Second series					
06/02/2015	120,350	30.17%	10.76%	19.70	Vested
06/02/2016	120,350	30.17%	10.91%	19.42	Vested
06/02/2017	240,699	30.17%	11.09%	19.18	Vested
06/02/2018	240,699	30.17%	11.18%	18.97	Vested
06/02/2019	240,699	30.17%	11.29%	18.79	Unvested
06/02/2020	120,350	30.17%	11.41%	18.66	Unvested
06/02/2021	120,350	30.17%	11.40%	18.49	Unvested
Fifth Stock Option Plan - First series					
03/31/2015	88,342	30.94%	12.81%	22.91	Vested
03/30/2016	44,171	30.94%	12.67%	22.56	Vested
Fifth Stock Option Plan - Second series					
03/31/2015	39,756	30.94%	13.12%	20.52	Vested
03/30/2016	39,756	30.94%	13.00%	20.22	Vested
Sixth Stock Option Plan					
01/31/2017	133,004	32.00%	15.95%	50.31	Vested
Seventh Stock Option Plan - First series					
03/31/2017	70,000	33.72%	12.06%	52.37	Vested
Seventh Stock Option Plan - Second series					
03/31/2017	460,000	33.72%	11.98%	52.37	Vested
Seventh Stock Option Plan - Third series					
03/31/2017	80,000	33.75%	11.87%	52.65	Vested
Seventh Stock Option Plan - Fourth series					
01/01/2021	513,251	25.65%	10.73%	69.01	Unvested
01/01/2022	186,502	25.65%	10.73%	69.01	Unvested
01/01/2023	70,000	25.65%	10.73%	69.01	Unvested
	<u>16,385,714</u>				

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Notes to interim financial information (Continued)

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(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

d) Share-based payment (stock options) (Continued)

The effects of stock option plans, covering all granted and outstanding options, in equity and Profit or Loss for the years, are as follows:

	<u>Fair value of options per year</u>	<u>Effects on profit or loss for the year</u>	<u>Cumulative effect on equity</u>
2011	1,457	1,457	1,457
2012	16,234	16,234	17,691
2013	20,656	20,656	38,347
2014	27,363	27,363	65,710
2015	51,949	51,949	117,659
2016	30,864	30,864	148,523
2017	32,599	32,599	181,122
2018	30,496	30,496	211,618
2019	3,614		
2020	2,977		
2021	1,216		
2022	257		
2023	64		
	<u>219,746</u>		

The Company grants a put option to each beneficiary on total shares that are acquired. The periods for exercising the option are determined by individual agreements between the parties, and the acquisition price by the Company will be determined based on specific measurement criteria involving multiples of the Company's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). In 2015, first plan executives exercised their put options of shares vested against the Company, which repurchased 3,572,896 shares and recorded them as treasury shares. Over the first quarter of 2016, those same executives exercised their put options of shares vested over the year against the Company, which repurchased more 1,832,947 shares and recorded them as treasury shares. In 2017, second plan executives exercised their put options of all vested shares against the Company, which repurchased 881,788 in shares and recorded them as treasury shares. In the period ended September 30, 2018, third plan executives exercised their put options of part of the vested shares against the Company, which repurchased 226,013 in shares and recorded them as treasury shares.

Should the beneficiary withdraw from his/her position, options not yet exercisable expire, with no right to compensation, and options exercisable may be exercised in up to 90 days. If the beneficiary's employment contract is terminated for cause, all rights exercisable or not yet exercisable expire automatically, regardless of notice or compensation.

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Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

18. Income tax and social contribution

Income and social contribution tax expenses for the periods ended September 30, 2018 and 2017 are as follows:

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Deferred				
Income tax	(12,228)	(5,556)	11,733	2,482
Social contribution	(4,402)	(2,000)	4,204	866
	(16,630)	(7,556)	15,937	3,348
Current				
Income tax	(165,859)	(130,400)	(263,292)	(239,859)
Social contribution	(62,414)	(48,742)	(99,162)	(89,554)
	(228,273)	(179,142)	(362,454)	(329,413)
Income and social contribution tax expenses	(244,903)	(186,698)	(346,517)	(326,065)

Changes in deferred income and social contribution tax assets and liabilities for period ended September 30, 2018 were as follows:

	Company				Consolidated			
	12/31/2017	Additional benefits (expenses) recorded	Additions from mergers	09/30/2018	12/31/2017	Additional benefits (expenses) recorded	Additions from business combinations	09/30/2018
Assets								
Tax losses	-	-	-	-	14,713	7,766	-	22,479
Social contribution tax loss	-	-	-	-	5,295	2,796	-	8,091
Allowance for doubtful accounts	116,545	-	1,015	117,560	154,567	-	-	154,567
Provision for disallowances	96,792	23,022	6,540	126,354	180,680	39,890	-	220,570
Contingencies	48,173	(4,397)	6,067	49,843	75,737	(5,464)	6,088	76,361
Provision for inventories	-	-	-	-	-	-	1,385	1,385
Provision for bonus	19,171	(2,867)	110	16,414	20,651	(2,950)	-	17,701
Foreign exchange differences	25,129	123,620	-	148,749	25,129	123,620	-	148,749
Deferred gain on property sales	27,241	(1,000)	-	26,241	27,241	(1,000)	-	26,241
Taxes - Judicial deposits	4,970	1,795	-	6,765	969	1,892	-	2,861
Swap variation	27,065	(27,065)	-	-	27,065	(27,065)	-	-
Other provisions	1,619	(2,909)	148	(1,142)	4,087	(2,499)	709	2,297
Total deferred tax assets	366,705	110,199	13,880	490,784	536,134	136,986	8,182	681,302
Liabilities								
Differences between book balance and tax base of goodwill	(496,081)	(42,657)	-	(538,738)	(550,339)	(42,657)	-	(592,996)
Swap variation	-	(84,172)	-	(84,172)	-	(84,172)	-	(84,172)
Gain from step acquisitions	(48,873)	-	-	(48,873)	(69,499)	-	-	(69,499)
Deferred income	-	-	-	-	(21,349)	5,780	-	(15,569)
Total deferred tax liabilities	(544,954)	(126,829)	-	(671,783)	(641,187)	(121,049)	-	(762,236)
Net effect - asset (liability)	(178,249)	(16,630)	13,880	(180,999)	(105,053)	15,937	8,182	(80,934)
Assets in the balance sheets	-	-	-	-	113,043	-	-	177,856
Liabilities in the balance sheets	(178,249)	-	-	(180,999)	(218,096)	-	-	(258,790)

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Notes to interim financial information (Continued)

September 30, 2018

(In thousands of reais, unless otherwise stated)

18. Income tax and social contribution (Continued)

Changes in deferred income and social contribution tax assets and liabilities for period ended September 30, 2017 were as follows:

	Company			Consolidated			
	12/31/2016	Additional benefits (expenses) recorded	09/30/2017	12/31/2016	Additional benefits (expenses) recorded	Additions from business combinations	09/30/2017
Assets							
Tax losses	2,383	-	2,383	3,731	(2,984)	9,962	10,709
Social contribution tax loss	857	-	857	1,341	(1,074)	3,586	3,853
Allowance for doubtful accounts	103,945	7,433	111,378	139,203	7,755	2,682	149,640
Provision for disallowances	65,791	34,615	100,406	133,528	56,742	2,773	193,043
Contingencies	50,633	(3,642)	46,991	79,830	(6,345)	3,081	76,566
Provision for inventories	1,159	-	1,159	1,159	-	-	1,159
Provision for bonus	15,510	(1,608)	13,902	15,941	(835)	-	15,106
Provision for losses	16,529	-	16,529	15,287	-	-	15,287
Deferred gain on property disposals	30,976	(1,000)	29,976	30,976	(1,000)	-	29,976
Suspended tax payments	6,380	1,481	7,861	7,786	1,633	-	9,419
Provision for overtime	3,856	(2,685)	1,171	5,925	(5,317)	-	608
Swap variation	54,211	8,698	62,909	54,211	8,698	-	62,909
Total deferred tax assets	352,230	43,292	395,522	488,918	57,273	22,084	568,275
Liabilities							
Differences between book balance and tax base of goodwill	(425,689)	(49,021)	(474,710)	(475,843)	(52,098)	-	(527,941)
Gain from step acquisitions	(48,873)	-	(48,873)	(69,499)	-	-	(69,499)
Foreign exchange differences	-	(1,827)	(1,827)	-	(1,827)	-	(1,827)
Deferred income	-	-	-	(23,423)	-	-	(23,423)
Total deferred tax liabilities	(474,562)	(50,848)	(525,410)	(568,765)	(53,925)	-	(622,690)
Net effect - asset (liability)	(122,332)	(7,556)	(129,888)	(79,847)	3,348	22,084	(54,415)
Assets as per balance sheets	-	-	-	70,668	-	-	91,557
Liabilities as per balance sheets	(122,332)	-	(129,888)	(150,515)	-	-	(145,972)

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Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

18. Income tax and social contribution (Continued)

The reconciliation of income and social contribution taxes to the amount determined at the statutory rate as at September 30, 2018 and 2017 is as follows:

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Income before income tax and social contribution	1,133,672	978,396	1,241,146	1,138,556
Income tax and social contribution expenses at statutory rates	385,448	332,655	421,990	387,109
Adjustments to determine the effective rate:				
Equity pickup	(72,479)	(79,720)	(6,001)	(4,812)
Stock option expenses	10,369	8,313	10,369	8,313
Interest on equity	(72,968)	(78,273)	(72,968)	(78,273)
Other	(5,467)	3,723	(6,873)	13,728
Expenses recorded in the income statement	244,903	186,698	346,517	326,065
Effective rate	22%	19%	28%	29%

Income and social contribution tax losses may be carried indefinitely, however, offsetting is limited to 30% of taxable income generated in each fiscal year.

The Company expects that deferred tax credits over its tax losses carryforward will be realized in 1 or 2 years. Management expects that other temporary differences will be realized between 1 and 5 years, except for deferred gain on property sales, the realization of which will take place along the lease contract term.

19. Net revenue

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Gross revenue	6,220,905	5,326,630	9,066,808	7,784,397
Deductions from revenue				
Cancellations and rebates	(299,453)	(217,202)	(500,251)	(357,182)
Taxes on revenues	(356,375)	(278,283)	(540,185)	(427,931)
Net revenue from hospital services	5,565,077	4,831,145	8,026,372	6,999,284

The Company has no revenues arising from customers outside Brazil.

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Notes to interim financial information (Continued)
September 30, 2018
(In thousands of reais, unless otherwise stated)

20. Costs of services provided

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Personnel	(1,545,003)	(1,427,001)	(2,296,151)	(2,042,660)
Materials and medicines	(1,033,232)	(848,510)	(1,614,735)	(1,308,272)
Third-party services	(791,854)	(585,524)	(1,354,546)	(1,114,357)
Utilities and services	(96,995)	(82,391)	(140,203)	(118,440)
Rents	(232,224)	(216,890)	(277,643)	(262,896)
Depreciation and amortization	(180,952)	(150,303)	(250,677)	(201,820)
	(3,880,260)	(3,310,619)	(5,933,955)	(5,048,445)

21. General and administrative expenses

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Personnel	(214,755)	(163,824)	(214,755)	(163,824)
Third-party services	(41,208)	(38,642)	(41,208)	(38,642)
Trips and lodging	(13,990)	(11,996)	(19,205)	(16,351)
Depreciation and amortization	(28,275)	(16,120)	(28,275)	(16,120)
Provision for contingencies	-	(2,522)	2,095	(2,706)
	(298,228)	(233,104)	(301,348)	(237,643)

22. Selling expenses

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Allowance for doubtful accounts	-	(21,861)	-	(22,810)
Marketing	(10,984)	(9,217)	(14,865)	(12,155)
	(10,984)	(31,078)	(14,865)	(34,965)

23. Other operating expenses, net

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Taxes, charges and penalties	(50,712)	(21,473)	(67,539)	(45,958)
Gain from property sales	2,940	2,940	2,940	2,940
Machinery and equipment	(11,082)	(9,072)	(15,943)	(12,948)
Freight expenses	(13,878)	(11,993)	(16,149)	(13,534)
Notary office fees and judicial expenses	(10,955)	(3,025)	(12,826)	(5,933)
Other expenses and revenues	17,922	(10,791)	23,340	(23,841)
	(65,765)	(53,414)	(86,177)	(99,274)

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Notes to interim financial information (Continued)
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(In thousands of reais, unless otherwise stated)

24. Financial income (expenses), net

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Interest on short-term investments	109,887	76,190	186,178	129,520
Net foreign exchange differences	(375,840)	7,020	(895,098)	6,981
Fair value of debt	173,106	(11,898)	173,106	(11,898)
Derivatives' fair value (swaps)	179,859	(82,414)	567,205	(82,414)
Interest and monetary variation on financing and debentures	(426,969)	(389,579)	(420,527)	(428,551)
Taxes on financial income	(9,417)	(10,264)	(14,291)	(12,995)
Other	(39,968)	(48,060)	(63,105)	(55,198)
	(389,342)	(459,005)	(466,532)	(454,555)
Total financial income	374,528	89,875	979,661	143,901
Total financial expenses	(763,870)	(548,880)	(1,446,193)	(598,456)
	(389,342)	(459,005)	(466,532)	(454,555)

25. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of issued common and preferred shares over the period, excluding common shares purchased by the Company and held as treasury shares.

	09/30/2018	09/30/2017
Income attributable to the Company's controlling shareholders	888,769	791,698
Weighted average number of common shares issued (thousands)	442,800	440,157
Basic earnings per share (in R\$)	2.0072	1.7986

b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common and preferred shares assuming the conversion of all the potentially dilutive common shares. The Company has one category of potentially dilutive common shares: the stock options.

	09/30/2018	09/30/2017
Income attributable to the Company's controlling shareholders	888,769	791,698
Weighted average number of common shares issued (thousands)	442,800	440,157
Weighted average number of shares issued (thousands)	1,534	3,075
Diluted earnings per share (in R\$)	2.0002	1.7861

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Notes to interim financial information (Continued)
September 30, 2018
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26. Financial instruments and financial risk management

26.1. Financial instruments by category

Fair value hierarchy

The financial instruments recognized at fair value may be measured at levels from 1 to 3, based on the fair value measurement, as follows:

Level 1: fair value measurement is derived from quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: fair value measurement is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: fair value measurement is derived from valuation techniques that include an asset or liability that is not included in an active market.

The following tables present breakdown of financial assets and liabilities at September 30, 2018 and December 31, 2017:

Financial assets	Company Classification by category	Fair value hierarchy	Accounting balance	
			09/30/2018	12/31/2017
Cash and cash equivalents	Fair value through P&L	Level 2	34,887	32,559
Marketable securities	Fair value through P&L	Level 2	3,743,584	1,006,117
Trade accounts receivable	Amortized cost		2,161,344	1,886,908
Dividends receivable	Amortized cost		41,195	41,195
Judicial deposits	Amortized cost		109,136	92,807
Derivatives	Fair value through P&L	Level 2	351,995	99,968
			6,442,141	3,159,554
Financial liabilities				
Trade accounts payable	Amortized cost		267,678	278,647
Loans, financing and debentures	Amortized cost (a)	Level 2	9,210,658	5,503,556
Salaries, provisions and social charges	Amortized cost		365,949	281,994
Accounts payable for acquisitions	Amortized cost		79,082	91,796
Derivatives	Fair value through P&L	Level 2	211,199	113,342
			10,134,566	6,269,335

(a) The debt installment recorded as hedge accounting is measured at fair value through P&L.

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Notes to interim financial information (Continued)
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26. Financial instruments and financial risk management (Continued)

26.1. Financial instruments by category (Continued)

		Consolidated		
Financial assets	Classification by category	Fair value hierarchy	Accounting balance	
			09/30/2018	12/31/2017
Cash and cash equivalents	Fair value through P&L	Level 2	95,113	140,383
Marketable securities	Fair value through P&L	Level 2	5,106,680	3,120,454
Trade accounts receivable	Amortized cost		3,222,673	2,836,744
Judicial deposits	Amortized cost		135,502	119,472
Derivatives	Fair value through P&L	Level 2	822,191	99,968
			9,382,159	6,317,021
<hr/>				
Financial liabilities				
Trade accounts payable	Amortized cost		548,492	475,546
Loans and financing	Amortized cost and fair value through P&L (a)	Level 2	11,676,253	7,724,551
Salaries, provisions and social charges	Amortized cost		529,733	370,030
Accounts payable for acquisitions	Amortized cost		369,177	138,504
Derivatives	Fair value through P&L	Level 2	294,049	113,342
			13,417,704	8,821,973

(a) The debt installment recorded as hedge accounting is measured at fair value through P&L.

26.2. Risk management

The Company's financial transactions are carried out through the financial team in accordance with the strategy previously approved by the Executive Board and shareholders. The Company's risk management strategies and the corresponding effects on the individual and consolidated interim financial information may be summarized as follows:

a) Capital management

The main purpose of capital management is to ensure the continuity of the business and maximize the return to shareholders.

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Notes to interim financial information (Continued)
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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

a) Capital management (Continued)

The Company uses own and third parties capital to finance its activities, and the use of third-party capital seeks to optimize its capital structure. The Company monitors its capital structure and makes adjustments according to changes in economic conditions. At September 30, 2018 and December 31, 2017, the Company has the following capital structure:

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Cash and cash equivalents	34,887	32,559	95,113	140,383
Marketable securities	3,743,584	1,006,117	5,106,680	3,120,454
	3,778,471	1,038,676	5,201,793	3,260,837
Loans, financing and debentures	(9,210,658)	(5,503,556)	(11,676,253)	(7,724,551)
Net debt	(5,432,187)	(4,464,880)	(6,474,460)	(4,463,714)
Total equity	4,826,256	4,315,842	4,964,075	4,481,144
Financial leverage ratio (%)	1.13	1.03	1.30	1.00

b) Interest rate risk

The Company has loans and financing in local currency subject particularly to CDI rate and Long-term Interest Rate (TJLP) fluctuation. The risk inherent to these liabilities arises from the possibility of fluctuation in these rates that impact the Company's cash flows.

The sensitivity analysis about interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at September 30, 2018, and Scenarios II and III take into consideration rate increase by 25% and 50%, respectively. The results, in nominal values, are as follows:

Scenarios	Scenario I current	Scenario II +25%	Scenario III +50%
CDI rate (p.a.)	6.39%	7.99%	9.59%
Projected interest expenses (*)	5,553	6,942	8,330

(*) Calculated until the end of each indexed contract.

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Notes to interim financial information (Continued)
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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

c) Credit risk

Credit risk is the risk that a counterparty to a business arrangement will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily regarding trade accounts receivable) and from its financing activities, including deposits in banks and financial institutions, exchange transactions and other financial instruments. In the case of identification of imminent risk of non-realization of these assets, the Company records provisions to bring them to their probable realizable value.

d) Liquidity risk

Liquidity risk represents the risk of cash shortage and difficulty of the Company in paying its debts. The Company seeks to align the maturity of its debts with the cash generation period to avoid any mismatch and generate the need for greater leverage.

The amounts disclosed below are projected considering inflation and interest through to maturity.

	Parent Company – 09/30/2018					Total
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Trade accounts payable	267,678	-	-	-	-	267,678
Loans, financing and debentures	350,647	338,640	1,533,844	4,408,603	3,982,060	10,613,794
Salaries, provisions and social charges	365,949	-	-	-	-	365,949
Accounts payable for acquisitions	2,193	419	20,696	65,583	-	88,891
Derivative financial instruments	8,850	9,680	1,607	81,598	109,464	211,199
Total	995,317	348,739	1,556,147	4,555,784	4,091,524	11,547,511
	Consolidated – 09/30/2018					Total
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Trade accounts payable	548,492	-	-	-	-	548,492
Loans, financing and debentures	381,046	352,396	1,553,929	5,704,513	5,542,210	13,534,094
Salaries, provisions and social charges	529,733	-	-	-	-	529,733
Accounts payable for acquisitions	26,958	419	146,344	149,076	90,973	413,770
Derivative financial instruments	51,738	49,642	1,607	81,598	109,464	294,049
Total	1,537,967	402,457	1,701,880	5,935,187	5,742,647	15,320,138

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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

d) Liquidity risk (Continued)

	Parent Company – 12/31/2017					Total
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Trade accounts payable	278,647	-	-	-	-	278,647
Loans, financing and debentures	261,512	229,420	1,270,635	3,619,058	1,505,556	6,886,181
Salaries, provisions and social charges	281,994	-	-	-	-	281,994
Accounts payable for acquisitions	15,891	3,234	20,577	58,091	12,807	110,600
Derivative financial instruments	36,170	32,342	42,766	16,643	(14,579)	113,342
Total	874,214	264,996	1,333,978	3,693,792	1,503,784	7,670,764

	Consolidated – 12/31/2017					Total
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Trade accounts payable	475,546	-	-	-	-	475,546
Loans, financing and debentures	333,712	272,856	1,321,108	4,669,681	3,273,152	9,870,509
Salaries, provisions and social charges	370,030	-	-	-	-	370,030
Accounts payable for acquisitions	16,599	10,355	20,577	108,481	12,805	168,817
Derivative financial instruments	36,170	32,342	42,766	16,643	(14,579)	113,342
Total	1,232,057	315,553	1,384,451	4,794,805	3,271,378	10,998,244

e) Foreign currency

The Company has loans and financing and trade accounts payable in foreign currency (mainly the US dollar). The risk related to those assets and liabilities arises from the possibility of the Company's incurring losses due to fluctuations in exchange rates. Liabilities in foreign currency represent 39.8% of total consolidated indebtedness at September 30, 2018 (13.9% at December 31, 2017). The Company has derivative financial instruments to hedge the foreign exchange rate fluctuation (see topic below). Management understands that the risk of exposure to foreign currency is not significant in relation to its financial position.

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Notes to interim financial information (Continued)
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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives

At September 30, 2018, the Company has swaps recorded based on fair value hedge accounting acquired to hedge the Company against financing in foreign currency. The swaps exchange the flow of interest and principal in foreign currency for CDI+ or a percentage of CDI in Brazilian reais. In addition, the Company also has other swaps that were contracted to cover exposure to indebtedness and variable interest, however they were not designated for the hedge accounting strategy. The fair value of these instruments is as follows:

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Notes to interim financial information (Continued)

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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

Description	Maturity ranges month/year	Reference value (notional value)	09/30/2018	
			Parent Company	Consolidated
			Reference value - Fair value	
Swap (CDI vs TJLP)	12/10/2018			
Long position	CDI + 2.30%			
Short position	TJLP + 7.46%	R\$ 18,750	(34)	(34)
NDF (currency)	10/15/2018			
Long position	USD	US\$ 12,109		
Short position	BRL	R\$ 50,133	1,180	1,180
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 99,186		
Short position	CDI + 1.47%	R\$ 397,129	7,632	7,632
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 114,241		
Short position	CDI + 1.62%	R\$ 457,408	5,925	5,925
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 283,387		
Short position	CDI + 1.47%	R\$ 1,134,655	21,627	21,627
Swap (currency)	11/16/2022			
Long position	USD/BRL + 2.70%	US\$ 33,918		
Short position	CDI + 1.00%	R\$ 135,806	2,232	2,232
Swap (currency)	11/16/2022			
Long position	USD/BRL + 2.70%	US\$ 8,480		
Short position	CDI + 1.23%	R\$ 33,952	339	339
Swap (currency)	11/16/2027			
Long position	USD/BRL + 6.00%	US\$ 61,990		
Short position	CDI - 1.71%	R\$ 248,204	2,404	2,404
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 74,389		
Short position	CDI + 1.47%	R\$ 297,847	5,678	5,678
Swap (currency)	11/18/2024			
Long position	EUR/BRL + 3.00%	EUR 163,021		
Short position	CDI + 2.30%	R\$ 758,780	18,836	18,836
Swap (currency)	11/18/2024			
Long position	EUR/BRL + 3.00%	EUR 40,755		
Short position	CDI + 2.46%	R\$ 189,695	4,744	4,744
Swap (currency)	04/20/2020			
Long position	USD/BRL + 3.35%	US\$ 342,540		
Short position	115% CDI	R\$ 1,371,495	39,459	39,459
Swap (currency)	08/09/2022			
Long position	USD/BRL + 0.99%	US\$ 261,458		
Short position	CDI + 1.00%	R\$ 1,046,851	62,277	62,277
Swap (currency)	04/15/2025			
Long position	USD/BRL + 3.30%	US\$ 205,500		
Short position	CDI + 2.084%	R\$ 822,803	42,830	42,830
Swap (currency)	04/15/2024			
Long position	USD/BRL + 3.00%	US\$ 328,360		
Short position	CDI + 1.68%	R\$ 1,314,721	68,789	68,789
Swap (currency)	04/15/2026			
Long position	USD/BRL + 5.50%	US\$ 124,511		
Short position	CDI + 0.25%	R\$ 498,531	10,063	10,063
Swap (currency)	01/18/2028			
Long position	USD Fixed rate + (4.95%)	US\$ 2,021,494		
Short position	BRL Fixed rate (11.82%)	R\$ 8,093,860	-	387,346

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Notes to interim financial information (Continued)
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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

Description	Maturity ranges month/year	Reference value (notional value)	09/30/2018	
			Parent Company Reference value - Fair value	Consolidated Reference value - Fair value
Swap (currency)	01/18/2028			
Long position	BRL Fixed rate (11.82%)			
Short position	CDI + 2.01%	R\$ 1,633,615	(153,185)	(153,185)
Current assets position			59,226	59,226
Noncurrent assets position			292,769	762,965
Current liabilities position			(18,530)	(101,380)
Noncurrent liabilities position			(192,669)	(192,669)
Effect on P&L for the period (fair value of derivatives - swaps)			179,859	567,205

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Notes to interim financial information (Continued)
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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

Description	Range of maturity - month/year	Reference value – (notional)	12/31/2017	
			Parent Company Reference value	Consolidated Fair value
Swap (CDI vs TJLP)	12/10/2018			
Long position	CDI + 2.30%			
Short position	TJLP + 7.46%	R\$ 18,750	(422)	(422)
Swap (currency)	04/15/2020			
Long position	LIBOR + 3.30%	US\$ 14,850		
Short position	CDI + 1.00%	R\$ 49,124	22,587	22,587
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 26,274		
Short position	CDI + 1.47%	R\$ 86,915	(9,817)	(9,817)
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 30,262		
Short position	CDI + 1.62%	R\$ 100,108	(14,124)	(14,124)
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 75,069		
Short position	CDI + 1.47%	R\$ 248,330	(28,216)	(28,216)
Swap (currency)	11/16/2022			
Long position	USD/BRL + 2.70%	US\$ 9,277		
Short position	CDI + 1.00%	R\$ 30,689	(3,909)	(3,909)
Swap (currency)	11/16/2022			
Long position	USD/BRL + 2.70%	US\$ 2,319		
Short position	CDI + 1.23%	R\$ 7,672	(1,205)	(1,205)
Swap (currency)	11/16/2027			
Long position	USD/BRL + 6.00%	US\$ 15,133		
Short position	CDI – 1.71%	R\$ 50,061	2,157	2,157
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US\$ 19,706		
Short position	CDI + 1.47%	R\$ 65,186	(7,406)	(7,406)
Swap (currency)	11/18/2024			
Long position	EUR/BRL + 3.00%	EUR 37,452		
Short position	CDI + 2.30%	R\$ 148,658	(3,888)	(3,888)
Swap (currency)	11/18/2024			
Long position	EUR/BRL + 3.00%	US\$ 9,363		
Short position	CDI + 2.46%	R\$ 37,165	(911)	(911)
Swap (currency)	04/20/2020			
Long position	USD/BRL + 3.35%	US\$ 85,544		
Short position	115% CDI	R\$ 282,978	(15,872)	(15,872)
Swap (currency)	08/09/2022			
Long position	USD/BRL + 0.99%	US\$ 65,212		
Short position	CDI + 1.00%	R\$ 215,720	15,673	15,673
Swap (currency)	04/15/2025			
Long position	USD/BRL + 3.30%	US\$ 50,490		
Short position	CDI + 2.084%	R\$ 167,021	8,944	8,944
Swap (currency)	04/15/2024			
Long position	USD/BRL + 3.00%	US\$ 80,735		
Short position	CDI + 1.68%	R\$ 267,072	13,905	13,905
Swap (currency)	04/15/2026			
Long position	USD/BRL + 5.50%	US\$ 30,428		
Short position	CDI + 0.25%	R\$ 100,655	9,130	9,130
Current assets position			9,350	9,350
Noncurrent assets position			90,618	90,618
Current liabilities position			(68,512)	(68,512)
Noncurrent liabilities position			(44,830)	(44,830)

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26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

Given the changes in market rates, these amounts may change up to early settlement or maturity of the transactions.

For derivative financial instruments, the Company considers as probable scenario (Scenario I) future exchange rates of the Brazilian real in relation to the US dollar, obtained from BM&FBOVESPA to instrument maturity, calculated on the nominal amount of the agreement.

The Company adopted the scenarios corresponding to -25% (Scenario II), -50% (Scenario III), 25% (Scenario IV) and 50% (Scenario V) in relation to the exchange rates used to determine the probable scenario.

	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Debt - International Finance Corporation (IFC)					
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Depreciation of US\$ (rate in R\$)	-	3.1531	2.1020	-	-
Appreciation of US\$ (rate in R\$)	4.2041	-	-	5.2551	6.3061
Effect on liabilities in US\$	9,804	(49,019)	(98,037)	49,019	98,037
Effect on derivatives					
Swap	623	(3,117)	(6,234)	3,117	6,234
Net effect	10,427	(52,136)	(104,271)	52,136	104,271
Debt 4131 - JP Morgan and Citibank					
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Depreciation of US\$ (rate in R\$)	-	3.1531	2.1020	-	-
Appreciation of US\$ (rate in R\$)	4.2041	-	-	5.2551	6.3061
Effect on liabilities in US\$	30,557	(152,787)	(305,574)	152,787	305,574
Effect on derivatives					
Swap	(30,557)	152,787	305,574	(152,787)	(305,574)
Net effect	-	-	-	-	-
Debt – Senior Notes					
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Depreciation of US\$ (rate in R\$)	-	3.1531	2.1020	-	-
Appreciation of US\$ (rate in R\$)	4.2041	-	-	5.2551	6.3061
Effect on liabilities in US\$	92,891	(464,457)	(928,915)	464,457	928,915
Effect on derivatives					
Swap – Senior Notes	(92,891)	464,457	928,915	(464,457)	(928,915)
Net effect	-	-	-	-	-

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27. Insurance coverage

At September 30, 2018, the Company maintains insurance coverage at amounts deemed sufficient by management to cover risks, if any, on its assets and/or liabilities.

<u>Insurance line</u>	<u>Amount insured</u>
Property risk	2,430,540
Civil Liability (D&O)	150,000
Engineering risks	128,291
General civil liability	1,500

28. Subsequent events

On October 24, 2018, Rede D'Or carried out the 14th issuance of debentures, with security interest, in the amount of R\$ 420 million, maturing on October 24, 2026. The Debentures are remunerated at the rate of 106% of the CDI, to be paid semiannually, and principal to be paid annually from 2023.