

**Interim Financial Information**  
**Rede D'Or São Luiz S.A.**

March 31, 2020  
with Independent Auditor's Review Report

# **Rede D'Or São Luiz S.A.**

## Interim financial information

March 31, 2020

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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 NBC TG 21 and IAS 34**

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## **Independent auditor's review report on interim financial information**

To the Shareholders, Board of Directors and Officers of  
**Rede D'Or São Luiz S.A.**  
Rio de Janeiro - RJ, Brazil

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Rede D'Or São Luiz S.A. (the "Company") for the quarter ended at March 31, 2020, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and 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 on the individual and consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

## **Other matters**

### **Statements of value added**

The abovementioned quarterly information includes the individual and consolidated statement of value added (SVA) for the three-month period ended March 31, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Rio de Janeiro, May 29, 2020.

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



Paulo A. Amorim de Freitas  
Accountant CRC-1RJ110480/O-1

## Rede D'Or São Luiz S.A.

### Balance sheets

March 31, 2020 and December 31, 2019

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Assets					
Current assets					
Cash and cash equivalents	4	19,878	33,580	49,344	68,684
Marketable securities	4	2,675,097	3,782,360	9,090,885	4,701,418
Trade accounts receivable	5	2,768,051	2,503,118	4,556,709	4,117,916
Inventories	6	191,559	182,844	368,095	335,481
Taxes recoverable		71,074	49,488	118,090	90,783
Derivative financial instruments	27	292,223	116,530	292,223	116,530
Related parties	7	2,613	2,423	-	-
Dividends receivable		72,993	69,657	-	275
Receivables from sale of property		18,281	40,198	18,281	40,198
Other		191,382	151,039	342,268	257,937
Total current assets		6,303,151	6,931,237	14,835,895	9,729,222
Noncurrent assets					
Related parties	7	852,256	798,347	45,876	38,876
Deposit for acquisition of building		-	-	97,644	96,588
Judicial deposits	16	142,375	137,189	196,274	185,618
Deferred income tax and social contribution	19	-	-	363,387	318,655
Derivative financial instruments	27	643,793	442,121	2,882,911	694,512
Investments in subsidiaries, affiliates and jointly-controlled entities	8	7,667,970	6,266,080	1,223,296	1,226,878
Property and equipment	9	3,054,958	3,011,742	6,704,940	6,439,385
Intangible assets	10	2,629,142	2,631,182	6,093,060	5,365,466
Right of use - lease	11	1,658,520	1,653,342	2,385,814	2,370,117
Other		56,742	53,629	139,755	134,348
Total noncurrent assets		16,705,756	14,993,632	20,132,957	16,870,443
Total assets		23,008,907	21,924,869	34,968,852	26,599,665

	Note	Parent Company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Liabilities and equity					
Current liabilities					
Trade accounts payable		<b>214,409</b>	216,267	<b>532,886</b>	498,066
Derivative financial instruments	27	<b>93,278</b>	5,591	<b>279,094</b>	92,905
Loans, financing and debentures	13	<b>561,868</b>	602,556	<b>744,030</b>	584,960
Salaries, provisions and social charges		<b>389,230</b>	343,994	<b>600,085</b>	510,293
Tax liabilities	14	<b>103,429</b>	114,647	<b>228,258</b>	313,799
Accounts payable for acquisitions	15	<b>34,096</b>	20,411	<b>169,236</b>	163,063
Dividends and interest on equity payable	18	<b>327,381</b>	264,527	<b>345,697</b>	287,394
Deferred gain on property sales	12	<b>3,920</b>	3,920	<b>3,920</b>	3,920
Lease agreements	17	<b>117,852</b>	108,724	<b>184,188</b>	171,074
Other		<b>32,843</b>	26,169	<b>64,103</b>	67,367
Total current liabilities		<b>1,878,306</b>	1,706,806	<b>3,151,497</b>	2,692,841
Noncurrent liabilities					
Derivative financial instruments	27	<b>313,053</b>	-	<b>313,053</b>	-
Loans, financing and debentures	13	<b>13,022,827</b>	12,633,669	<b>22,138,294</b>	14,821,417
Related parties	7	<b>16,085</b>	21,098	<b>350</b>	415
Tax liabilities	14	<b>83,299</b>	75,193	<b>251,794</b>	228,685
Accounts payable for acquisitions	15	<b>71,311</b>	44,227	<b>335,616</b>	299,993
Deferred income tax and social contribution	19	<b>216,045</b>	166,730	<b>355,746</b>	301,548
Provision for legal proceedings	16	<b>138,552</b>	139,749	<b>249,934</b>	227,509
Provision for losses on investments	8	<b>124,321</b>	105,334	-	-
Deferred gain on property sales	12	<b>67,393</b>	68,370	<b>67,393</b>	68,370
Lease agreements	17	<b>1,669,199</b>	1,652,691	<b>2,392,181</b>	2,356,098
Other		<b>95,785</b>	100,872	<b>165,555</b>	160,789
Total noncurrent liabilities		<b>15,817,870</b>	15,007,933	<b>26,269,916</b>	18,464,824
Equity	18				
Capital stock		<b>867,776</b>	867,776	<b>867,776</b>	867,776
Capital reserves		<b>2,366,859</b>	2,345,109	<b>2,366,859</b>	2,345,109
Treasury shares		<b>(474,462)</b>	(474,462)	<b>(474,462)</b>	(474,462)
Income reserves		<b>2,401,696</b>	2,467,483	<b>2,401,696</b>	2,467,483
Retained earnings		<b>110,468</b>	-	<b>110,468</b>	-
Other comprehensive income		<b>36,170</b>	-	<b>36,170</b>	-
Advance for future capital increase		<b>4,224</b>	4,224	<b>4,224</b>	4,224
Total equity attributable to Company shareholders		<b>5,312,731</b>	5,210,130	<b>5,312,731</b>	5,210,130
Noncontrolling interests		-	-	<b>234,708</b>	231,870
Total equity		<b>5,312,731</b>	5,210,130	<b>5,547,439</b>	5,442,000
Total liabilities and equity		<b>23,008,907</b>	21,924,869	<b>34,968,852</b>	26,599,665

See accompanying notes.

## Rede D'Or São Luiz S.A.

### Statements of income

Three-month periods ended March 31, 2020 and 2019

(In thousands of Reais, unless otherwise stated)

	Note	Parent Company		Consolidated	
		03/31/2020	03/31/2019	03/31/2020	03/31/2019
Net revenue	20	<b>1,959,027</b>	1,944,510	<b>3,299,494</b>	3,033,250
Costs of services provided	21	<b>(1,464,299)</b>	(1,337,523)	<b>(2,664,263)</b>	(2,248,760)
Gross profit		<b>494,728</b>	606,987	<b>635,231</b>	784,490
General and administrative expenses	22	<b>(146,631)</b>	(131,794)	<b>(150,031)</b>	(134,745)
Selling expenses	23	<b>(2,449)</b>	(2,453)	<b>(3,334)</b>	(3,508)
Equity pickup	8	<b>307,191</b>	70,275	<b>(8,201)</b>	7,105
Other operating income (expenses), net	24	<b>(28,350)</b>	(25,804)	<b>(63,892)</b>	(52,005)
Income before financial income (expenses) and income tax and social contribution		<b>624,489</b>	517,211	<b>409,773</b>	601,337
Financial income	25	<b>354,286</b>	157,472	<b>2,675,706</b>	212,417
Financial expenses	25	<b>(830,157)</b>	(357,815)	<b>(2,923,783)</b>	(466,380)
Income before income taxes		<b>148,618</b>	316,868	<b>161,696</b>	347,374
Income taxes	19	<b>(38,150)</b>	(60,038)	<b>(48,193)</b>	(83,507)
Net income for the period		<b>110,468</b>	256,830	<b>113,503</b>	263,867
Net income attributable to controlling shareholders		<b>110,468</b>	256,830	<b>110,468</b>	256,830
Net income attributable to noncontrolling shareholders		-	-	<b>3,035</b>	7,037
Basic earnings per share (in Reais)	26	<b>0.1253</b>	0.2914	<b>0.1253</b>	0.2914
Diluted earnings per share (in Reais)	26	<b>0.1249</b>	0.2901	<b>0.1249</b>	0.2901

See accompanying notes.

## Rede D'Or São Luiz S.A.

Statements of comprehensive income  
Three-month periods ended March 31, 2020 and 2019  
(In thousands of Reais, unless otherwise stated)

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Net income for the period	<b>110,468</b>	256,830	<b>113,503</b>	263,867
Other comprehensive income				
Cash flow hedge	<b>54,802</b>	-	<b>54,802</b>	-
Tax impacts	<b>(18,632)</b>	-	<b>(18,632)</b>	-
	<b>36,170</b>	-	<b>36,170</b>	-
Total comprehensive income	<b>146,638</b>	256,830	<b>149,673</b>	263,867
Attributable to:				
Controlling shareholders	<b>146,638</b>	256,830	<b>147,088</b>	256,830
Noncontrolling shareholders	-	-	<b>2,585</b>	7,037

See accompanying notes.



## Rede D'Or São Luiz S.A.

Statements of changes in equity  
Three-month periods ended March 31, 2020 and 2019  
(In thousands of Reais)

Description	Controlling shareholders												
	Capital reserves				Income reserves								
	Capital Stock	Capital reserve (issue of shares)	Goodwill on capital transactions	Share-based payment reserve	Treasury shares	Legal reserve	Investment reserve	Advances for future capital increase	Retained earnings	Other comprehensive income	Total equity	Noncontrolling shareholders	Total
Balances at December 31, 2018	867,776	2,335,941	(213,943)	221,784	(473,193)	8,666	1,584,264	4,224	-	-	4,335,519	192,208	4,527,727
Capital transactions at subsidiaries and acquisition of noncontrolling interests	-	(6,003)	-	-	-	-	-	-	-	-	(6,003)	5,337	(666)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,105)	(1,105)
Net income for the period	-	-	-	-	-	-	-	-	256,830	-	256,830	7,037	263,867
Share-based payment (Note 18)	-	-	-	10,164	-	-	-	-	-	-	10,164	-	10,164
Dividends and interest on equity (Note 18)	-	-	-	-	-	-	(76,122)	-	-	-	(76,122)	(2,400)	(78,522)
Balances at March 31, 2019	867,776	2,329,938	(213,943)	231,948	(473,193)	8,666	1,508,142	4,224	256,830	-	4,520,388	201,077	4,721,465
Balances at December 31, 2019	867,776	2,335,941	(254,022)	262,440	(474,462)	8,666	2,459,567	4,224	-	-	5,210,130	231,870	5,442,000
Acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	-	1,037	1,037
Share-based payment (Note 18)	-	-	-	22,500	-	-	-	-	-	-	22,500	-	22,500
Net income for the period	-	-	-	-	-	-	-	-	110,468	-	110,468	3,035	113,503
Dividends and interest on equity (Note 18)	-	-	-	-	-	-	(66,537)	-	-	-	(66,537)	(1,234)	(67,771)
Cash flow hedge (Note 18)	-	-	-	-	-	-	-	-	-	36,170	36,170	-	36,170
Balances at March 31, 2020	867,776	2,335,941	(254,022)	284,940	(474,462)	8,666	2,393,030	4,224	110,468	36,170	5,312,731	234,708	5,547,439

See accompanying notes.

## Rede D'Or São Luiz S.A.

### Statements of cash flows

Three-month periods ended March 31, 2020 and 2019

(In thousands of Reais)

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Cash flows from operating activities				
Income before income tax and social contribution	148,618	316,868	161,696	347,374
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	135,748	117,296	200,065	153,179
Gain on property sale	(977)	(980)	(977)	(980)
Fair value of debt	(84,963)	28,584	166,205	28,584
Interest, monetary and foreign exchange differences, net	519,823	118,760	94,425	209,057
Share-based payment	22,500	10,164	22,500	10,164
Provision for legal proceedings	-	-	-	368
Equity pickup	(307,191)	(70,275)	8,201	(7,105)
Provision for disallowances	103,722	104,643	209,737	187,797
(Increase) decrease in assets and liabilities				
Trade accounts receivable	(368,655)	(158,902)	(621,449)	(283,095)
Inventories	(8,715)	22,137	(27,551)	23,381
Taxes recoverable	(21,586)	19,514	(19,046)	43,549
Judicial deposits	(5,186)	(3,544)	(6,088)	(2,146)
Other assets	(27,413)	(79,553)	(32,467)	(75,793)
Trade accounts payable	(1,858)	(35,398)	27,556	(63,247)
Salaries, provisions and social charges	45,236	70,926	78,340	87,947
Tax obligations	44,999	(36,525)	(56,345)	(82,999)
Related parties	(37,633)	(106,924)	(7,065)	(2,844)
Provision for legal proceedings	(1,197)	(3,768)	(1,440)	314
Leases	(85,953)	(61,679)	(109,060)	(86,150)
Other liabilities	3,305	(10,118)	(41,241)	(12,124)
	72,624	241,226	45,996	475,231
Payment of interest	(100,224)	(165,428)	(100,274)	(198,398)
Payment of income tax and social contribution	(36,341)	(45,138)	(68,022)	(132,617)
Net cash provided by (used in) operating activities	(63,941)	30,660	(122,300)	144,216
Cash flows from investing activities				
Payment in business acquisition, net of cash acquired	(760,000)	(70,224)	(793,738)	(285,435)
Future capital contribution	(274,066)	(251,543)	(6,374)	-
Acquisitions of property and equipment	(128,505)	(116,576)	(273,298)	(367,284)
Acquisition of intangible assets	(19,599)	(26,578)	(33,331)	(25,938)
Acquisition of marketable securities	(3,593,195)	(3,312,856)	(15,875,099)	(4,717,202)
Redemptions of marketable securities	4,725,667	3,403,077	12,026,266	4,948,146
Dividends and interest on equity received	892	91,296	1,755	-
Net cash provided by (used in) investing activities	(48,806)	(283,404)	(4,953,819)	(447,713)
Cash flows from financing activities				
Payment of dividends and interest on equity	-	-	(2,449)	(3,054)
Acquisition of noncontrolling interests	-	(6,003)	-	(778)
Loans, financing and debentures raised	250,000	300,000	5,331,217	300,000
Swap settlement	44,370	19,651	1,309	(28,587)
Accounts payable for acquisitions	(111)	-	(142)	-
Repayments of loans, financing and debentures	(195,214)	(66,594)	(273,156)	(78,475)
Net cash provided by (used in) financing activities	99,045	247,054	5,056,779	189,106
Increase (decrease) in cash and cash equivalents	(13,702)	(5,690)	(19,340)	(114,391)
Cash and cash equivalents at beginning of period	33,580	47,782	68,684	192,008
Cash and cash equivalents at end of period	19,878	42,092	49,344	77,617

See accompanying notes.

## Rede D'Or São Luiz S.A.

Statements of value added  
Three-month periods ended March 31, 2020 and 2019  
(In thousands of Reais, unless otherwise stated)

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Revenue	<b>2,082,792</b>	2,069,369	<b>3,521,142</b>	3,236,928
Sales of goods, products and services	<b>2,185,537</b>	2,173,032	<b>3,729,902</b>	3,423,745
Provision for disallowances	<b>(103,722)</b>	(104,643)	<b>(209,737)</b>	(187,797)
Other income	<b>977</b>	980	<b>977</b>	980
Inputs acquired from third parties	<b>(749,510)</b>	(681,793)	<b>(1,407,377)</b>	(1,209,226)
Cost of services sold	<b>(695,881)</b>	(634,748)	<b>(1,317,321)</b>	(1,134,557)
Materials, energy, third-party services and other expenses	<b>(53,629)</b>	(47,045)	<b>(90,056)</b>	(74,301)
Loss/recovery of assets	-	-	-	(368)
Gross value added	<b>1,333,282</b>	1,387,576	<b>2,113,765</b>	2,027,702
Depreciation and amortization	<b>(135,748)</b>	(117,296)	<b>(200,065)</b>	(153,179)
Value added, net	<b>1,197,534</b>	1,270,280	<b>1,913,700</b>	1,874,523
Value added received in transfer	<b>661,477</b>	227,747	<b>2,667,505</b>	219,522
Equity pickup	<b>307,191</b>	70,275	<b>(8,201)</b>	7,105
Financial income	<b>354,286</b>	157,472	<b>2,675,706</b>	212,417
Total value added	<b>1,859,011</b>	1,498,027	<b>4,581,205</b>	2,094,045
Distribution of value added	<b>(1,859,011)</b>	(1,498,027)	<b>(4,581,205)</b>	(2,094,045)
Personnel and related charges	<b>(708,073)</b>	(652,534)	<b>(1,188,466)</b>	(1,004,853)
Taxes, charges and contributions	<b>(160,938)</b>	(183,917)	<b>(268,864)</b>	(286,205)
Interest, lease and other operating expenses	<b>(879,532)</b>	(404,746)	<b>(3,010,372)</b>	(539,120)
Dividends and interest on equity	<b>(66,537)</b>	(3,054)	<b>(66,537)</b>	(3,054)
Retained profits	<b>(43,931)</b>	(253,776)	<b>(46,966)</b>	(260,813)

See accompanying notes.

## Rede D'Or São Luiz S.A.

Notes to financial statements

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 1. Operations

Rede D'Or São Luiz S.A. ("Company" and jointly with its subsidiaries "Rede D'Or" or "Group"), headquartered at Street 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 Bahia and Sergipe, with 47 own hospitals and 3 under construction, as well as oncology, radiotherapy clinics and laboratories. Currently, the Group has 7,210 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. Starting in 2004, there have been strategic partnerships with other hospitals, increasing the range of expertise and reaching other areas in Rio de Janeiro. In 2007, Rede D'Or started operating, also through partnerships and acquisitions, in the state of Pernambuco, in 2018 in the states of Maranhão and Bahia and in 2019 in the state of Sergipe.

As from 2010, through fundraising from new shareholders, in the market and own cash generation, Rede D'Or started a strong expansion process through acquisitions and construction of new units. The main control acquisitions of hospitals and laboratories performed 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
Hospital Samer	Rio de Janeiro, RJ	2018
Hospital de Clínicas Rio Mar	Rio de Janeiro, RJ	2019
Hospital São Lucas	Aracaju, SE	2019
Hospital Avicenna	São Paulo, SP	2019
Hospital Perinatal	Rio de Janeiro, RJ	2020

## **Rede D'Or São Luiz S.A.**

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### **1. Operations (Continued)**

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

#### 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.

#### Covid-19 pandemic

Company executives are monitoring Covid-19 effects and the potential impacts on Group operations. Until March 31, 2020, no significant impacts were identified on the Company's operating profit and losses and realization of Company assets.

Due to Covid-19 pandemic, the uncertainty and volatility of the Brazilian scenario do not allow the Company to accurately estimate the effects on its operation for periods subsequent to March 31, 2020. However, potential impacts may be foreseen on hospital revenue as a result of the delay in elective surgeries. These impacts may be balanced by the increase in the number of hospitalizations and other procedures relating to Covid-19 treatments.

Management considers that the position of cash and cash equivalents and marketable securities at March 31, 2020, amounting to R\$ 9,090,885, is sufficient to comply with the financial commitments already contracted as well as with additional requirements that may arise as a result of any decrease in revenue or increase in costs by virtue of the pandemic. Furthermore, in applying to our market the projected demand to be met informed by the Ministry of Health, management believes that the Company is able to meet this demand with no higher operating risks.

### **2. Basis of preparation and presentation and summary of significant accounting practices**

This unaudited interim financial information was prepared in accordance with NBC TG 21/IAS 34 - Interim Financial Reporting.

The significant accounting policies adopted by the Group in this unaudited interim financial information are consistent with those adopted in the financial statements for the year ended December 31, 2019, disclosed on March 12, 2020, except for the inclusion of the cash flow hedge accounting policy, the first contracts of which were entered into in the quarter ended March 31, 2020.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

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

#### Cash flow hedges

The Group uses swaps to hedge against its exposure to the risk of variations in interest rates on loans in Brazilian Reais. (Note 27.2)

The effective portion of gains or losses deriving from the hedging instruments is recorded under other comprehensive income whereas any ineffective portion is posted directly to profit and losses ("P&L").

Interest relating to the hedged item and hedging instrument is recorded directly in P&L and the difference relating to fair value in other comprehensive income.

The amount accumulated in other comprehensive income is reclassified to P&L as a reclassification adjustments in the same period or periods in which the hedged cash flows affect P&L.

In case cash flow hedge accounting is discontinued, the amount accumulated under other comprehensive income will remain in other accumulated comprehensive income if the future cash flows protected by hedge are still expected to occur. Otherwise, this amount will be immediately reclassified to P&L as a reclassification adjustment. After referred to accounting is discontinued, once the hedged cash flow occurs, any amount remaining in other accumulated comprehensive income will be recorded, depending on the nature of the underlying transaction, as described above.

P&L for the three-month period ended March 31, 2020 does not necessarily indicate the P&L expected for the entire year ending December 31, 2020. 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, 2019.

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, 2019.

The authorization to complete the preparation of this financial information was provided by Company's management on May 29, 2020.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

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

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

	03/31/2020		12/31/2019	
	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")	99.99	0.01	100.00	-
UDI Córdio - Unidade de Diagnóstico e Tratamento Cardiológico Ltda.	-	100.00	-	100.00
UDI Imagem - Unidade de Diagnóstico por Imagem Ltda.	-	100.00	-	100.00
Diagno São Marcos Ltda.	-	100.00	-	100.00
Hospital São Rafael S.A.	-	80.00	-	80.00
São Lucas Médico Hospitalar S.A. (acquired in 2019)	-	75.00	-	75.00
Esperança Serviços Médicos e de Diagnósticos S.A.	-	100.00	-	100.00
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.	99.99	0.01	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
Oncobrasília - Inst. Bras. Onco Clínica Ltda.	0.10	97.91	0.10	97.91
Acreditar Oncologia S.A.	-	98.90	-	98.90
Centro de Oncologia Médica Ltda.	-	98.90	-	98.90
Onco D'Or Oncologia BA Ltda.	-	98.81	-	98.81
Onco Star SP Oncologia Ltda.	75.00	-	75.00	-
Jenner S.A.	50.00	41.25	50.00	41.25
Oncologia D'Or S.A.	7.39	83.35	7.39	83.35
Centro de Oncologia do RJ Ltda. ("Salus")	-	90.66	-	90.66
RDSL Farmácia Ltda.	-	90.74	-	90.74
Centro Médico Jabaquara S.A.	99.99	0.01	100.00	-
Maxclínicas Clínicas e Diagnósticos Ltda.	99.99	0.01	99.99	0.01
TJK Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
Centro Hospitalar São Marcos S.A.	99.99	0.01	100.00	-
Hospital Fluminense S.A.	99.99	0.01	100.00	-
Onco D'Or ABC Oncologia S.A. (former Cardial Serviços Médicos Ltda)	89.44	-	89.44	-
ONCORAD - Serviços de Radioterapia Ltda.	0.02	99.98	0.02	99.98
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.	99.99	0.01	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.	99.99	0.01	99.99	0.01
Olimpia Projeto Rua do Rocio 86 SPE S.A.	99.99	0.01	100.00	-
IFOR Empreendimentos Imobiliários S.A.	99.99	0.01	99.99	0.01

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

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

The financial statements of Rede D'Or comprise the following entities (Continued)

	03/31/2020		12/31/2019	
	Direct	Indirect	Direct	Indirect
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.	99.99	0.01	100.00	-
Rede D'Or São Luiz Soluções Saúde e Segurança	85.00	-	85.00	-
JTO Holding S.A.	97.00	-	97.00	-
JTO-Fundadores Participações Ltda.	19.30	77.60	19.30	77.60
D'Or Consultoria Corretagem, Seguros e Benefícios	-	97.00	-	97.00
D'Or MG Consultoria em Corretagem de Seguros e Benefícios Ltda.	-	97.00	-	97.00
D'Or PME Corretagem de Seguros e Serviços Online Ltda.	-	77.60	-	77.60
D'Or Rio em Corretagem de Seguros S.A.	-	72.75	-	72.75
New Trix Corretora de Seguros Ltda.	-	72.75	-	72.75
D'Or Bahia Consultoria em Corretagem de Seguros e Benefícios Ltda.	-	77.60	-	77.60
D'Or Kappius Consultoria Empresarial e Corretagem de Seguros S.A.	-	49.47	-	49.47
Coriben Consultoria de Risco, Benefícios e Corretora de Seguros Ltda. (acquired in 2019) (c)	-	49.47	-	49.47
APR Consultoria em Benefícios e Corretora de Seguros Ltda. (acquired in 2019)	-	49.47	-	49.47
D'Or Consultoria Holding Nordeste S.A. (Former GNI14 Empreendimentos Imobiliários Ltda. – created in 2019)	-	48.60	-	48.60
D'Or Saúdecorp Corretora de Seguros e Consultoria em Gestão Empresarial Ltda. (acquired in 2019)	-	75.00	-	75.00
JMS Serviços de Saúde Ltda. (acquired in 2019)	-	75.00	-	75.00
D'Or Reseda Corretora de Seguros (acquired in 2020)	-	49.47	-	-
Hospital Santa Helena S.A.	99.99	0.01	100.00	-
Prontimagem Serviços Médicos Ltda.	99.99	0.01	100.00	-
Laboratório Richet Pesquisas de Physiopathologia Humana Ltda.	-	100.00	-	100.00
GNI01 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI02 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI04 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI05 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI06 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI09 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
Memorial Star (organized in 2020)	-	50.00	-	-
GNI12 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI13 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI15 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI16 Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI17 SP Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI18 SP Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI19 RJ Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI20 RJ Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI21 RJ Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI22 SP Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI23 SP Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI24 SP Empreend. Imobiliários Ltda.	99.99	0.01	99.99	0.01



## Rede D'Or São Luiz S.A.

### Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

	03/31/2020		12/31/2019	
	Direct	Indirect	Direct	Indirect
Maximagem com Diag. por imagem Ltda.	99.99	0.01	99.99	0.01
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.	99.99	0.01	100.00	-
Svgávea Empreendimentos e Participações S.A.	-	100.00	-	100.00
Hospitais Integrados da Gávea S.A. - Clínica São Vicente	-	100.00	-	100.00
Hospital Jutta Batista	-	100.00	-	100.00
Hospital Glória D'Or	-	100.00	-	100.00
Hospital DF Star	-	100.00	-	100.00
Hospital de Clínicas Rio Mar S.A. (acquired in 2019)	-	95.31	-	95.31
Centro Médico Rio Mar S.A. (acquired in 2019)	-	95.31	-	95.31
Samer Serviços de Assistência Médica de Resende Ltda.	-	100.00	-	100.00
Keiki Empreendimentos e Participações S.A.	99.99	0.01	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	-
Califórnia Invest. Imobiliários Ltda. (acquired in 2019)	99.99	0.01	99.99	0.01
Clínica Médica São Remo Ltda. (acquired in 2019)	99.99	0.01	99.99	0.01
Policlínica Taboão (acquired in 2019)	-	100.00	-	100.00
Memorial Imagem e Diag Ltda. ("Mediavax") (b)	70.00	-	70.00	-
Hospital Avicenna S.A. (acquired in 2019)	99.99	0.01	100.00	-
Casa de Saúde Laranjeiras "Perinatal" (acquired in 2020)	99.99	0.01	-	-
CSEUN – CIA de Serviços Especiais e Unificados "Perinatal" (acquired in 2020)	99.99	0.01	-	-
Unidade Neonatal da Lagoa "Perinatal" (acquired in 2020)	99.99	0.01	-	-
Companies accounted for under the equity method in the consolidated statements				
Qualicorp Consultoria e Corretora de Seguros S.A. (acquired in 2019)	10.00	-	10.00	-
Fujidayclinic Ltda.	-	49.45	-	49.45
Acreditar Tocantins Oncologia S.A.	-	49.45	-	49.45
Centro Oncológico do Vale Ltda.	-	49.45	-	49.45
Instituto de Radioterapia do Vale do Paraíba Ltda. ("Onco São José dos Campos")	-	49.45	-	49.45
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
GGSH Part. S.A.	34.46	-	34.46	-
G2D Serviços Tecnológicos S.A. ("Boa Consulta")	15.00	-	15.00	-
Eldorado do Sul Participações Ltda.	-	33.33	-	33.33
Cárdio Pulmonar da Bahia S.A. (acquired in 2019)	-	47.66	-	47.66

- (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, Realcoris, 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 March 21, 2019, Rede D'Or acquired additional interest of 55% in Memorial Imagem e Diagnóstico Ltda. (Mediavax). As from March 2019, Mediavax began to be fully consolidated. In 2018, the investment was accounted for by the equity pickup method.
- (c) On April 25, 2019, D'Or Consultoria S.A. acquired 51% of Coriben Consultoria de Riscos, Benefícios e Corretora de Seguros Ltda. Through this acquisition, the Company's interest in JTO Holding S.A. increased by 5%.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 3. Business combination

The fair value of assets acquired and liabilities assumed as well as goodwill determined on acquisitions are as follows:

	2020		2019	
	Hospital Perinatal (a)	Hospital Avicena (a)	Hospital São Lucas (b)	Hospital Clínicas Rio Mar (b)
<b>Acquisition date</b>	<b>01/10/2020</b>	<b>06/24/2019</b>	<b>01/22/2019</b>	<b>01/18/2019</b>
<b>Location</b>	<b>RJ</b>	<b>SP</b>	<b>SE</b>	<b>RJ</b>
<b>Interest acquired (%)</b>	<b>100.00</b>	<b>100.00</b>	<b>75.00</b>	<b>95.31</b>
<b>Total consideration</b>	<b>800,000</b>	<b>72,985</b>	<b>235,500</b>	<b>85,326</b>
Payment on acquisition date	760,000	72,985	188,950	25,326
Accounts payable for acquisition (Note 15)	40,000	-	46,550	60,000
<b>Assets</b>				
Cash and cash equivalents	6,107	5,849	3,030	795
Trade accounts receivable	27,054	11,826	25,937	6,548
Inventories	5,063	732	4,362	2,803
Recoverable taxes	8,219	1,403	15,856	3,079
Judicial deposits	4,568	3,100	649	1,418
Deferred tax income and social contribution	9,616	-	2,656	8,831
Indemnification assets	23,865	5,837	-	6,255
Property and equipment	106,787	1,769	77,434	18,274
Intangible assets	2,846	-	-	197
Right of use – lease	1,475	26,577	-	-
Other	1,781	39	313	686
	<b>197,381</b>	<b>57,132</b>	<b>130,237</b>	<b>48,886</b>
<b>Liabilities</b>				
Trade accounts payable	(7,245)	(2,609)	(33,277)	(4,176)
Loans and financing	(405)	-	(21,112)	(9,982)
Salaries, provisions and social charges	(11,184)	(4,510)	(9,614)	(4,045)
Tax liabilities	(28,571)	(3,925)	(46,690)	(26,368)
Provision for contingencies	(23,865)	(5,837)	(1,207)	(7,823)
Lease	(1,575)	(26,577)	-	-
Other	(2,043)	(1,515)	(1,777)	(6,356)
	<b>(74,888)</b>	<b>(44,973)</b>	<b>(113,677)</b>	<b>(58,750)</b>
<b>Total net identifiable assets</b>	<b>122,493</b>	<b>12,159</b>	<b>16,561</b>	<b>(9,864)</b>
<b>Total net identifiable assets, noncontrolling interest</b>	<b>-</b>	<b>-</b>	<b>4,140</b>	<b>(357)</b>
<b>Goodwill on acquisition (Note 10)</b>	<b>677,507</b>	<b>60,826</b>	<b>223,079</b>	<b>94,833</b>
Contribution for the Group of revenues since the acquisition date	61,883	50,481	342,293	64,436
Contribution for the Group with income (loss) before taxes since the acquisition date	(14,704)	4,786	73,252	(20,590)
Acquiree's revenues since the beginning of year	61,883	93,371	342,293	64,436
Acquiree's income (loss) before taxes since the beginning of year	(14,704)	17,644	73,252	(20,590)

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

(b) Analysis of assets and liabilities was completed and generated an adjustment only in fair value of property and equipment, matched against goodwill, of hospitals Clínicas Rio Mar and Hospital São Lucas amounting to R\$ 11,378 and R\$ 14,792 respectively.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 3. Business combinations (Continued)

In addition to the business combinations presented above, in 2020 the Company acquired 51% of Reseda Corretora de Seguros Ltda. for R\$ 41,057, generating goodwill amounting to R\$ 41,595. In 2019, the Company acquired 100% of Clínica Médica São Remo Ltda., 51% of the additional interests of Memorial Imagem e Diagnóstico Ltda. (Mediix), 51% of Coriben Consultoria de Risco, Benefícios e Corretora de Seguro Ltda., 51% of APR Consultoria em Benefícios e Corretora de Seguros Ltda., 95% of Policlínica Taboão S.A. and 51% of SaúdeCorp de Seguros e Consultoria em Gestão Empresarial Ltda, whose goodwill amounted to R\$ 2,381, R\$ 3,570, R\$ 4,598, R\$ 6,481, R\$ 9,929 and R\$ 4,880, respectively.

Outstanding amounts payable are used as guarantees for certain liabilities assumed by sellers (e.g. occurrence of contingencies), and are payable within six years of the signature dates, restated by reference to the Interbank Deposit Certificate (CDI), Extended Consumer Price Index (IPCA), and SELIC, accounted for as Accounts payable for acquisitions (Note 15).

As part of the acquisition of Hospital São Rafael in 2018, a contingent consideration was agreed based on achieving certain financial goals in the subsequent twelve months and closing date of the operation. After this period, the parties have 150 days to realize, confirm and settle this amount. This amount was measured at R\$75 million, included in the balance of "Accounts payable for acquisitions" (Note 15).

Expenses related to business combinations totaled R\$11,608 and were recognized in P&L for 2020 (R\$18,287 in 2019).

On November 25, 2019, through the wholly-owned subsidiary Hospital Esperança S.A., Rede D'Or signed a share purchase agreement to acquire 75.0% of the shares of Hospital São Carlos S.A. ("Hospital São Carlos"), a corporation that operates a hospital located in the city of Fortaleza, state of Ceará. Completion of this transaction and control transfer is still conditional upon approval by CADE; therefore, this investment has not been yet consolidated in the financial statements.

On December 6, 2019, through the subsidiaries Hospital Alpha-Med Ltda. and Advance Planos de Saúde Ltda., Rede D'Or signed a purchase and sale agreement to acquire 100% of the shares of Hospital Santa Cruz S.A. ("Hospital Santa Cruz"), a corporation that operates a hospital located in the city of Curitiba, state of Paraná and 100% of the shares of Paraná Clínicas - Planos de Saúde S.A. ("Paraná Clínicas"). Completion of this transaction and control transfer is still conditional upon approval by the Brazilian Antitrust Agency (CADE) ; therefore, this investment has not been yet consolidated in the financial statements.

On February 20, 2020, by means of wholly-owned subsidiary Hospital Esperança S.A., Rede D'Or entered into a sale and purchase agreements referring to 80.0% of the shares of Hospital Aliança S.A. ("Hospital Aliança"), a privately-held corporation that operates a hospital located in Salvador, state of Bahia. Completion of this transaction and control transfer are still conditional upon approval by CADE; therefore, this investment has not been yet consolidated in the financial statements.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 4. Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Cash and cash equivalents				
Cash and banks	18,120	29,370	23,935	52,840
Short-term investments	1,758	4,210	25,409	15,844
Cash and cash equivalents	19,878	33,580	49,344	68,684
Marketable securities				
Non-exclusive investment funds	319,803	1,468,948	3,017,852	1,913,219
Repurchase agreements	827	16,490	33,970	20,227
Financial Treasury Bills (LFT)	1,360	17,081	2,106,546	20,108
Bank Deposit Certificates (CDBs)	2,285,547	2,279,841	3,864,957	2,747,864
Stocks	67,560	-	67,560	-
Marketable securities	2,675,097	3,782,360	9,090,885	4,701,418

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 refer to Bank Deposit Certificates (CDBs), financial treasury bills, shares and repurchase agreements backed by debentures, which are part of the "FI Plataforma" and "FIC Plataforma Star", and "Own Portfolio". Average portfolio remuneration, referring to Bank Deposit Certificates (CDB), financial treasury bills and repurchase agreements backed by debentures is of 100.7% (99.9% at December 31, 2019) of the Interbank Deposit Certificate (CDI).

### 5. Trade accounts receivable

Trade accounts receivable comprise receivables from health insurance companies and individuals, as follows:

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Accounts receivable from health insurance and health plans	3,319,532	3,067,407	5,750,027	5,280,431
Accounts receivable from individuals	64,999	60,063	95,832	87,998
Allowance for doubtful accounts and for disallowances	(616,480)	(624,352)	(1,289,150)	(1,250,513)
	2,768,051	2,503,118	4,556,709	4,117,916

#### Changes in provision for disallowances:

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Balance at beginning of year	(624,352)	(558,964)	(1,250,513)	(1,008,188)
Recognition of provision for disallowances	(103,722)	(104,643)	(209,737)	(187,797)
Write-off of uncollectible amounts	111,594	168,462	171,100	282,638
Provision arising from acquisitions	-	-	-	(15,552)
Balance at end of period	(616,480)	(495,145)	(1,289,150)	(928,899)

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 5. Trade accounts receivable (Continued)

At March 31, 2020 and December 31, 2019, the aging list of trade accounts receivable is as follows:

Parent Company									
	Total	Falling due	Overdue						
			1 - 30 days	31 - 60 days	1 - 30 days	91 - 120 days	1 - 30 days	181 - 360 days	1 - 30 days
03/31/2020	3,384,531	2,292,948	118,029	54,935	61,663	72,003	112,436	236,391	436,126
12/31/2019	3,127,470	2,098,549	107,552	82,970	58,920	59,757	81,151	222,874	415,697

  

Consolidated									
	Total	Falling due	Overdue						
			1 - 30 days	31 - 60 days	1 - 30 days	91 - 120 days	1 - 30 days	181 - 360 days	1 - 30 days
03/31/2020	5,845,859	3,694,694	241,940	107,418	134,124	148,467	236,356	470,540	812,320
12/31/2019	5,368,429	3,499,088	210,520	145,722	120,260	105,031	155,914	407,503	724,391

The Company's revenues arise from the provision of hospital services, including the use of medication 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 at an amount that reflects the consideration that an entity expects to be entitled in exchange for providing services to a customer.

The provision for disallowances and allowance for doubtful accounts are presented reducing the balance of accounts receivable and are set up at an amount considered by management to be sufficient to cover any losses on the realization of amounts billed.

The Company's criterion to recognize a provision for disallowances is to annually analyze the receipt performance of securities overdue from 360 to 720 days, a period deemed sufficient for the collection process to be exhausted. The percentage found is applied to the gross revenue recorded and recognized as a provision in current P&L, reflecting management's best expectation based on the analyzed history. The analysis is made individually by cash-generating unit, as well as the percentage recorded as a provision for disallowances in the year.

As a criterion for the recognition of an allowance for doubtful accounts, an individual analysis of receivables is performed to capture specific counterparty risks. If necessary, an allowance for doubtful accounts is recorded for the full balance of receivables outstanding of these customers.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 6. Inventories

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Medicines	60,374	45,746	150,405	130,173
Special materials	50,055	57,333	66,134	73,900
Disposable materials	50,616	49,862	72,751	70,185
Laboratory materials	1,073	1,146	3,354	4,024
Materials for use and consumption	9,329	8,623	26,365	21,778
Food items	3,339	3,336	4,384	4,073
Dressing room materials	759	769	2,071	1,902
Surgical sutures	3,889	4,004	6,056	6,136
Other	12,125	12,025	36,575	23,310
	191,559	182,844	368,095	335,481

### 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, namely: properties of the hospitals Copa D'Or, Quinta D'Or and the property of the administrative unit. The properties are leased at market value and generate impact on P&L for the three-month period ended March 31, 2020 totaled R\$5,077 (R\$5,596 at March 31, 2019). Lease agreements are restated annually by reference to the IPCA.
- (ii) *Transfers of funds between companies* - to enhance the operations of certain investees and provide funds for expansion and/or acquisitions, Management makes transfers of funds among the Group companies. The significant balances are eliminated in the consolidated financial statements. These balances are not restated, do not have a defined maturity, and their collection is expected for the subsequent fiscal year. The remaining balances in the consolidated figures refer to the transfer of funds to associates.
- (iii) *Shared services* - these are centralized services rendered by the parent company, Rede D'Or, such as legal, marketing, accounting, treasury, accounts payable and accounts receivable, which are shared among the other entities of the group and have specific apportionment criteria based on the contribution of each entity to the consolidated gross revenue.
- (iv) *Debentures* - certain subsidiaries issued nonconvertible debentures, which were acquired by the parent company. These debentures are intended to provide funds to the investees for investment in operations and expansion.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 7. Transactions with related parties (Continued)

In addition to the balances presented in the tables below, the Parent Company and subsidiary Rede D'Or Finance carried out a transaction of issue and purchase of debentures on January 17, 2018. As described in Note 13, subsidiary Rede D'Or Finance issued senior notes totaling US\$500,000, and at the same time, the Parent Company issued debentures (10<sup>th</sup> issue), which were substantially acquired by subsidiary Rede D'Or Finance.

#### Related-party balances

Company	Parent Company							
	03/31/2020				12/31/2019			
	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss
Debentures Norte D'Or (a)	2,518	25,000	-	404	555	25,000	-	1,510
Debentures São Lucas (b)	95	38,000	-	650	1,868	38,000	-	2,494
Shared services								
Medise Medicina Diagnóstico e Serviços Ltda.	-	25,701	-	2,756	-	22,950	-	11,032
Hospital Esperança S.A.	-	-	-	8,514	-	-	-	35,037
Hospital São Marcos S.A.	-	-	-	1,584	-	-	-	6,756
Hospital Norte D'Or de Cascadura S.A.	-	2,383	-	1,970	-	397	-	7,899
Rede D'Or São Luiz Serviços Médicos S.A.	-	-	-	-	-	-	-	-
J. Badim S.A.	-	7,786	-	730	-	7,342	-	1,993
Oncologia D'Or S.A.	-	2,832	-	408	-	2,424	-	1,632
Hospital Fluminense S.A.	-	-	-	1,154	-	-	-	5,090
Hospital Ribeirão Pires LTDA.	-	-	-	-	-	-	-	-
Clínica São Vicente	-	6,231	-	1,737	-	4,405	-	7,635
Hospital Memorial São José LTDA.	-	-	-	-	-	-	-	-
Hospital Santa Helena S.A.	-	-	-	4,093	-	-	-	15,142
Hospital Alpha-Med LTDA.	-	-	-	765	-	-	-	2,772
Diagno SM	-	138	-	34	-	71	-	74
URC	-	961	-	205	-	784	-	792
Hospital UDI	-	-	-	3,556	-	-	-	14,942
DF Star	-	-	-	1,166	-	-	-	-
Onco Star SP	-	1,661	-	1,661	-	-	-	-
São Lucas	-	2,892	-	2,892	-	-	-	-
São Rafael	-	6,297	-	6,297	-	-	-	-
Other	-	3,192	-	677	-	1,140	-	2,647
São Luiz Serviços Médicos S.A. (c)	-	-	4,369	-	-	-	3,267	-
Hospital Norte D'Or de Cascadura S.A. (c)	-	252	-	-	-	18	-	-
Unidade de Radiologia Clínica Ltda. (c)	-	12,399	-	-	-	12,165	-	-
Medise Medicina Diagnóstico e Serviços Ltda. (c)	-	3,878	-	-	-	2,885	-	-
PMJ Assessoria e Consultoria Financeira S.A. (c)	-	-	-	-	-	263	-	-
Jenner S.A (c)	-	2,000	-	-	-	2,000	-	-
Oncologia D'Or S.A. (c)	-	-	4,295	-	-	-	3,562	-
Hospital Fluminense S.A. (c)	-	-	1,414	-	-	-	3,131	-
Hospital Esperança S.A. (c)	-	-	-	-	-	-	1,362	-
JMJB Diagnósticos e Serviços Hospitalares S.A. (c)	-	7,578	-	-	-	7,578	-	-
Proncordis PA Cardiológico Ltda. (c)	-	709	-	-	-	709	-	-
Onco D'Or Oncologia S.A. (c)	-	47,882	-	-	-	47,882	-	-
Hospital Santa Helena S.A. (c)	-	-	199	-	-	-	3,968	-
Santa Luzia II Emp. Imobiliários Ltda. (c)	-	-	-	-	-	3,064	-	-
Opuner do Brasil Ltda. (c)	-	-	5,808	-	-	-	5,808	-
Instituto D'Or de Pesquisa e Ensino (c)	-	7,514	-	-	-	7,501	-	-
JM&AM Empreendimentos Imobiliários S.A. (d)	-	369	-	5,077	-	360	-	20,690
Onco Star SP (e)	-	594,334	-	-	-	554,006	-	-
JTO Holding S.A. (c)	-	40,948	-	-	-	36,850	-	-
Other	-	11,319	-	-	-	20,553	-	-
	2,613	852,256	16,085	46,330	2,423	798,347	21,098	138,137
								33,896

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 7. Transactions with related parties (Continued)

#### Related-party balances (Continued)

Company	Consolidated							
	03/31/2020				12/31/2019			
	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss
Shared services								
J Badim S.A.	-	7,786	-	1,993	-	7,342	-	1,993
JMJB Diagnósticos e Serviços Hospitalares S.A. (c)	-	7,578	-	-	-	7,578	-	-
Instituto D'Or de Pesquisa e Ensino (c)	-	7,514	-	-	-	7,501	-	-
J Badim S.A. (c)	-	3,062	-	-	-	2,865	-	-
JM&AM Empreendimentos Imobiliários S.A. (d)	-	369	-	5,007	-	360	-	20,690
Monte Tabor Centro Ítalo-Brasileiro de Promoção Sanitária	-	11,845	-	-	-	11,832	-	-
Other	-	7,722	350	-	-	1,398	415	-
	-	45,876	350	7,000	-	38,876	415	22,683
								4,894

- (a) On March 25, 2019, Norte D'Or conducted the third private issue of nonconvertible, single-series, registered debentures amounting to R\$10,000, maturing on March 25, 2023, all acquired by parent company Rede D'Or. The debentures are remunerated on a pro rata basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.25% p.a. Upon a 15-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement.

On August 26, 2019, Norte D'Or conducted the fourth private issue of nonconvertible, single-series, registered debentures amounting to R\$15,000, maturing on August 26, 2023, all acquired by parent company Rede D'Or. The debentures are remunerated on a pro rata basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.25% p.a. Upon a 15-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement.

- (b) On May 28, 2019, Hospital São Lucas privately issued nonconvertible, single-series, registered debentures amounting to R\$38,000, maturing on May 28, 2024, 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 2.5% p.a. Interest is payable annually, while the nominal value will be settled in full on the maturity date. There are no guarantees for the debentures.
- (c) Transfers of funds for acquisition of companies, properties, expansion of operations, among others. These balances are substantially eliminated in the consolidated financial statements. There are no maturity or monetary restatement on these balances.
- (d) Transactions referring to the lease of properties owned by the controlling shareholders of Rede D'Or.
- (e) Onco Star SP was created in 2017 and, during 2018, Rede D'Or provided resources to Onco Star to purchase machinery and equipment, as part of operational routine.

#### Key management personnel compensation

The Company considers "Key management personnel" only the members of its Statutory Board and Board of Directors. For the three-month periods ended March 31, 2020 and 2019, key management personnel compensation was as follows:

	03/31/2020	03/31/2019
Salaries and bonuses	12,752	10,089
Benefits	31	31
Share-based payment	22,500	10,164
	35,283	20,284



## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 8. Investments

#### Breakdown of changes in investments – Parent Company

Companies	12/31/2019	Equity pickup	Dividends	Acquisition of interest	Capital increase/ Advance for future capital increase	Transfer	Other	03/31/2020
Medise Medicina Diagnóstico e Serviços S.A.	219,626	3,577	-	-	-	-	-	223,203
Hospital Esperança S.A.	328,684	10,364	-	-	19,136	-	2,538	360,722
Hospital São Marcos (incluindo ágio)	108,284	4,980	-	-	1,626	-	-	114,890
PMJ Empreendimentos Imobiliários S.A.	676,666	(105)	-	-	26,213	-	-	702,774
Norte D'Or Participações S.A. (incluindo ágio)	93,371	370	-	-	-	-	-	93,741
Onco D'Or Oncologia S.A.	363,517	30,310	(452)	-	-	-	-	393,375
Jenner S.A. (incluindo ágio)	123,275	4,630	-	-	-	-	-	127,905
JMJB Diagnósticos e Serviços Hospitalares	17,713	(7,116)	-	-	-	-	-	10,597
Rodin Empreendimentos e Participações S.A.	59,063	(5)	-	-	1,234	-	-	60,292
Quinta Empreendimentos Imobiliários Ltda.	48,906	2,779	-	-	-	-	-	51,685
Hospital Fluminense S.A. (incluindo ágio)	115,909	(246)	-	-	23,207	-	-	138,870
Cardial Serviços Médicos (incluindo ágio)	64,260	2,873	-	-	-	-	-	67,133
Hospital Santa Helena S.A. (incluindo ágio)	420,403	(965)	-	-	14,350	-	-	433,788
TJK Empreendimentos Hospitalares	21,557	197	-	-	-	-	-	21,754
Villa Lobos Empreendimentos Imobiliários Ltda.	204,447	2,808	-	-	-	-	-	207,255
Santa Luzia II Empreendimentos Imobiliários Ltda.	47,172	(83)	-	-	6,093	-	-	53,182
Campinas Empreendimentos Imobiliários Ltda.	46,222	(42)	-	-	22	-	-	46,202
Sator Empreendimentos e Participações Ltda	748,040	(14,592)	-	-	81,565	-	-	815,013
Rede D'or Finance	5,082	293,758	-	-	-	-	-	298,840
Rede D'or São Luiz Serviços Médicos S.A.	98,634	1,937	-	-	2,400	-	-	102,971
GGSH Participações S.A (incluindo ágio)	53,592	3,475	(440)	-	-	-	-	56,627
Olimpia Projeto Rua do Rocio 86 SPE S.A.	315,724	-	-	-	4,522	-	-	320,246
Proncordis Pronto Atendimento Cardiológico Ltda.	11,337	(5)	-	-	228	-	-	11,560
Maximagem - Diagnóstico por Imagem Ltda. (incluindo ágio)	89,501	3,215	-	-	-	-	-	92,716
Prontimagem Serviços Médicos Ltda.	216,363	1,732	-	-	1,561	-	-	219,656
California Investimentos Imobiliários Ltda.	60,000	-	-	-	-	-	-	60,000
Hospital Avicena S.A.	74,900	1,826	-	-	6,870	-	-	83,596
Santa Luzia III	308,365	(2,807)	-	-	405	-	-	305,963
Qualicorp Consultoria e Corretora de Seguros S.A.	990,701	(1,735)	-	-	-	-	-	988,966
Clínica Médica São Remo	11,999	(1,476)	-	-	3,564	-	-	14,087
Hospital Perinatal	-	(9,712)	-	800,000	13,324	-	-	803,612
Other	322,767	(2,025)	-	-	66,007	-	-	386,749
	6,266,080	327,917	(892)	800,000	272,327	-	2,538	7,667,970
Onco Star	(87,833)	(18,169)	-	-	-	-	-	(106,002)
Centro Hospitalar São Marcos S.A.	(13,256)	(617)	-	-	-	-	-	(13,873)
Café Verde	(4,245)	(1,940)	-	-	1,739	-	-	(4,446)
	(105,334)	(20,726)	-	-	1,739	-	-	(124,321)
Equity pickup		307,191						

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

#### Breakdown of changes in investments – Parent Company (Continued)

Companies	12/31/2018	Equity pickup	Dividends	Acquisition of interest	Capital increase/ Advance for future capital increase	Other	03/31/2019
Medise Medicina Diagnóstico e Serviços S.A.	211,761	6,800	-	-	-	-	218,561
Hospital Esperança S.A.	140,130	28,801	(21,220)	-	-	-	147,711
Hospital São Marcos (incluindo ágio)	85,845	4,600	-	-	-	-	90,445
PMJ Empreendimentos Imobiliários S.A.	394,927	(93)	-	-	55,507	-	450,341
Norte D'Or Participações S.A. (incluindo ágio)	85,417	3,415	-	-	-	-	88,832
Onco D'Or Oncologia S.A.	321,160	18,407	-	-	-	-	339,567
Jenner S.A. (incluindo ágio)	113,123	3,073	-	-	-	-	116,196
JMJB Diagnósticos e Serviços Hospitalares	28,405	631	-	-	-	-	29,036
Rodin Empreendimentos e Participações S.A.	54,209	(99)	-	-	110	-	54,220
Quinta Empreendimentos Imobiliários Ltda.	51,467	2,890	(5,000)	-	-	-	49,357
Hospital Fluminense S.A. (incluindo ágio)	82,200	2,719	(22,000)	-	1,860	-	64,779
Cardial Serviços Médicos (incluindo ágio)	61,703	753	-	-	-	-	62,456
Hospital Santa Helena S.A. (incluindo ágio)	402,743	254	(25,374)	-	4,093	-	381,716
TJK Empreendimentos Imobiliários Ltda.	22,340	187	(1,569)	-	-	-	20,958
Villa Lobos Empreendimentos Imobiliários Ltda.	204,125	2,372	(9,534)	-	-	-	196,963
Santa Luzia II Empreendimentos Imobiliários Ltda.	160,633	(3,132)	-	-	52,942	-	210,443
Campinas Empreendimentos Imobiliários Ltda.	46,442	(58)	-	-	-	-	46,384
Sator Empreendimentos e Participações Ltda.	328,187	(1,290)	-	-	142,033	-	468,930
Rede D'Or Finance	5,369	-	-	-	-	-	5,369
Rede D'Or São Luiz Serviços Médicos S.A.	67,168	(1,938)	-	-	-	-	65,230
GGSH Participações S.A.	47,354	3,408	-	-	-	-	50,762
Olimpia Projeto Rua do Rocio 86 SPE S.A.	306,007	-	-	-	-	-	306,007
Proncordis Pronto Atendimento Cardiológico Ltda.	11,194	(5)	-	-	-	-	11,189
Prontimagem Serviços Médicos Ltda.	208,867	1,492	-	-	-	-	210,359
Maximagem com Diag. por imagem Ltda.	74,319	3,091	-	-	-	-	77,410
Califórnia Investimentos Imobiliários Ltda. (a)	-	-	-	60,000	-	-	60,000
Other	293,081	4,261	(6,599)	8,589	128	(6,000)	293,460
	<u>3,808,176</u>	<u>80,539</u>	<u>(91,296)</u>	<u>68,589</u>	<u>256,673</u>	<u>(6,000)</u>	<u>4,116,681</u>
Onco Star SP	(23,431)	(9,304)	-	-	-	-	(32,735)
Centro Hospitalar São Marcos S.A.	(11,595)	(8)	-	-	-	-	(11,603)
Café Verde	(1,038)	(952)	-	-	-	-	(1,990)
	<u>(36,064)</u>	<u>(10,264)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,328)</u>
Equity pickup		<u>70,275</u>					

(a) Acquisition of land through subsidiary.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

#### Breakdown of changes in investments - Consolidated

Companies	12/31/2019	Equity pickup	Dividends	Capital increase/ Advance for future capital increase	Other	03/31/2020
JMJB Diagnósticos e Serviços Hospitalares S.A.	17,713	(7,116)	-	-	-	10,597
Instituto de Radioterapia do Vale do Paraíba Ltda.	45,044	2,447	(1,315)	-	-	46,176
GGSH Participações S.A.	51,443	3,475	(440)	-	-	54,478
Qualicorp Consultoria e Corretora de Seguros S.A. (a)	990,701	(1,735)	-	-	-	988,966
Cardio Pulmonar (b)	97,098	(6,332)	-	6,374	-	97,140
Eldorado do Sul Participações Ltda.	14,756	386	-	-	-	15,142
Other	10,123	674	-	-	-	10,797
	<u>1,226,878</u>	<u>(8,201)</u>	<u>(1,755)</u>	<u>6,374</u>	<u>-</u>	<u>1,223,296</u>

Companies	12/31/2018	Equity pickup	Other	03/31/2019
JMJB Diagnósticos e Serviços Hospitalares S.A.	28,405	631	-	29,036
Instituto de Radioterapia do Vale do Paraíba Ltda.	40,134	2,678	-	42,812
GGSH Participações S.A.	47,354	3,408	-	50,762
Eldorado do Sul Participações Ltda.	14,595	256	-	14,851
Other	14,041	132	(1,049)	13,124
	<u>144,529</u>	<u>7,105</u>	<u>(1,049)</u>	<u>150,585</u>

- (a) On August 8, 2019, the Company signed a purchase agreement for acquisition of 10% of the shares of Qualicorp Consultoria e Corretora de Seguros S.A. ("Qualicorp"), a publicly-traded company that provides brokerage, agency, management and insurance consulting services, health care plans and benefits in general, for the amount of R\$990.7 million. In November 2019, all conditions precedent were met, including CADE approval, and the amount was paid in full. Based on the shareholders' agreement signed in November 2019, considering the appointments/nominations to the Executive Board and Board of Directors that the Company is entitled to, it was concluded that Rede D'or has significant influence over Qualicorp; therefore, it records the investment using the equity method. Considering that the acquisition of the investment occurred in October 2019, the Company did not recognize equity pickup until December 31, 2019, as permitted by the accounting standards, since Qualicorp's financial information is not yet available.

The amount paid is higher than Qualicorp's equity; the surplus is substantially supported by future profitability. The Company is carrying out an analysis of Qualicorp's assets and liabilities for an appropriate allocation of the amount paid and the future impact on equity pickup.

- (b) On June 3, 2019, Rede D'Or acquired shares of Córdio Pulmonar da Bahia S.A., a limited liability entity that operates a hospital in the city of Salvador, state of Bahia.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

#### Summary of information of significant subsidiaries

	03/31/2020					03/31/2019		
	% Total	% Voting	Assets	Liabilities	Equity	Operating income (expenses)	P&L for the period	P&L for the period
Parent Company - Rede D'Or São Luiz S.A.								
Direct and indirect subsidiaries								
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	98.00	98.00	810,120	573,307	236,813	5,625	3,992	7,588
Hospital Esperança S.A. ("Esperança")	100.00	100.00	4,705,140	4,454,419	250,721	35,260	(7,203)	27,553
Hospital São Marcos	100.00	100.00	265,525	166,866	98,659	5,735	4,980	4,600
PMJ Empreendimentos Imobiliários S.A.	100.00	100.00	714,338	11,440	702,898	(705)	(105)	(93)
Norte D'Or Participações S.A.	100.00	100.00	81,398	16,108	65,290	370	370	3,415
Onco D'Or Oncologia S.A.	98.90	98.90	334,037	139,190	194,847	16,393	10,035	6,664
Jenner S.A.	91.25	91.25	175,969	2,000	173,969	9,260	8,103	5,378
Rodin Empreendimentos e Participações S.A.	100.00	100.00	60,532	251	60,281	(4)	(5)	(99)
Quinta Empreendimentos Imobiliários Ltda.	100.00	100.00	55,355	3,669	51,686	3,047	2,779	2,890
Hospital Fluminense S.A.	100.00	100.00	163,742	39,781	123,961	5	(246)	2,719
Cardial Serviços Médicos Ltda.	100.00	100.00	51,374	19,908	31,466	3,860	2,873	753
Hospital Santa Helena S.A.	100.00	100.00	586,428	273,546	312,882	6,167	(965)	254
TJK Empreendimentos Imobiliários Ltda.	100.00	100.00	22,716	961	21,755	209	197	187
Villa Lobos Empreendimentos Imobiliários S.A.	100.00	100.00	208,114	859	207,255	3,162	2,808	2,372
Santa Luzia II Emp. Imobiliários Ltda.	100.00	100.00	51,028	910	50,118	(76)	(83)	(3,132)
Campinas Empreendimentos Imob.	100.00	100.00	49,876	3,670	46,206	(42)	(42)	(58)
IFOR Empreendimentos Imobiliários S.A (Park D'Or)	100.00	100.00	26	30	(4)	(1)	(1)	-
Sator Empreendimentos e Participações Ltda.	100.00	100.00	1	(93,073)	93,074	(14,592)	(14,592)	(1,290)
Rede D'Or Finance	100.00	100.00	9,667,799	9,368,958	298,841	(23)	293,758	-
Rede D'Or São Luiz Serviços Médicos S.A.	100.00	100.00	539,356	427,872	111,484	2,138	1,937	(1,938)
Olimpia Projeto Rua do Rocio 86 SPE S.A.	100.00	100.00	320,792	550	320,242	(5)	(6)	194
Onco Star SP Oncologia Ltda.	75.00	75.00	795,197	942,768	(147,571)	(31,332)	(18,169)	(a)
Proncordis Pronto Atendimento Cardiológico Ltda.	100.00	100.00	8,294	1,363	6,931	(255)	(273)	(280)
Prontimagem Serviços Médicos Ltda.	100.00	100.00	239,259	23,341	215,918	1,952	1,732	1,492
Maximagem com Diag. por Imagem Ltda.	100.00	100.00	51,394	9,195	42,199	3,582	3,215	3,091
Café Verde	100.00	100.00	2,897	7,198	(4,301)	(1,511)	(1,591)	(1,003)
Centro Hospitalar São Marcos S.A.	100.00	100.00	949	13,314	(12,365)	(616)	(617)	(8)
Hospital Avicena S.A.	100.00	100.00	68,397	43,782	24,615	3,729	1,826	(a)
Santa Luzia III Empreendimentos Imobiliários Ltda.	100.00	100.00	307,336	1,372	305,964	(2,807)	(2,807)	-
Clínica Médica São Remo	100.00	100.00	23,297	11,515	11,782	(1,134)	(1,476)	(a)
California Investimentos Imobiliários Ltda.	100.00	100.00	59,999	-	59,999	-	-	-
Hospital Perinatal (a)	100.00	100.00	193,829	69,345	124,484	(14,202)	(9,712)	(a)

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

#### Summary of information of affiliates and jointly-controlled entities

	03/31/2020					03/31/2019		
	% Total	% Voting	Assets	Liabilities	Equity	Operating income (expenses)	P&L for the period	P&L for the period
Companies recognized by the equity pickup method in the consolidated financial information								
Instituto de Radioterapia do Vale do Paraíba Ltda.	50.00	50.00	42,725	24,799	17,926	4,903	2,447	2,678
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	50.00	30,677	9,364	21,313	(14,293)	(7,116)	631
GGSH Participações S.A.	34.46	34.46	214,339	67,373	146,966	10,817	3,475	3,408
Eldorado do Sul Participações Ltda.	33.33	33.33	21,747	-	21,747	1,158	386	256
Cárdio Pulmonar da Bahia S.A.	47.66	47.66	310,842	230,036	80,806	(3,943)	(6,332)	(a)
Qualicorp Consultoria e Corretora de Seguros S.A. (a)	10.00	10.00	3,380,063	1,953,226	1,426,837	1,623,526	(b)	(a)

(a) Companies acquired after the comparative period presented; as such, P&L for the period did not correspond to the Company.

(b) The financial information as at March 31, 2020 of Qualicorp is not available yet; therefore, management used information publicly available.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 9. Property and equipment

#### Breakdown of balances

Description	Depreciation rate	Parent Company					
		03/31/2020			12/31/2019		
		Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	1,047,006	(627,950)	419,056	1,016,968	(602,986)	413,982
Surgical instruments	20%	60,066	(32,022)	28,044	56,636	(30,924)	25,712
Machinery and equipment	7% to 10%	378,380	(252,629)	125,751	365,199	(239,352)	125,847
Buildings	2,5% to 4%	632,620	(129,035)	503,585	632,620	(122,878)	509,742
Improvements in own buildings	4%	308,083	(67,624)	240,459	307,985	(59,848)	248,137
Leasehold improvements	3% to 4%	1,382,401	(363,828)	1,018,573	1,376,086	(350,047)	1,026,039
Furniture and fixtures	10%	166,124	(93,684)	72,440	161,979	(89,277)	72,702
Vehicles	20%	4,199	(3,499)	700	4,199	(3,407)	792
Facilities	10%	121,838	(50,182)	71,656	120,215	(47,824)	72,391
Land	-	146,051	-	146,051	167,530	-	167,530
Construction in progress	-	420,492	-	420,492	340,669	-	340,669
Other	5% to 10%	13,396	(5,245)	8,151	13,349	(5,150)	8,199
		<b>4,680,656</b>	<b>(1,625,698)</b>	<b>3,054,958</b>	<b>4,563,435</b>	<b>(1,551,693)</b>	<b>3,011,742</b>

  

Description	Depreciation rate	Consolidated					
		03/31/2020			12/31/2019		
		Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	1,741,907	(798,141)	943,766	1,671,003	(755,340)	915,663
Surgical instruments	20%	104,584	(39,265)	65,319	93,411	(37,170)	56,241
Machinery and equipment	7% to 10%	626,173	(363,491)	262,682	595,331	(341,732)	253,599
Buildings	2,5% to 4%	1,789,079	(212,969)	1,576,110	1,748,938	(196,366)	1,552,572
Improvements in own buildings	4%	380,576	(73,562)	307,014	347,774	(64,500)	283,274
Leasehold improvements	3% to 4%	1,773,669	(495,273)	1,278,396	1,758,428	(475,298)	1,283,130
Furniture and fixtures	10%	262,170	(132,728)	129,442	247,265	(125,424)	121,841
Vehicles	20%	17,680	(10,121)	7,559	17,646	(8,830)	8,816
Facilities	10%	184,585	(84,260)	100,325	181,076	(80,408)	100,668
Land	-	943,203	-	943,203	936,739	-	936,739
Construction in progress	-	1,043,300	-	1,043,300	880,550	-	880,550
Other	5% to 10%	54,759	(6,935)	47,824	53,107	(6,815)	46,292
		<b>8,921,685</b>	<b>(2,216,745)</b>	<b>6,704,940</b>	<b>8,531,268</b>	<b>(2,091,883)</b>	<b>6,439,385</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Parent Company

	12/31/2019	Additions	Sales/ disposals	03/31/2020
<b>Cost</b>				
Hospital machinery and equipment	1,016,968	30,038	-	1,047,006
Surgical instruments	56,636	3,430	-	60,066
Machinery and equipment	365,199	13,181	-	378,380
Buildings	632,620	-	-	632,620
Improvements in own buildings	307,985	98	-	308,083
Leasehold improvements	1,376,086	6,315	-	1,382,401
Furniture and fixtures	161,979	4,145	-	166,124
Vehicles	4,199	-	-	4,199
Facilities	120,215	1,623	-	121,838
Land	167,530	-	(21,479)	146,051
Construction in progress	340,669	79,823	-	420,492
Other	13,349	47	-	13,396
	<u>4,563,435</u>	<u>138,700</u>	<u>(21,479)</u>	<u>4,680,656</u>
<b>Depreciation</b>				
Hospital machinery and equipment	(602,986)	(24,964)	-	(627,950)
Surgical instruments	(30,924)	(1,098)	-	(32,022)
Machinery and equipment	(239,352)	(13,277)	-	(252,629)
Buildings	(122,878)	(6,157)	-	(129,035)
Improvements in own buildings	(59,848)	(7,776)	-	(67,624)
Leasehold improvements	(350,047)	(13,781)	-	(363,828)
Furniture and fixtures	(89,277)	(4,407)	-	(93,684)
Vehicles	(3,407)	(92)	-	(3,499)
Facilities	(47,824)	(2,358)	-	(50,182)
Other	(5,150)	(95)	-	(5,245)
	<u>(1,551,693)</u>	<u>(74,005)</u>	<u>-</u>	<u>(1,625,698)</u>
Property and equipment, net	<u>3,011,742</u>	<u>64,695</u>	<u>(21,479)</u>	<u>3,054,958</u>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Parent Company (Continued)

	<b>12/31/2018</b>	<b>Additions</b>	<b>03/31/2019</b>
<b>Cost</b>			
Hospital machinery and equipment	923,373	25,904	949,277
Surgical instruments	48,994	540	49,534
Machinery and equipment	315,354	14,755	330,109
Buildings	595,058	1,239	596,297
Improvements in own buildings	169,801	42	169,843
Leasehold improvements	1,131,558	3,795	1,135,353
Furniture and fixtures	140,496	4,660	145,156
Vehicles	3,988	55	4,043
Facilities	110,470	3,505	113,975
Land	155,530	-	155,530
Construction in progress	501,378	72,367	573,745
Other	12,430	73	12,503
	<b>4,108,430</b>	<b>126,935</b>	<b>4,235,365</b>
<b>Depreciation</b>			
Hospital machinery and equipment	(509,296)	(23,417)	(532,713)
Surgical instruments	(25,990)	(1,382)	(27,372)
Machinery and equipment	(191,814)	(11,757)	(203,571)
Buildings	(99,790)	(6,824)	(106,614)
Improvements in own buildings	(35,994)	(4,318)	(40,312)
Leasehold improvements	(297,415)	(11,787)	(309,202)
Furniture and fixtures	(74,144)	(3,644)	(77,788)
Vehicles	(3,081)	(93)	(3,174)
Facilities	(38,228)	(2,770)	(40,998)
Other	(4,836)	(60)	(4,896)
	<b>(1,280,588)</b>	<b>(66,052)</b>	<b>(1,346,640)</b>
Property and equipment, net	<b>2,827,842</b>	<b>60,883</b>	<b>2,888,725</b>



## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Consolidated

	12/31/2019	Additions	Business combinations	03/31/2020
<b>Cost</b>				
Hospital machinery and equipment	1,671,003	60,060	10,844	1,741,907
Surgical instruments	93,411	11,173	-	104,584
Machinery and equipment	595,331	20,177	10,665	626,173
Buildings	1,748,938	2,099	38,042	1,789,079
Improvements in own buildings	347,774	1,393	31,409	380,576
Leasehold improvements	1,758,428	14,398	843	1,773,669
Furniture and fixtures	247,265	7,076	7,829	262,170
Vehicles	17,646	-	34	17,680
Facilities	181,076	3,072	437	184,585
Land	936,739	-	6,464	943,203
Construction in progress	880,550	162,392	358	1,043,300
Other	53,106	1,653	-	54,759
	<b>8,531,267</b>	<b>283,493</b>	<b>106,925</b>	<b>8,921,685</b>
<b>Depreciation</b>				
Hospital machinery and equipment	(755,340)	(42,801)	-	(798,141)
Surgical instruments	(37,170)	(2,095)	-	(39,265)
Machinery and equipment	(341,732)	(21,759)	-	(363,491)
Buildings	(196,366)	(16,603)	-	(212,969)
Improvements in own buildings	(64,500)	(9,062)	-	(73,562)
Leasehold improvements	(475,298)	(19,975)	-	(495,273)
Furniture and fixtures	(125,424)	(7,304)	-	(132,728)
Vehicles	(8,830)	(1,291)	-	(10,121)
Facilities	(80,408)	(3,852)	-	(84,260)
Other	(6,815)	(120)	-	(6,935)
	<b>(2,091,883)</b>	<b>(124,862)</b>	<b>-</b>	<b>(2,216,745)</b>
Property and equipment, net	<b>6,439,384</b>	<b>158,631</b>	<b>106,925</b>	<b>6,704,940</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Consolidated (Continued)

	12/31/2018	Additions	Business combinations	03/31/2019
<b>Cost</b>				
Hospital machinery and equipment	1,204,717	96,792	6,700	1,308,209
Surgical instruments	57,586	78	-	57,664
Machinery and equipment	474,285	22,666	18,079	515,030
Buildings	1,067,049	52,436	34,696	1,154,181
Improvements in own buildings	184,234	42	4	184,280
Leasehold improvements	1,432,885	5,612	-	1,438,497
Furniture and fixtures	195,542	6,401	4,721	206,664
Vehicles	4,717	95	-	4,812
Facilities	167,142	4,626	746	172,514
Land	802,896	60,000	1,095	863,991
Construction in progress	1,016,424	187,519	7,479	1,211,422
Other	49,338	1,376	1,736	52,450
	<u>6,656,815</u>	<u>437,643</u>	<u>75,256</u>	<u>7,169,714</u>
<b>Depreciation</b>				
Hospital machinery and equipment	(608,634)	(32,135)	-	(640,769)
Surgical instruments	(30,342)	(1,909)	-	(32,251)
Machinery and equipment	(265,693)	(17,729)	-	(283,422)
Buildings	(140,907)	(12,658)	-	(153,565)
Improvements in own buildings	(38,636)	(4,529)	-	(43,165)
Leasehold improvements	(401,454)	(15,873)	-	(417,327)
Furniture and fixtures	(99,936)	(6,653)	-	(106,589)
Vehicles	(4,717)	(5)	-	(4,722)
Facilities	(65,273)	(4,169)	-	(69,442)
Other	(6,392)	(75)	-	(6,467)
	<u>(1,661,984)</u>	<u>(95,735)</u>	<u>-</u>	<u>(1,757,719)</u>
Property and equipment, net	<u>4,994,831</u>	<u>341,908</u>	<u>75,256</u>	<u>5,411,995</u>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

The main changes in the three-month period ended March 31, 2020 and 2020 were as follow:  
2020

- (i) Acquisition of Hospital Perinatal.
- (ii) Land lots sold by the parent company to subsidiary GNI15 Empreend. Imobiliários Ltda. for R\$21,479.
- (iii) Hospital machinery and equipment purchased as part of Company operating routine and refurbishment and remodeling of Hospital Sino, Hospital Glória D'Or, Hospital São Rafael, Hospital UDI and Onco Star.

2019

- (i) Acquisition of Hospital Rio Mar, Hospital São Lucas, Hospital Aviccena and Policlínica Tabão.
- (ii) Acquisition of land through acquisition of Califórnia Investimentos Imobiliários for R\$60,000.
- (iii) Acquisition of hospital machinery and equipment as part of the Company's operational routine, and reformulation and remodeling of Hospital Niterói D'Or, Hospital Bartira, Hospital DF Star, Hospital Glória D'Or, and Onco Star;

#### Capitalized borrowing costs

The Company capitalizes borrowings costs attributable to qualifying assets. In March 31, 2020, the amount of R\$10,195 of interest on loans and financing were capitalized to property and equipment, net of financial income arising from fundraising (R\$10,359 in March 31, 2019).

#### Impairment analysis of property and equipment

Management has assessed the existence of events or changes in economic, operational or technological circumstances and has not identified any evidence that could indicate deterioration or impairment loss on property and equipment.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 10. Intangible assets

	Annual amortization rate	Parent Company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Finite useful life					
Software	20%	240,555	242,594	262,292	267,562
Exclusive agreements	20%	42,471	42,472	173,281	160,178
Indefinite useful life					
Goodwill					
Acquisition of do Copa D'Or		80,058	80,058	80,058	80,058
Acquisition of do HMSL		668,339	668,339	668,339	668,339
Acquisition of do 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 Acreditar		-	-	155,720	155,720
Acquisition of Memorial São Jose		112,528	112,528	112,528	112,528
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		129,739	129,739	129,739	129,739
Acquisition of NEOH		-	-	33,422	33,422
Acquisition of JTO		-	-	12,567	12,567
Acquisition of Salus		-	-	8,956	8,956
Acquisition of Prontimagem		-	-	6,220	6,220
Acquisition of Sator		-	-	163,089	163,089
Acquisition of Hospital São Rafael		-	-	509,363	509,363
Acquisition of Laboratório Richet		-	-	184,232	184,232
Acquisition of UDI		-	-	335,883	335,883
Acquisition of Samer		-	-	70,939	70,939
Acquisition of do Hospital Rio Mar		-	-	94,833	94,833
Acquisition of do Hospital São Lucas		-	-	223,079	223,079
Acquisition of do Hospital Aviccena		-	-	60,826	60,109
Acquisition of Perinatal		-	-	677,507	-
Acquisition of Reseda		-	-	41,595	-
Other goodwill		48,649	48,649	126,731	126,789
Trademarks and patents (a)		190,810	190,810	190,810	190,810
		<b>2,629,142</b>	<b>2,631,182</b>	<b>6,093,060</b>	<b>5,365,466</b>

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

The goodwill balances were generated on business combinations. The acquisitions occurred in 2020 and 2019 are described in Note 3.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 10. Intangible assets (Continued)

#### Goodwill impairment testing

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 based on value in use calculations. The 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 Company and is derived from its weighted average cost of capital (WACC - Actual). Actual WACC considers 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 Company 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. At December 31, 2019, the discount rate used for determining the value in use of the CGU was 8.01% (13.25% in 2018 and 11.44% in 2017) and perpetuity was 3.5%. Management determined projected gross margin based on past performance and its expectation for market development. The discount rate used corresponds to the pre-tax rate and reflects sector specific risks.

There is no indication of impairment of intangible assets as of the present date.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
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### 11. Right of use

#### Balance breakdown

Description	Parent Company					
	03/31/2020			12/31/2019		
	Cost	Amortization	Net	Cost	Amortization	Net
Hospital machinery and equipment	48,698	(6,372)	42,326	47,625	(5,055)	42,570
Buildings	1,807,524	(191,330)	1,616,194	1,763,315	(152,543)	1,610,772
	<b>1,856,222</b>	<b>(197,702)</b>	<b>1,658,520</b>	<b>1,810,940</b>	<b>(157,598)</b>	<b>1,653,342</b>

  

Description	Consolidated					
	03/31/2020			12/31/2019		
	Cost	Amortization	Net	Cost	Amortization	Net
Hospital machinery and equipment	76,213	(10,614)	65,599	71,108	(8,224)	62,884
Buildings	2,538,201	(217,986)	2,320,215	2,480,750	(173,517)	2,307,233
	<b>2,614,414</b>	<b>(228,600)</b>	<b>2,385,814</b>	<b>2,551,858</b>	<b>(181,741)</b>	<b>2,370,117</b>

#### Changes in Parent Company

	12/31/2019	Additions (a)	Amortization	03/31/2020
<b>Cost</b>				
Hospital machinery and equipment	47,625	1,073	-	48,698
Buildings	1,763,315	44,209	-	1,807,524
	<b>1,810,940</b>	<b>45,282</b>	<b>-</b>	<b>1,856,222</b>
<b>Amortization</b>				
Hospital machinery and equipment	(5,055)	-	(1,317)	(6,372)
Buildings	(152,543)	-	(38,787)	(191,330)
	<b>(157,598)</b>	<b>-</b>	<b>(40,104)</b>	<b>(197,702)</b>
Right of use, net	<b>1,653,342</b>	<b>45,282</b>	<b>(40,104)</b>	<b>1,658,520</b>

	First-time adoption - 01/01/2019	Amortization	03/31/2019
<b>Cost</b>			
Hospital machinery and equipment	21,483	-	21,483
Buildings	1,703,756	-	1,703,756
	<b>1,725,239</b>	<b>-</b>	<b>1,725,239</b>
<b>Amortization</b>			
Hospital machinery and equipment	-	(786)	(786)
Buildings	-	(34,933)	(34,933)
	<b>-</b>	<b>(35,719)</b>	<b>(35,719)</b>
Right of use, net	<b>1,725,239</b>	<b>(35,719)</b>	<b>1,689,520</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

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### 11. Right of use (Continued)

#### Changes in Consolidated

	12/31/2019	Additions (a)	Business combination	Amortization	03/31/2020
<b>Cost</b>					
Hospital machinery and equipment	71,108	5,105	-	-	76,213
Buildings	2,480,750	55,976	1,475	-	2,538,201
	2,551,858	61,081	1,475	-	2,614,414
<b>Amortization</b>					
Hospital machinery and equipment	(8,224)	-	-	(2,390)	(10,614)
Buildings	(173,517)	-	-	(44,469)	(217,986)
	(181,741)	-	-	(46,859)	(228,600)
Right of use, net	2,370,117	61,081	1,475	(46,859)	2,385,814

	First-time adoption - 01/01/2019	Amortization	03/31/2019
<b>Cost</b>			
Hospital machinery and equipment	28,452	-	28,452
Buildings	2,283,622	-	2,283,622
	2,312,074	-	2,312,074
<b>Amortization</b>			
Hospital machinery and equipment	-	(1,035)	(1,035)
Buildings	-	(45,757)	(45,757)
	-	(46,792)	(46,792)
Right of use, net	2,312,074	(46,792)	2,265,282

(a) Additions referring to new agreements and renewals due to maturity.

The rights of use are amortized during the lease agreement term and take into consideration the expected renewal, when the management intends to exercise this right, and in accordance with the terms of the agreements.

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Notes to financial statements (Continued)

March 31, 2020

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### 12. 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 March 31, 2020, the deferred gain balance is broken down as follows:

	<b>Parent Company and Consolidated</b>	
	<b>03/31/2020</b>	<b>12/31/2019</b>
Caxias D'Or	<b>32,263</b>	32,690
Hospital Brasil	<b>39,050</b>	39,600
	<b>71,313</b>	72,290
Current	<b>3,920</b>	3,920
Noncurrent	<b>67,393</b>	68,370



## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 13. Loans, financing and debentures

Operation/Instruments	Indexes	Spread	Curren cy	Principal (R\$)	Beginning	Maturity	Amortization	Guarantees	Parent Company		Consolidated	
									03/31/2020	12/31/2019	03/31/2020	12/31/2019
FINEP/BNDES	TJLP/FIXED											
IFC III A1 Loan (a)	RATE	0.5%/4.1%	R\$	170,252	feb/15	sep/24	Monthly	Surety bond	109,568	115,680	110,742	116,994
	LIBOR	3.30%	US\$	157,685	may/17	apr/25	Semiannual	n/a	226,334	172,558	226,334	172,558
IFC III A2 Loan	LIBOR	3.30%	US\$	157,685	may/17	apr/26	Semiannual	Shares and receivables	158,209	154,740	158,209	154,740
IFC III B Loan (a)	LIBOR	3.00%	US\$	252,296	may/17	apr/24	Semiannual	n/a	347,708	264,561	347,708	264,561
IFC III C Loan (a)	LIBOR	5.50%	US\$	94,611	may/17	apr/26	Bullet	n/a	164,589	125,568	164,589	125,568
JP Morgan (a)	FIXED RATE	3.35%	US\$	300,000	apr/16	apr/20	Quarterly	n/a	89,106	137,998	89,106	137,998
Citibank II (a)	LIBOR	0.46%	US\$	301,200	nov/18	nov/23	Bullet	n/a	412,229	322,843	412,229	322,843
	CID/FIXED							Fiduciary alienation and receivables				
Other	RATE	-	R\$	n/a	n/a	may/21	Monthly	n/a	-	-	2,204	2,844
Debentures - 3 <sup>rd</sup> issuance	100% do ID	2.30%	R\$	650,000	dec/11	dec/20	Monthly	n/a	96,724	128,916	96,724	128,916
Debentures - 3 <sup>rd</sup> issuance – Esperança	110.85% do ID	-	R\$	1,000,000	aug/17	aug/24	Semiannual	n/a	-	-	996,482	1,009,879
Debentures - 4 <sup>th</sup> issuance – Esperança (b)	100% do ID	1.27%	R\$	1,000,000	feb/18	dec/25	Semiannual	n/a	-	-	1,006,376	990,963
Debentures - 10 <sup>th</sup> issuance (a)	FIXED RATE	11.82%	R\$	1,628,100	jan/18	jan/28	Bullet	n/a	1,953,227	2,085,907	32,460	33,397
Debentures - 13 <sup>th</sup> issuance (b)	100% do ID	1.02%	R\$	1,400,000	sep/18	sep/24	Annual	n/a	1,387,976	1,409,222	1,387,976	1,409,222
Debentures - 14 <sup>th</sup> issuance (b)	106% do ID	-	R\$	500,000	oct/18	oct/26	Annual	Property	504,179	498,567	504,179	498,567
Debentures - 17 <sup>th</sup> issuance 3 <sup>rd</sup> series	100% do ID	0.79%	R\$	1,000,000	jun/19	jun/29	Annual	n/a	1,001,752	989,286	1,001,752	989,286
Debentures - 17 <sup>th</sup> issuance 2 <sup>nd</sup> series (b)	100% do ID	1.25%	R\$	2,500,000	dec/19	dec/26	Annual	n/a	2,509,668	2,475,662	2,509,668	2,475,662
Senior Notes I (a)	FIXED RATE	4.95%	US\$	1,596,400	jan/18	jan/28	Bullet	n/a	-	-	2,949,186	2,217,662
Senior Notes II (a) / (c)	FIXED RATE	4.50%	US\$	5,062,504	jan/20	jan/30	Bullet	n/a	-	-	6,262,974	-
Promissory note - 3 <sup>rd</sup> issuance	112.5% do ID	-	R\$	1,000,000	apr/18	apr/23	Bullet	n/a	1,119,252	1,109,662	1,119,252	1,109,662
Promissory note - 4 <sup>th</sup> issuance	103.0% do ID	-	R\$	800,000	sep/19	sep/22	Bullet	n/a	812,289	806,102	812,289	806,102
Promissory note 5 <sup>th</sup> issuance (d)	100% do ID	2.5%	R\$	250,000	mar/20	mar/23	Annual	n/a	247,261	-	247,261	-
Mortgage-backed Securities (CRIs) - 1 <sup>st</sup> issuance	99% do ID	-	R\$	662,837	mar/18	mar/23	Bullet	n/a	657,892	666,042	657,892	666,042
Mortgage-backed Securities (CRIs) - 2 <sup>nd</sup> issuance	IPCA	6.06%	R\$	300,000	jul/18	jul/25	Bullet	n/a	318,989	319,013	318,989	319,013
Mortgage-backed Securities (CRIs) - 3 <sup>rd</sup> issuance 1 <sup>st</sup> series	96.5% do ID	-	R\$	227,051	dec/18	dec/23	Bullet	n/a	227,392	225,015	227,392	225,015
Mortgage-backed Securities (CRIs) - 3 <sup>rd</sup> issuance 2 <sup>nd</sup> series	IPCA	4.65%	R\$	372,949	dec/18	dec/25	Bullet	n/a	392,903	382,530	392,903	382,530
Mortgage-backed Securities (CRIs) - 4 <sup>th</sup> issuance 1 <sup>st</sup> series	95.75% do ID	-	R\$	269,900	feb/19	feb/23	Bullet	n/a	268,404	272,073	268,404	272,073
Mortgage-backed Securities (CRIs) - 4 <sup>th</sup> issuance 2 <sup>nd</sup> series	IPCA	3.93%	R\$	30,100	feb/19	feb/26	Bullet	n/a	31,250	31,085	31,250	31,085
Mortgage-backed Securities (CRIs) - 5 <sup>th</sup> issuance	IPCA	3.45%	R\$	538,328	sep/19	aug/29	Annual	n/a	547,794	543,195	547,794	543,195
									13,584,695	13,236,225	22,882,324	15,406,377
									Current	561,868	602,556	744,030
									Noncurrent	13,022,827	12,633,669	14,821,417

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 13. Loans, financing and debentures (Continued)

- (a) As mentioned in Note 27, 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) As mentioned in Note 27, the Group contracts derivative financial instruments to hedge foreign exchange variation and adopted cash flow hedge accounting as accounting practice; therefore, these debts are recorded at fair value, their effective portion in other comprehensive income and any ineffective portion and interest in P&L.
- (c) On January 22, 2020, Rede D'Or, by means of wholly-owned subsidiary Rede D'Or Finance, a privately-held corporation located in Luxemburg, conducted the 2<sup>nd</sup> issue of senior notes, amounting to US\$ 850 million, subject to interest of 4.50% p.a. and maturing on January 22, 2030. Interest will be paid on a semi-annual basis as from July 22, 2020 and principal in a single installment on January 22, 2030. On February 13, 2020, Rede D'Or Finance reopened the 2<sup>nd</sup> issue of senior notes and issued additional US\$ 350 million with the same characteristics as the initial issue. Concomitantly, the Company, by means of subsidiary Rede D'Or Finance, entered into a transaction to hedge against exchange and interest rate variation (from fixed to floating).
- (d) On March 27, 2020, Rede D'Or conducted the 5<sup>th</sup> issue of commercial promissory notes, amounting to R\$250 million, in 3 series, maturing on March 27, 2021, March 27, 2022 and March 27, 2023, respectively, subject to interest equivalent to 100.0% of CDI plus 2.50% p.a., paid in a single installment on the maturity date of each series. 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.

The costs related to the issuance of loans, financing and debentures, in the amount of R\$92,740 at March 31, 2020 (R\$153,586 at December 31, 2019), were 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 December 31, 2019, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2021	157,501	2021	280,011
2022	1,000,592	2022	1,494,197
2023	3,865,621	2023	4,359,074
2024	1,676,433	2024	2,169,872
2025	1,821,544	2025	2,066,806
2026	1,065,633	2026	1,062,736
2027	507,099	2027	504,201
2028 to 2030	2,928,404	2028 to 2030	10,201,397
	<b>13,022,827</b>		<b>22,138,294</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
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### 14. Tax liabilities

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	<b>3,107</b>	3,494	<b>9,937</b>	6,091
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	<b>22,944</b>	26,114	<b>40,261</b>	45,465
Service Tax (ISS)	<b>49,280</b>	40,612	<b>121,889</b>	100,530
Withholding Income Tax (IRRF)	<b>6,992</b>	11,323	<b>8,969</b>	16,584
Income tax	-	-	-	52,810
Social contribution	-	-	-	12,155
Other	<b>17,551</b>	17,439	<b>33,596</b>	32,268
Tax refinancing programs:				
Tax on services (ISS)	<b>7,641</b>	8,754	<b>38,802</b>	41,628
Refinancing - Law No. 11.941/09	<b>11,747</b>	12,973	<b>26,388</b>	29,007
Social security payable (a)	<b>48,079</b>	49,022	<b>152,837</b>	155,113
Other	<b>19,387</b>	20,109	<b>47,373</b>	50,833
	<b>186,728</b>	189,840	<b>480,052</b>	542,484
Current	<b>103,429</b>	114,647	<b>228,258</b>	313,799
Noncurrent	<b>83,299</b>	75,193	<b>251,794</b>	228,685

At March 31, 2020, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2021	<b>13,839</b>	2021	<b>37,244</b>
2022	<b>11,064</b>	2022	<b>29,031</b>
2023	<b>9,286</b>	2023	<b>23,811</b>
2024	<b>9,285</b>	2024	<b>23,303</b>
2025 to 2030	<b>39,825</b>	2025 to 2030	<b>138,405</b>
	<b>83,299</b>		<b>251,794</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

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### 15. Accounts payable for acquisitions

Acquisitions	Restatement index	Parent Company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Ribeirão Pires	CDI	22,665	22,438	22,665	22,438
IFOR	CDI	13,249	13,115	13,249	13,115
Alphamed	CDI	7,698	7,621	7,698	7,621
Oncologia RJ	CDI	-	-	44,844	44,394
Salus	IPCA	-	-	5,430	5,370
Sator	SELIC	18,141	17,958	18,141	17,958
UDI	CDI	-	-	33,933	33,592
São Rafael	SELIC	-	-	185,727	183,860
Richet	CDI	-	-	9,369	9,275
Samer	CDI	-	-	8,421	8,336
Hospital Rio Mar	IPCA	-	-	66,628	66,914
Hospital São Lucas	CDI	-	-	42,660	42,231
Hospital Perinatal	IPCA	40,227	-	40,227	-
Others	CDI/IPCA	3,427	3,506	5,860	7,952
		<b>105,407</b>	<b>64,638</b>	<b>504,852</b>	<b>463,056</b>
Current		<b>34,096</b>	20,411	<b>169,236</b>	163,063
Noncurrent		<b>71,311</b>	44,227	<b>335,616</b>	299,993

Accounts payable for acquisitions refer to the remaining balance of the considerations for acquisitions made. At March 31, 2020, noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2021	9,141	2021	15,820
2022	39,636	2022	123,486
2023	22,334	2023	28,749
2024	-	2024	72,100
2025 to 2029	200	2025 to 2029	95,461
	<b>71,311</b>		<b>335,616</b>

## Rede D'Or São Luiz S.A.

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### 16. Provision for legal proceedings 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 case of final favorable decisions to the Company. Based on the opinion of its internal and outside legal advisors, Management set up a provision for losses considered sufficient to cover probable losses, as follows:

	Parent Company			
	03/31/2020		12/31/2019	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax and social security	31,283	(110,531)	35,374	(103,908)
Labor	58,702	(21,531)	60,457	(21,522)
Civil	48,567	(10,313)	43,918	(11,759)
	<b>138,552</b>	<b>(142,375)</b>	139,749	(137,189)

  

	Consolidated			
	03/31/2020		12/31/2019	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax and social security	89,811	(156,610)	71,838	(143,932)
Labor	96,257	(26,217)	95,859	(26,678)
Civil	63,866	(13,447)	59,812	(15,008)
	<b>249,934</b>	<b>(196,274)</b>	227,509	(185,618)

## Rede D'Or São Luiz S.A.

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### 16. Provision for legal proceedings and judicial deposits (Continued)

#### 16.1. Proceedings assessed as probable loss

Changes in provisions for legal proceedings in the three-month periods ended March 31, 2020 and 2019 were as follows:

	Parent Company			
	Tax and social security	Labor	Civil	Total
Balances at December 31, 2018	39,489	41,474	49,081	130,044
Additions, net of reversals	(2,894)	6,230	(3,336)	-
Payments	(108)	(2,661)	(999)	(3,768)
Balances at March 31, 2019	36,487	45,043	44,746	126,276
Balances at December 31, 2019	35,374	60,457	43,918	139,749
Additions, net of reversals	(4,091)	(904)	4,995	-
Payments	-	(851)	(346)	(1,197)
<b>Balances at March 31, 2020</b>	<b>31,283</b>	<b>58,702</b>	<b>48,567</b>	<b>138,552</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
 March 31, 2020  
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### 16. Provision for legal proceedings and judicial deposits (Continued)

#### 16.1. Proceedings assessed as probable loss (Continued)

	Consolidated			
	Tax and social security	Labor	Civil	Total
Balances at December 31, 2018	61,728	54,837	73,230	189,795
Additions, net of reversals	2,390	5,538	(7,560)	368
Payments	(483)	(2,720)	(1,092)	(4,295)
Additions from acquisitions (*)	10,221	3,417	-	13,638
Balances at March 31, 2019	73,856	61,072	64,578	199,506
Balances at December 31, 2019	71,838	95,859	59,812	227,509
Additions, net of reversals	(4,527)	286	4,241	-
Payments	-	(994)	(446)	(1,440)
Additions from acquisitions (*)	22,500	1,106	259	23,865
Balances at March 31, 2020	89,811	96,257	63,866	249,934

(\*) Additions related to acquisitions performed in the respective years, described in Note.

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

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

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

Considering the complexities of the lawsuits, as well as of the Brazilian legal system, the Company does not estimate with reasonable precision the disbursement term to settle these legal proceedings.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 16. Provision for legal proceedings and judicial deposits (Continued)

#### 16.2. Proceedings assessed as possible loss

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

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Tax and social security (a)	<b>1,184,905</b>	1,111,187	<b>1,261,945</b>	1,188,018
Labor (b)	<b>115,987</b>	121,383	<b>151,796</b>	151,526
Civil (c)	<b>173,932</b>	165,689	<b>244,585</b>	247,472
	<b>1,474,824</b>	1,398,259	<b>1,658,326</b>	1,587,016

(a) The most significant matters refer to administrative proceedings in the total amount of R\$1.1 billion, of which R\$333 million refers to assessments received in 2016 and 2017, and R\$800 million is related to notice served in early 2018. These challenges derive mostly from allegations of the Brazilian Internal Revenue Service (IRS) that certain doctors that render services in hospitals through legal entities would be effectively Company's employees. Therefore, the Brazilian IRS issued notifications demanding the payment of the Social Security Tax (INSS). The Company is currently challenging such allegations.

In addition, the Company is party to various tax proceedings involving PIS, COFINS, ISS and Real Estate Tax (IPTU). There are no individually significant proceedings.

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

(c) Proceedings related to compensation for alleged property and pain and suffering damages. There are no individually significant proceedings.

Considering the complexities of the lawsuits, as well as of the Brazilian legal system, the Company cannot estimate with reasonable precision a timeframe for the judgment to take place and whether any amounts will be disbursed in connection with these legal proceedings.



## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
 March 31, 2020  
 (In thousands of reais, unless otherwise stated)

### 17. Leases

At March 31, 2020, lease liabilities are as follows:

	Parent Company	
	03/31/2020	12/31/2019
Nominal value of future payments	5,126,769	5,127,984
Present value adjustment	(3,339,718)	(3,366,569)
	<u>1,787,051</u>	<u>1,761,415</u>
Current	117,852	108,724
Noncurrent	1,669,199	1,652,691

  

	Consolidated	
	03/31/2020	12/31/2019
Nominal value of future payments	7,259,997	7,244,736
Present value adjustment	(4,683,628)	(4,717,564)
	<u>2,576,369</u>	<u>2,527,172</u>
Current	184,188	171,074
Noncurrent	2,392,181	2,356,098

The liabilities were measured at the present value of the remaining lease payments discounted by the rate of 16.26% at March 31, 2020.

At March 31, 2020, noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2021	75,422	2021	116,954
2022	84,511	2022	128,152
2023	89,059	2023	134,195
2024	94,760	2024	132,646
2025 to 2055	<u>1,325,447</u>	2025 to 2055	<u>1,880,234</u>
	<u>1,669,199</u>		<u>2,392,181</u>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
March 31, 2020  
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### 18. Equity

#### a) Capital

The Company's capital is broken down as follows:

Shareholders	03/31/2020		12/31/2019	
	Number of shares	Equity interest	Number of shares	Equity interest
Controlling family (a)	527,699,568	57.37%	527,699,568	57.37%
Pacific Mezz PTE. Ltda. (b)	238,539,496	25.93%	238,539,496	25.93%
Carlyle Group (c)	109,251,886	11.88%	109,251,886	11.88%
Other	44,333,884	4.82%	44,333,884	4.82%
Total common shares	919,824,834	100.00%	919,824,834	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 March 31, 2020 and December 31, 2019 amounts to R\$867,776, divided into 919,824,834 registered common shares with no par value. The authorized capital limit approved in the Company's bylaws is up to 4 billion shares (units).

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

The premium reserve on issue of shares was substantially due to the capital contributions made (i) on March 31, 2015, by the former shareholder BTG Pactual Saúde Fundo de Investimento em Participações, in the amount of R\$600,000, of which R\$147,664 was recorded as capital increase and R\$452,336 as premium reserve on the subscription of shares; and (ii) on April 27, 2015, by HPT Participações S.A. (investee of the Carlyle Group), in the amount of R\$1,819,435, of which R\$181,943 as a capital increase and R\$1,637,491 as a premium reserve on the subscription of shares.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
March 31, 2020  
(In thousands of reais, unless otherwise stated)

### 18. Equity (Continued)

#### b) Allocation of income

Changes in the balances of dividends and interest on equity payable in the three-month periods ended March 31, 2020 and 2019 were as follows:

	2020	2019
Balance payable at beginning of period	287,394	8,940
Allocation of dividends and interest on equity	67,771	78,522
Payment of dividends and interest on equity	(2,449)	(5,701)
Withholding Income Tax (IRRF)	(7,019)	(8,030)
Balance payable at March 31	345,697	73,731

The distribution, payment and reinvestment of dividends and interest on equity were approved at the General Meeting.

#### c) Treasury shares

Changes in treasury shares are as follows:

	2020			2019		
	Number of shares	Share value (in reais)	Total	Number of shares	Share value (in reais)	Total
Opening balance	38,337,656	12.38	474,462	38,357,334	12.34	473,193
Acquisitions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at March 31	38,337,656	12.38	474,462	38,357,334	12.34	473,193

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

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 18. 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 issue of new shares or use of existing treasury shares.

On November 30, 2011, the stock option plan comprising the right to purchase 14,149,880 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 would have to be working for the Company for at least three years (vesting period). Company 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 12 months from the grant date, and to the following four, under the same conditions, after 24, 36, 48 and 60 months also 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\$4.05 per nominal 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*

The Company granted to beneficiaries of the Second and Third Plans the option for the purchase of 4,780,160 and 7,869,600 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\$4.62 per share for the Second Plan and R\$4.67 per share for the Third Plan. Strike prices are increased by CDI variation, on a *pro rata* day basis, until the effective date of exercise of any stock option.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 18. Equity (Continued)

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

##### *Fourth Stock Option Plan*

The Company granted to beneficiaries of the first series of the Four Plan the option to purchase 115,230 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. These contracts follow the same conditions of the First Stock Option Plan.

The Company granted to beneficiaries of the second series of the Fourth Plan the option to purchase 2,406,996 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). The Company's 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-months from the end of the vesting period to exercise the options.

The strike price of options granted in the first series is R\$7.00 per share and for the second series is R\$4.50 per shares, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

##### *Fifth Stock Option Plan*

The Company granted to beneficiaries of the first series of the Fifth Plan the option to purchase 263,026 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.

For the beneficiaries of the second series, the stock option is composed of five lots of 79,512 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 159,024 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.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 18. Equity (Continued)

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

##### *Fifth Stock Option Plan (Continued)*

The strike price of options granted in the first series is R\$4.50 per share and for the second series is R\$6.34 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

##### *Sixth Stock Option Plan*

The Company granted to beneficiaries of the Sixth Plan the option to purchase 1,330,040 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 266,008 common shares, to be granted annually and exercised as from January 31 of each subsequent year. The participants have a maximum forty-eight months 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\$23.62 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

##### *Seventh Stock Option Plan*

The Company granted to beneficiaries of the first series of the Seventh Plan the option to purchase 1,400,000 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. The 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 5,400,000 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 1,080,000 common shares, to be granted annually and exercised as from January 31 of each subsequent year. The participants have a maximum forty-eight months 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\$25.16 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 18. Equity (Continued)

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

##### *Seventh Stock Option Plan (Continued)*

The Company granted to beneficiaries of the fourth series of the Seventh Plan the option to purchase 1,539,506 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 1,539,506 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\$26.85 per share, increased by the IPCA variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

The Company granted to beneficiaries of the fifth series of the Seventh Plan the option to purchase 2,345,020 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 2,345,020 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 fifth series is R\$27.19 per share, increased by the IPCA variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

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

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
March 31, 2020  
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### 18. Equity (Continued)

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

The results of the calculation of the fair value of options restated at the financial statement date are 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	2,829,976	39.60%	10.50%	3.81	Vested
01/01/2013	2,829,976	39.60%	10.50%	3.95	Vested
01/01/2014	2,829,976	39.60%	10.60%	4.14	Vested
01/01/2015	2,829,976	39.60%	10.70%	4.32	Vested
01/01/2016	2,829,976	39.60%	10.70%	4.49	Vested
Second Stock Option Plan					
03/31/2013	956,032	32.39%	7.10%	6.96	Vested
03/31/2014	956,032	32.39%	7.25%	6.84	Vested
03/31/2015	956,032	32.39%	7.61%	6.77	Vested
03/31/2016	956,032	32.39%	8.06%	6.75	Vested
03/31/2017	956,032	32.39%	8.39%	6.75	Vested
Third Stock Option Plan					
03/31/2014	1,573,920	31.74%	9.11%	7.13	Vested
03/31/2015	1,573,920	31.74%	10.23%	7.11	Vested
03/31/2016	1,573,920	31.74%	10.89%	7.08	Vested
03/31/2017	1,573,920	31.74%	11.34%	7.08	Vested
03/31/2018	1,573,920	31.74%	11.53%	7.05	Vested
Fourth Stock Option Plan - First series					
03/31/2015	14,906	30.27%	10.81%	8.00	Vested
03/31/2016	25,080	30.27%	11.16%	7.93	Vested
03/31/2017	25,080	30.27%	11.50%	7.92	Vested
03/31/2018	25,082	30.27%	11.66%	7.90	Vested
03/31/2019	25,082	30.27%	11.82%	7.91	Vested
Fourth Stock Option Plan - Second series					
06/02/2015	240,700	30.17%	10.76%	9.85	Vested
06/02/2016	240,700	30.17%	10.91%	9.71	Vested
06/02/2017	481,398	30.17%	11.09%	9.59	Vested
06/02/2018	481,398	30.17%	11.18%	9.49	Vested
06/02/2019	481,398	30.17%	11.29%	9.40	Vested
06/02/2020	240,700	30.17%	11.41%	9.33	Unvested
06/02/2021	240,700	30.17%	11.40%	9.25	Unvested
Fifth Stock Option Plan - First series					
03/31/2015	176,684	30.94%	12.81%	11.46	Vested
03/31/2016	88,342	30.94%	12.67%	11.28	Vested
Fifth Stock Option Plan - Second series					
03/31/2015	79,512	30.94%	13.12%	10.26	Vested
03/30/2016	79,512	30.94%	13.00%	10.11	Vested
Sixth Stock Option Plan					
01/31/2017	266,008	32.00%	15.95%	25.16	Vested
Seventh Stock Option Plan - First series					
03/31/2017	140,000	33.72%	12.06%	26.19	Vested
Seventh Stock Option Plan - Second series					
03/31/2017	920,000	33.72%	11.98%	26.19	Vested
Seventh Stock Option Plan - Third series					
03/31/2017	160,000	33.75%	11.87%	26.33	Vested
Seventh Stock Option Plan - Fourth series					
01/01/2021	1,026,502	25.65%	10.73%	34.51	Unvested
01/01/2022	373,004	25.65%	10.73%	34.51	Unvested
01/01/2023	140,000	25.65%	10.73%	34.51	Unvested
Seventh Stock Option Plan - Fifth series					
01/01/2018	469,004	25.95%	7.57%	35.20	Vested
01/01/2019	469,004	25.95%	7.57%	35.20	Vested
01/01/2020	469,004	25.95%	7.57%	35.20	Unvested
01/01/2021	469,004	25.95%	7.57%	35.20	Unvested
01/01/2022	469,004	25.95%	7.57%	35.20	Unvested
	<u>35,116,448</u>				



## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 18. Equity (Continued)

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

The effects of the share-based payment, including all granted and outstanding options, in equity and P&L each year, 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	40,662	40,662	221,784
2019	40,656	40,656	262,440
2020	22,500	22,500	284,940
2021	1,216		
2022	257		
2023	64		
	<u>286,477</u>		

The Company grants a put option to each beneficiary on total shares that are acquired. The periods for exercising the options 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).

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.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
March 31, 2020  
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### 18. Equity (Continued)

e) Other comprehensive income

In the period, the effects of the cash flow hedge contracted in order to protect against indebtedness were recorded as other comprehensive income, increasing equity in the period by R\$ 54,802 (Note 13 (b)).

### 19. Income tax and social contribution

Income and social contribution tax expenses for the three-month periods ended March 31, 2020 and 2019 are as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>03/31/2020</b>	<b>03/31/2019</b>	<b>03/31/2020</b>	<b>03/31/2019</b>
Deferred taxes				
Income tax	<b>(22,561)</b>	4,145	<b>(331)</b>	16,484
Social contribution	<b>(8,122)</b>	1,492	<b>(119)</b>	6,087
	<b>(30,683)</b>	5,637	<b>(450)</b>	22,571
Current taxes				
Income tax	<b>(5,365)</b>	(47,653)	<b>(35,109)</b>	(77,472)
Social contribution	<b>(2,102)</b>	(18,022)	<b>(12,634)</b>	(28,606)
	<b>(7,467)</b>	(65,675)	<b>(47,743)</b>	(106,078)
Income tax and social contribution expenses	<b>(38,150)</b>	(60,038)	<b>(48,193)</b>	(83,507)

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 19. Income and social contribution taxes (Continued)

Changes in deferred income and social contribution tax assets and liabilities for three-month period ended March 31, 2020 are as follows:

	Parent Company				Consolidated				
	12/31/2019	Additional benefits (expenses) recorded	Additions from mergers	03/31/2020	12/31/2019	Additional benefits (expenses) recorded	Additions from mergers	Additions from business combinations	03/31/2020
Assets									
Tax losses	-	,	-	-	34,249	16,922	-	-	51,171
Social contribution losses	-	,	-	-	12,325	6,092	-	-	18,417
Allowance for doubtful accounts and provision for disallowances	312,139	(10,654)	-	301,485	505,059	(1,764)	-	-	503,295
Provision for legal proceedings	54,700	(7,592)	-	47,108	85,739	(7,675)	-	8,114	86,178
Provision for bonus	11,603	3,687	-	15,290	14,215	3,977	-	-	18,192
Foreign exchange variation	109,616	535,487	-	645,103	109,616	535,487	-	-	645,103
Deferred gain on property sale	24,575	-	-	24,575	24,575	-	-	-	24,575
Lease amortization (IFRS 16)	53,583	13,635	-	67,218	71,813	19,024	-	420	91,257
PVA allocation (IFRS 16)	91,911	22,544	-	114,455	121,452	31,764	-	107	153,323
Other provisions	9,396	629	-	10,025	10,516	978	-	975	12,469
Total deferred tax assets	667,523	557,736	-	1,225,259	989,559	604,805	-	9,616	1,603,980
Liabilities									
Differences between book balance and tax base of goodwill	(616,599)	(13,902)	-	(630,501)	(693,697)	(19,612)	-	-	(713,309)
Gain on acquisition in steps	(48,873)	(333)	-	(49,206)	(69,499)	(333)	-	-	(69,832)
Swap difference	(55,750)	(543,622)	-	(599,372)	(55,750)	(542,176)	-	-	(597,926)
Lease (IFRS 16)	(113,031)	(30,562)	-	(143,593)	(148,571)	(43,134)	-	-	(191,705)
Cash flow hedge	-	-	(18,632)	(18,632)	-	-	(18,632)	-	(18,632)
Deferred revenue	-	-	-	-	(4,935)	-	-	-	(4,935)
Total deferred tax liabilities	(834,253)	(607,051)	(18,632)	(1,441,304)	(972,452)	(623,887)	(18,632)	-	(1,596,339)
Net effect - asset (liability)	(166,730)	(30,683)	-	(197,413)	17,107	(450)	-	9,616	26,273
	-	-	(18,632)	(18,632)	-	-	(18,632)	-	(18,632)
Assets as per balance sheets									
Liabilities as per balance sheets	-			-	318,655				363,387
Total deferred tax liabilities	(166,730)			(216,045)	(301,548)				(355,746)

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 19. Income and social contribution taxes (Continued)

	Parent Company			Consolidated			
	12/31/2018	Additional benefits (expenses) recorded	03/31/2019	12/31/2018	Additional benefits (expenses) recorded	Additions from business combinations	03/31/2019
<b>Assets</b>							
Tax losses	-	-	-	25,976	3,857	2,737	32,570
Social contribution losses	-	-	-	9,350	1,228	985	11,563
Allowance for doubtful accounts	117,562	-	117,562	154,350	-	-	154,350
Provision for disallowances	140,434	4,994	145,428	248,532	13,942	5,251	267,725
Provision for legal proceedings	51,400	(1,281)	50,119	79,637	(1,335)	2,061	80,363
Provision for bonus	21,333	5,221	26,554	22,937	5,538	-	28,475
Foreign exchange variation	101,910	2,473	104,383	101,910	2,473	-	104,383
Deferred gain on property sale	25,908	(333)	25,575	25,908	(333)	-	25,575
Lease amortization (IFRS 16)	-	12,824	12,824	-	15,611	-	15,611
PVA allocation (IFRS 16)	-	21,588	21,588	-	26,223	-	26,223
Other provisions	6,392	2,036	8,428	4,510	7,704	-	12,214
<b>Total deferred tax assets</b>	<b>464,939</b>	<b>47,522</b>	<b>512,461</b>	<b>673,110</b>	<b>74,908</b>	<b>11,034</b>	<b>759,052</b>
<b>Liabilities</b>							
Differences between book balance and tax base of goodwill	(554,310)	(15,572)	(569,882)	(608,568)	(21,282)	-	(629,850)
Gain from acquisition in steps	(48,873)	-	(48,873)	(69,499)	-	-	(69,499)
Swap variation	(52,180)	1,969	(50,211)	(52,180)	1,969	-	(50,211)
Lease amortization (IFRS 16)	-	(28,282)	(28,282)	-	(34,316)	-	(34,316)
Deferred revenue	-	-	-	(10,469)	1,292	-	(9,177)
<b>Total deferred tax liabilities</b>	<b>(655,363)</b>	<b>(41,885)</b>	<b>(697,248)</b>	<b>(740,716)</b>	<b>(52,337)</b>	<b>-</b>	<b>(793,053)</b>
<b>Net effect - asset (liability)</b>	<b>(190,424)</b>	<b>5,637</b>	<b>(184,787)</b>	<b>(67,606)</b>	<b>22,571</b>	<b>11,034</b>	<b>(34,001)</b>
Assets as per balance sheets				195,597			242,259
Liabilities as per balance sheets	(190,424)		(184,787)	(263,203)			(276,260)

The reconciliation of income and social contribution taxes and the amount determined at the statutory rate at March 31, 2020 and 2019 is as follows:

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Income before income tax and social contribution	<b>148,618</b>	316,868	<b>161,696</b>	347,374
Income tax and social contribution expense at the statutory rate	<b>50,530</b>	107,735	<b>54,977</b>	118,107
Adjustments to determine the effective rate				
Equity pickup	<b>(4,567)</b>	(23,894)	<b>2,788</b>	(2,416)
Stock option expenses	<b>7,650</b>	3,456	<b>7,650</b>	3,456
Interest on equity	<b>(22,622)</b>	(25,882)	<b>(22,622)</b>	(25,882)
Other	<b>7,159</b>	(1,377)	<b>5,400</b>	(9,758)
Expense in the income statement	<b>38,150</b>	60,038	<b>48,193</b>	83,507
Effective rate	<b>26%</b>	19%	<b>30%</b>	24%

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 19. Income tax and social contribution (Continued)

Accumulated 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 assets from tax losses will be realized within 1 or 2 years. The other temporary differences will be realized between 1 and 5 years, except for deferred gain on property sale, given the realization occurs during the lease contract term.

### 20. Net revenue

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Gross revenue	2,185,537	2,173,032	3,729,902	3,423,745
Deductions from revenue				
Cancellations and rebates	(103,722)	(104,643)	(209,737)	(187,797)
Taxes on revenues	(122,788)	(123,879)	(220,671)	(202,698)
	<u>1,959,027</u>	<u>1,944,510</u>	<u>3,299,494</u>	<u>3,033,250</u>

The Company has no revenues arising from customers outside Brazil.

### 21. Costs of services provided

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Personnel	(613,689)	(559,158)	(1,094,082)	(911,477)
Materials and medicines	(386,783)	(354,801)	(740,953)	(622,702)
Third-party services	(309,098)	(279,947)	(576,368)	(511,855)
Utilities and services	(41,174)	(37,338)	(73,175)	(56,614)
Rentals	(383)	(4,229)	(2,196)	(8,179)
Depreciation and amortization	(113,172)	(102,050)	(177,489)	(137,933)
	<u>(1,464,299)</u>	<u>(1,337,523)</u>	<u>(2,664,263)</u>	<u>(2,248,760)</u>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 22. General and administrative expenses

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Personnel	(94,384)	(93,376)	(94,384)	(93,376)
Third-party services	(21,853)	(17,808)	(21,853)	(17,808)
Trips and lodging	(7,818)	(5,364)	(11,218)	(7,947)
Depreciation and amortization	(22,576)	(15,246)	(22,576)	(15,246)
Provision for legal proceedings	-	-	-	(368)
	<b>(146,631)</b>	<b>(131,794)</b>	<b>(150,031)</b>	<b>(134,745)</b>

### 23. Selling expenses

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Marketing	(2,449)	(2,453)	(3,334)	(3,508)
	<b>(2,449)</b>	<b>(2,453)</b>	<b>(3,334)</b>	<b>(3,508)</b>

### 24. Other operating expenses, net

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Taxes, charges and fines	(12,427)	(10,492)	(19,720)	(15,993)
Gain on property sale	977	980	977	980
Rentals of property and equipment	(2,840)	(2,281)	(5,728)	(3,837)
Freight expenses	(1,523)	(4,090)	(3,578)	(5,335)
Notary and court fees	(3,019)	(1,620)	(4,996)	(2,581)
Advisory expenses	-	-	(11,608)	(10,625)
Other	(9,518)	(8,301)	(19,239)	(14,614)
	<b>(28,350)</b>	<b>(25,804)</b>	<b>(63,892)</b>	<b>(52,005)</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
 March 31, 2020  
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### 25. Financial income (expenses), net

Financial income (expenses) for three-month period ended March 31, 2020 and 2019 are as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>03/31/2020</b>	<b>03/31/2019</b>	<b>03/31/2020</b>	<b>03/31/2019</b>
Short-term investment yield	<b>32,769</b>	41,839	<b>62,723</b>	58,905
Foreign exchange differences, net	<b>(279,940)</b>	(7,509)	<b>(1,575,746)</b>	(18,692)
Fair value of debt	<b>84,963</b>	(28,584)	<b>(166,205)</b>	(28,584)
Derivatives' fair value (swaps)	<b>(31,269)</b>	42,444	<b>1,811,553</b>	29,775
Interest and monetary variation on financing and debentures	<b>(184,049)</b>	(172,073)	<b>(239,806)</b>	(192,882)
Taxes on financial income (expenses)	<b>(3,811)</b>	(3,136)	<b>(5,235)</b>	(4,702)
Interest on lease liability	<b>(66,307)</b>	(63,493)	<b>(95,701)</b>	(84,673)
Other	<b>(28,227)</b>	(9,831)	<b>(39,660)</b>	(13,110)
	<b>(475,871)</b>	(200,343)	<b>(248,077)</b>	(253,963)
 Total finance income	 <b>354,286</b>	 157,472	 <b>2,675,706</b>	 212,417
Total finance expenses	<b>(830,157)</b>	(357,815)	<b>(2,923,783)</b>	(466,380)
	<b>(475,871)</b>	(200,343)	<b>(248,077)</b>	(253,963)

### 26. 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.

	<b>03/31/2020</b>	<b>03/31/2019</b>
Profit attributable to Company shareholders	<b>110,468</b>	256,830
Weighted average number of issued common shares issued	<b>881,487</b>	881,468
Basic earnings per share in reais (R\$)	<b>0.1253</b>	0.2914

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 26. Earnings per share (Continued)

#### 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 of the plan.

	<u>03/31/2020</u>	<u>03/31/2019</u>
Income attributable to the Company's controlling interests	<b>110,468</b>	256,830
Weighted average of the number of common shares issued, including dilution factors	<b>884,446</b>	885,394
Diluted earnings per share – in reais (R\$)	<b><u>0.1249</u></b>	<u>0.2901</u>

### 27. Financial instruments and financial risk management

#### 27.1. Classification of 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.



## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

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### 27. Financial instruments and financial risk management (Continued)

#### 27.1. Classification of financial instruments by category (Continued)

The following tables below present breakdown of financial assets and liabilities at March 31, 2020 and December 31, 2019:

Parent Company				
Financial assets	Classification by category	Fair value hierarchy	Book balance	
			03/31/2020	12/31/2019
Cash and cash equivalents	Fair value through P&L	Level 2	19,878	33,580
Marketable securities (Stocks)	Fair value through P&L	Level 1	67,560	-
Marketable securities	Fair value through P&L	Level 2	2,607,537	3,782,360
Trade accounts receivable	Amortized cost		2,768,051	2,503,118
Dividends receivable	Amortized cost		72,993	69,657
Judicial deposits	Amortized cost		142,375	137,189
Derivatives	Fair value through profit or loss and other comprehensive income	Level 2	936,016	558,651
			<b>6,614,410</b>	<b>7,084,555</b>

  

Financial assets	Classification by category	Fair value hierarchy	Book balance	
			03/31/2020	12/31/2019
Trade accounts payable	Amortized cost		214,409	216,267
Loans, financing and debentures	Amortized cost (a)	Level 2	13,584,695	13,236,225
Salaries, provisions and social charges	Amortized cost		389,230	343,994
Accounts payable for acquisitions	Amortized cost		105,407	64,638
Derivatives	Fair value through profit or loss and other comprehensive income	Level 2	406,331	5,591
			<b>14,700,072</b>	<b>13,866,715</b>

(a) The portion of the debt recorded as hedge accounting is measured at fair value through profit or loss, totaling R\$ 3,180,273 at March 31, 2020 (R\$ 3,094,838 at December 31, 2019). The portion of debt recorded as hedge accounting is measured at fair value through other comprehensive income, amounting to R\$ 2,893,907 at March 31, 2020.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

## 27. Financial instruments and financial risk management (Continued)

### 27.1. Classification of financial instruments by category (Continued)

Consolidated				
Financial assets	Classification by category	Fair value hierarchy	Book balance	
			03/31/2020	12/31/2019
Cash and cash equivalents	Fair value through P&L	Level 2	49,344	68,684
Marketable securities (Stocks)	Fair value through P&L	Level 1	67,560	-
Marketable securities	Fair value through P&L	Level 2	9,023,325	4,701,418
Trade accounts receivable	Amortized cost		4,556,709	4,117,916
Judicial deposits	Amortized cost		196,274	185,618
Derivatives	Fair value through profit or loss and other comprehensive income	Level 2	3,175,134	811,042
			<b>17,068,346</b>	<b>9,884,678</b>
Financial assets	Classification by category	Fair value hierarchy	Book balance	
			03/31/2020	12/31/2019
Trade accounts payable	Amortized cost		532,886	498,066
Loans, financing and debentures	Amortized cost (a)	Level 2	22,882,324	15,406,377
Salaries, provisions and social charges	Amortized cost		600,085	510,293
Accounts payable for acquisitions	Fair value through P&L		504,852	463,056
Derivatives	Fair value through profit or loss and other comprehensive income	Level 2	592,147	92,905
			<b>25,112,294</b>	<b>16,970,697</b>

(a) The portion of the debt recorded as hedge accounting is measured at fair value through profit or loss, totaling R\$ 4,208,692 at March 31, 2020 (R\$3,259,993 at December 31, 2019). The portion of debt recorded as hedge accounting is measured at fair value through other comprehensive income, amounting to R\$ 3,900,283 at March 31, 2020.

The financial assets and liabilities accounted for at amortized cost approximate their fair values given they are adjusted by allowances, present values and/or restated by market rates.

### 27.2. 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.

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
March 31, 2020  
(In thousands of reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management (Continued)

##### a) Capital management (Continued)

The Company uses own and third-party capital to finance its activities, also use of third-party capital intended to optimize its capital structure. The Company manages its capital structure and makes adjustments considering changes in economic conditions. At March 31, 2020 and December 31, 2019, the Company has the following capital structure:

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Cash and cash equivalents	19,878	33,580	49,344	68,684
Marketable securities	2,675,097	3,782,360	9,090,885	4,701,418
	2,694,975	3,815,940	9,140,229	4,770,102
Loans, financing and debentures	(13,584,695)	(13,236,225)	(22,882,324)	(15,406,377)
Derivatives	529,685	553,060	2,582,987	718,137
	(13,055,010)	(12,683,165)	(20,299,337)	(14,688,240)
Net debt	(10,360,035)	(8,867,225)	(11,159,108)	(9,918,138)
Total equity	5,312,731	5,210,130	5,547,439	5,442,000
Total net debt and equity	(5,047,304)	(3,657,095)	(5,611,669)	(4,476,138)
Financial leverage ratio	1.95	1.70	2.01	1.82

##### b) Interest rate risk

The Company has loans and financing and debentures in local currency subject particularly to CDI rate, IPCA 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 of interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at March 31, 2020, 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.)	3.65%	4.56%	5.47%
IPCA rate (p.a.)	3.30%	4.13%	4.95%
Projected interest expenses - (in millions)	5,982	7,478	8,973

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

## 27. Financial instruments and financial risk management (Continued)

### 27.2. 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 customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily regarding trade receivables) 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 up to maturity.

Parent Company - 03/31/2020						
	Within to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	214,409	-	-	-	-	214,409
Loans, financing and debentures	433,136	133,228	198,253	7,343,195	7,506,640	15,614,452
Salaries, provisions and social charges	389,230	-	-	-	-	389,230
Accounts payable for acquisitions	9,446	25,510	23,662	54,847	237	113,702
Derivatives	55,701	37,577	197,070	521,179	(405,196)	406,331
	<b>1,101,922</b>	<b>196,315</b>	<b>418,985</b>	<b>7,919,221</b>	<b>7,101,681</b>	<b>16,738,124</b>
Consolidated - 03/31/2020						
	Within to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	532,886	-	-	-	-	532,886
Loans, financing and debentures	491,359	261,497	457,163	8,872,726	16,426,713	26,509,458
Salaries, provisions and social charges	600,085	-	-	-	-	600,085
Accounts payable for acquisitions	143,336	26,804	51,943	271,512	54,030	547,625
Derivatives	390,494	(111,400)	(2,209)	3,075	312,187	592,147
	<b>2,158,160</b>	<b>176,901</b>	<b>506,897</b>	<b>9,147,313</b>	<b>16,792,930</b>	<b>28,782,201</b>

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management (Continued)

##### d) Liquidity risk (Continued)

	Parent Company - 12/31/2019					
	Within to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	216,267	-	-	-	-	216,267
Loans, financing and debentures	469,878	137,312	144,170	6,914,473	7,556,975	15,222,808
Salaries, provisions and social charges	343,994	-	-	-	-	343,994
Accounts payable for acquisitions	9,411	11,384	9,431	39,546	237	70,009
Derivatives	3,579	2,012	-	-	-	5,591
	1,043,129	150,708	153,601	6,954,019	7,557,212	15,858,669
	Consolidated - 12/31/2019					
	Within to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	498,066	-	-	-	-	498,066
Loans, financing and debentures	451,484	138,706	406,191	8,589,989	8,094,865	17,681,235
Salaries, provisions and social charges	510,293	-	-	-	-	510,293
Accounts payable for acquisitions	149,539	13,997	17,718	216,597	108,145	505,996
Derivatives	59,467	33,438	-	-	-	92,905
	1,668,849	186,141	423,909	8,806,586	8,203,010	19,288,495

## **Rede D'Or São Luiz S.A.**

Notes to financial statements (Continued)

March 31, 2020

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### **27. Financial instruments and financial risk management (Continued)**

#### **27.2. Risk management (Continued)**

##### **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 arise from the possibility of the Company's incurring losses due to fluctuations in exchange rates. Liabilities in foreign currency account for 39.6% of total consolidated liabilities at March 31, 2020 (18.2% at December 31, 2019). The Company has derivative financial instruments to hedge loans and financing against foreign exchange rate fluctuation (see the following topic). Management understands that the risk of exposure to foreign currency is not significant in relation to its financial position.

##### **f) Derivatives**

As at March 31, 2020, management recorded swap contracts using fair value and cash flow hedge accounting, aimed at hedging the Company against currency and interest rate variations, respectively. These swaps replace (i) interest and principal flow in foreign currency for reais plus a percentage of CDI and; (ii) floating interest rates for fixed interest rates. In addition, the Company performs swap transactions to hedge its exposure in US dollars, not designated for the hedge accounting strategy.

The fair value of those instruments at the financial statement date is as follows:

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Notes to financial statements (Continued)

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## 27. Financial instruments and financial risk management (Continued)

### 27.2. Risk management (Continued)

#### f) Derivatives (Continued)

Description	Hedge Classification	Range of maturity month/year	Reference value (notional)	03/31/2020		
				Parent Company	Consolidated	
				Fair value		
Swap (foreign exchange)	Fair value	04/20/2020				
Long position		USD/BRL + 3.35%	US\$	17,110		
Short position		115% CDI	R\$	88,951	28,572	28,572
Swap (foreign exchange)	Fair value	11/21/2023				
Long position		USD Libor + 0.46%	US\$	80,187		
Short position		109% CDI	R\$	416,867	109,752	109,752
Swap (foreign exchange)	Fair value	04/15/2025				
Long position		USD Libor + 3.30%	US\$	43,349		
Short position		CDI + 2.084%	R\$	225,360	94,895	94,895
Swap (foreign exchange)	Fair value	04/15/2024				
Long position		USD Libor + 3.00%	US\$	66,974		
Short position		CDI + 1.68%	R\$	348,180	144,731	144,731
Swap (foreign exchange)	Fair value	04/15/2026				
Long position		USD Libor + 5.50%	US\$	31,047		
Short position		CDI + 0.25%	R\$	161,402	10,883	10,883
Swap (foreign exchange)	Fair value	01/18/2028				
Long position		USD Fixed 4.95%	US\$	505,019		
Short position		BRL Fixed (11.82%)	R\$	1,634,663	-	1,028,283
Swap (interest rate)	Fair value	01/18/2028				
Long position		BRL Fixed (11.82%)	R\$	1,634,663		
Short position		CDI + 2.01%	R\$	1,634,663	305,100	305,100
Swap (foreign exchange)	-	01/22/2030				
Long position		USD Fixed (4.525%)	US\$	504,250		
Short position		BRL Fixed (8.80%)	R\$	2,621,444	-	718,921
Swap (interest rate)	-	01/22/2030				
Long position		BRL Fixed (8.80%)	R\$	2,621,444		
Short position		CDI + 2.125%	R\$	2,621,444	(111,542)	(111,542)
Swap (foreign exchange)	-	01/22/2030				
Long position		USD Fixed (4.51%)	US\$	252,125		
Short position		BRL Fixed (8.65%)	R\$	1,310,722	-	307,812
Swap (interest rate)	-	01/22/2030				
Long position		BRL Fixed (8.65%)	R\$	1,310,722		
Short position		CDI + 2.40%	R\$	1,310,722	(94,783)	(94,783)

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

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## 27. Financial instruments and financial risk management (Continued)

### 27.2. Risk management (Continued)

#### f) Derivatives (Continued)

Description	Hedge Classification	Range of maturity month/year	Reference value (notional)	03/31/2020	
				Parent Company	Consolidated
				Fair value	
Swap (interest rate)	Cash flow	12/29/2025			
Long position		CDI + 1.27%/1.75%	R\$	1,013,739	
Short position		BRL Fixed (7.752%)	R\$	1,013,739	- (1,714)
Swap (interest rate)	Cash flow	06/20/2029			
Long position		CDI + 0.79%	R\$	1,013,336	
Short position		BRL Fixed (7.71%)	R\$	1,013,336	39,880 39,880
Swap (interest rate)	Cash flow	09/10/2024			
Long position		CDI + 1.02%	R\$	1,404,026	
Short position		BRL Fixed (7.275%)	R\$	1,404,026	(2,164) (2,164)
Swap (interest rate)	Cash flow	10/26/2026			
Long position		106.0% CDI	R\$	510,009	
Short position		BRL Fixed (6.765%)	R\$	510,009	4,361 4,361
Current assets position				292,223	292,223
Noncurrent assets position				643,793	2,882,911
Current liabilities position				(93,278)	(279,094)
Noncurrent liabilities position				(313,053)	(313,053)
Effect on profit or loss for the period (fair value of derivatives – swaps)				(31,269)	1,811,553
Effect on equity in the period (fair value of derivatives – swaps)				54,802	54,802



## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

## 27. Financial instruments and financial risk management (Continued)

### 27.2. Risk management (Continued)

#### f) Derivatives (Continued)

Description					12/31/2019	
					Hedge Classification	Range of maturity month/year
					Fair value	
Swap (foreign exchange)	Fair value	04/20/2020				
Long position		USD/BRL + 3.35%	US\$	34,224		
Short position		115% CDI	R\$	137,946	16,719	16,719
Swap (foreign exchange)	Fair value	04/15/2025				
Long position		USD/BRL + 3.30%	US\$	42,785		
Short position		CDI + 2.084%	R\$	172,454	42,968	42,968
Swap (foreign exchange)	Fair value	04/15/2024				
Long position		USD/BRL + 3.00%	US\$	66,151		
Short position		CDI + 1.68%	R\$	266,636	64,240	64,240
Swap (foreign exchange)	Fair value	04/15/2026				
Long position		USD/BRL + 5.50%	US\$	30,480		
Short position		CDI + 0.25%	R\$	122,855	7,750	7,750
Swap (foreign exchange)	Fair value	11/21/2023				
Long position		USD/Libor + 0.46%	US\$	80,209		
Short position		109% CDI	R\$	323,300	20,031	20,031
Swap (foreign exchange)	Fair value	01/18/2028				
Long position		USD/PRÉ + 4.95%	US\$	511,206		
Short position		BRL PRÉ 11.82%	R\$	2,060,519	-	165,077
Swap (interest rate)	Fair value	01/18/2028				
Long position		BRL PRÉ 11.82%	R\$	1,681,837		
Short position		CDI + 2.01%	R\$	1,681,837	401,352	401,352
Current assets position					116,530	116,530
Noncurrent assets position					442,121	694,512
Current liabilities position					(5,591)	(92,905)
Noncurrent liabilities position					-	-
Effect on profit or loss for the period (fair value of derivatives - swaps)					374,856	240,416

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
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### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management (Continued)

##### f) Derivatives (Continued)

Given the changes in market rates, these amounts may change up their maturity or early settlement of 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 their maturities, calculated based 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.

Debt - International Finance Corporation (IFC)	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Devaluation of US\$ (rate in R\$)	-	4.0940	2.7293	-	-
Appreciation of US\$ (rate in R\$)	5.4586	-	-	6.8233	8.1880
Effect on liabilities in US\$					
IFC - International Finance Corporation	8,444	(42,220)	(84,440)	42,220	84,440
Effect on derivatives					
Swap	544	(2,721)	(5,441)	2,721	5,441
Net effect	8,988	(44,941)	(89,881)	44,941	89,881
Debt - JP Morgan and Citibank	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Devaluation of US\$ (rate in R\$)	-	4.0940	2.7293	-	-
Appreciation of US\$ (rate in R\$)	5.4586	-	-	6.8233	8.1880
Effect on liabilities in US\$					
Loan 4131 - JP Morgan and Citibank	25,067	(125,334)	(250,668)	125,334	250,668
Effect on derivatives					
Swap	(25,067)	125,334	250,668	(125,334)	(250,668)
Net effect	-	-	-	-	-
Debt - Senior Notes	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Devaluation of US\$ (rate in R\$)	-	4.0940	2.7293	-	-
Appreciation of US\$ (rate in R\$)	5.4586	-	-	6.8233	8.1880
Effect on liabilities in US\$					
Senior Notes	147,459	(737,296)	(1,474,593)	737,296	1,474,593
Effect on derivatives					
Swap	(147,459)	737,296	1,474,593	(737,296)	(1,474,593)
Net effect	-	-	-	-	-

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

## 27. Financial instruments and financial risk management (Continued)

### 27.2. Risk management (Continued)

#### f) Derivatives (Continued)

Debt – Senior Notes II	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Devaluation of US\$ (rate in R\$)	-	4.0940	2.7293	-	-
Appreciation of US\$ (rate in R\$)	5.4586	-	-	6.8233	8.1880
Effect on liabilities in US\$					
Senior Notes II	(196,608)	983,042	1,966,083	(983,042)	(1,966,083)
Effect on derivatives					
Swap	196,608	(983,042)	(1,966,083)	983,042	1,966,083
Net effect	-	-	-	-	-
Debt – Debentures	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
DI rate variation	5%	-25%	-50%	+25%	+50%
DI rate decrease	-	2.8744	1.9162	-	-
DI rate increase	3.8325	-	-	4.7906	5.7487
Effect on liabilities in US\$					
Debentures	(7,192)	30,568	68,329	(44,953)	(82,714)
Effect on derivatives					
Swap	7,192	(30,568)	(68,329)	44,953	82,714
Net effect	-	-	-	-	-

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

## 27. Financial instruments and financial risk management (Continued)

### 27.3. Changing in liabilities from financing activities

Parent Company										
Parent Company	12/31/2019	Loans, financing and debentures raised	Interest and monetary and foreign exchange differences, net	Payment of acquisitions and principal	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity	Other	03/31/2020
Loans, financing and debentures	13,236,225	250,000	480,425	(195,214)	(100,224)	(84,963)	-	-	(1,554)	13,584,695
Accounts payable for acquisitions	64,638	40,000	880	(111)	-	-	-	-	-	105,407
Derivatives	5,591	-	356,370	44,370	-	-	-	-	-	406,331
Dividends and interest on equity payable	264,527	-	-	-	-	-	69,873	-	(7,019)	327,381
	<u>13,570,981</u>	<u>290,000</u>	<u>837,675</u>	<u>(150,955)</u>	<u>(100,224)</u>	<u>(84,963)</u>	<u>69,873</u>	<u>-</u>	<u>(8,573)</u>	<u>14,423,814</u>
Current	893,085									1,745,918
Noncurrent	12,677,896									12,677,896

Parent Company										
Parent Company	12/31/2018	Loans, financing and debentures raised	Interest and monetary and foreign exchange differences, net	Payment of acquisitions and principal	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity	Other	03/31/2019
Loans, financing and debentures	9,631,831	300,000	130,271	(66,594)	(165,428)	28,584	-	-	17,190	9,875,854
Accounts payable for acquisitions	80,232	-	2,189	-	-	-	-	-	-	82,421
Derivatives	8,339	-	-	-	-	586	-	-	-	8,925
Dividends and interest on equity payable	1,101	-	-	-	-	-	76,122	-	(8,030)	69,193
	<u>9,721,503</u>	<u>300,000</u>	<u>132,460</u>	<u>(66,594)</u>	<u>(165,428)</u>	<u>29,170</u>	<u>76,122</u>	<u>-</u>	<u>9,160</u>	<u>10,036,393</u>
Current	653,185									721,025
Noncurrent	9,068,318									9,315,368

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)

March 31, 2020

(In thousands of reais, unless otherwise stated)

## 27. Financial instruments and financial risk management (Continued)

### 27.3. Changing in liabilities from financing activities (Continued)

Consolidated										
Consolidated	12/31/2019	Loans, financing and debentures raised	Interest and monetary and foreign exchange differences, net	Payment of acquisitions and principal	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity	Other	03/31/2020
Loans, financing and debentures	15,406,377	5,312,504	2,304,129	(110,512)	(167,982)	166,205	-	-	(28,397)	22,882,284
Accounts payable for acquisitions	463,056	40,000	5,426	(2,620)	(61)	-	-	-	(949)	504,852
Derivatives	92,905	-	499,242	-	-	-	-	-	-	592,147
Dividends and interest on equity payable	287,394	-	-	-	-	-	67,771	(2,449)	(7,019)	345,697
	16,249,732	5,352,504	2,808,797	(113,132)	(168,043)	166,205	67,771	(2,449)	(36,365)	24,325,020
<b>Current</b>	1,128,322									9,203,610
<b>Noncurrent</b>	15,121,410									15,121,410

  

Consolidated										
Consolidated	12/31/2018	Loans, financing and debentures raised	Interest and monetary and foreign exchange differences, net	Payment of acquisitions and principal	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity	Other	03/31/2019
Loans, financing and debentures	11,846,585	300,000	223,424	(78,474)	(198,398)	28,584	-	-	21,886	12,143,607
Accounts payable for acquisitions	363,382	117,115	5,400	-	-	-	-	-	-	485,897
Derivatives	98,387	-	-	-	-	(2,883)	-	-	-	95,504
Dividends and interest on equity payable	8,940	-	-	-	-	-	75,875	(3,054)	(8,030)	73,731
	12,317,294	417,115	228,824	(78,474)	(198,398)	25,701	75,875	(3,054)	13,856	12,798,739
<b>Current</b>	820,125									938,463
<b>Noncurrent</b>	11,497,169									11,860,276

## Rede D'Or São Luiz S.A.

Notes to financial statements (Continued)  
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### 28. Insurance coverage

At March 31, 2020, the Company maintains insurance coverage at amounts deemed sufficient by management to cover risks, if any, on its assets and/or liabilities.

Type of coverage	Insured amount
Property risk	3,670,978
Directors and Officers Liability (D&O)	200,000
General civil liability	10,000
Engineering risks	1,302,806

### 29. Subsequent events

On April 03, 2020, Rede D'Or took out a loan from Bank of America, amounting to US\$76 million, maturing on April 03, 2023, payable in a single installment upon maturity, and remunerated at the fixed rate of 2.18% p.a., paid on a quarterly basis. Concomitantly, the Company contracted a derivative financial instrument to hedge against currency and interest rate variation, translated into reais plus interest corresponding to 100.0% of CDI plus 1.66% p.a., designated as fair value hedge. There are no guarantees.