Financial Statements

Rede D'Or São Luiz S.A.

December 31, 2016, 2015 and 2014
with Independent Auditor's Report on
Financial Statements

Rede D'Or São Luiz S.A.

Financial statements

December 31, 2016, 2015 and 2014

Contents

Independent auditor's report on financial statements 1

Audited financial statements

Balance sheets 5
Income statements 7
Statements of comprehensive income 8
Statements of changes in equity 9
Statements of cash flows 10
Statements of value added 11
Notes to financial statements 12

Centro Empresarial PB 370
Praia de Botafogo, 370
5º ao 10º andar - Botafogo
22250-040 - Rio de Janeiro - RJ - Brazil
Phone: +55 21 3263-7000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS).

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the accompanying individual and consolidated financial statements of Rede D'Or São Luiz S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheets as at December 31, 2016, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Rede D'Or São Luiz S.A as at December 31, 2016, its individual and consolidated financial performance and its respective cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with the Brazilian and international standards on Auditing. Our responsibilities under those standards are described in the next section of our report referenced as "Auditor's Responsibilities for the audit of the individual and consolidated financial statements". We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

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Other matters

Statements of value added

The individual and consolidated Statements of Value Added (SVA) for the year ended December 31, 2016, prepared under the responsibility of Company management and presented as supplementary information for IFRS purposes, were submitted to the same audit procedures performed in accordance with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria provided for in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria provided for in Accounting Pronouncement CPC 09 and are consistent with the overall individual and consolidated financial statements.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

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

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

Those charged with governance are those responsible for overseeing the Company's and its subsidiary's financial reporting process.

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Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

- Identify and assess risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

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

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

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

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

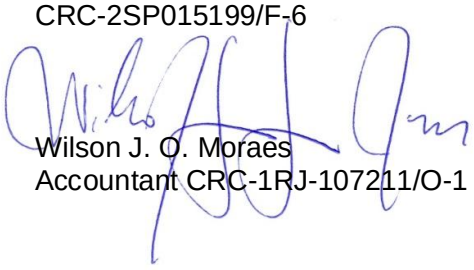
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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction,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

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

Rio de Janeiro, March 15, 2017

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



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

Rede D'Or São Luiz S.A.

Balance sheets
December 31, 2016, 2015 and 2014
(In thousands of reais)

		Parent Company			Consolidated		
	Note	2016	2015	2014	2016	2015	2014
Assets							
Current assets							
Cash and cash equivalents	4	20,306	93,365	38,042	121,016	144,497	55,182
Marketable securities	4	1,968,899	679,032	619,703	2,620,387	897,237	848,646
Accounts receivable	5	1,446,998	1,321,647	973,368	2,142,744	1,911,681	1,267,239
Inventories	6	121,497	97,340	82,887	184,906	133,538	106,687
Taxes recoverable		146,113	83,689	36,063	178,468	104,449	64,384
Financial instrument - promissory note	18	-	944,435	-	-	944,435	-
Derivative financial instruments	27	7,145	-	-	7,145	-	-
Related parties	7	9,075	40,072	23,870	-	-	10,715
Dividends receivable		-	27,977	41,357	-	-	-
Receivables from disposal of properties	11	-	73,926	73,926	-	73,926	73,926
Other		136,973	60,743	34,201	163,284	111,716	66,903
Total current assets		3,857,006	3,422,226	1,923,417	5,417,950	4,321,479	2,493,682
Noncurrent assets							
Related parties	7	1,149,864	1,183,564	469,604	21,621	25,129	134,125
Deposit for acquisition of building		-	-	-	84,102	76,869	68,658
Judicial deposits	16	72,115	62,239	50,752	89,759	78,439	61,184
Deferred income and social contribution taxes	19	-	-	-	70,668	80,607	8,864
Derivative financial instruments	27	23,130	35,956	28,861	23,130	35,956	28,861
Investments	8	1,892,449	1,215,909	577,573	78,164	110,450	149,605
Property and equipment	9	2,145,569	1,617,610	1,174,645	3,112,345	2,657,113	1,503,272
Intangible assets	10	2,209,365	1,853,274	1,599,761	3,332,183	2,711,517	1,846,692
Other		29,325	71,342	2,403	67,910	71,394	2,754
Total noncurrent assets		7,521,817	6,039,894	3,903,599	6,879,882	5,847,474	3,804,015
Total assets		**11,378,823**	9,462,120	5,827,016	12,297,832	10,168,953	6,297,697

	Note	Parent Company			Consolidated		
		2016	2015	2014	2016	2015	2014
Liabilities and equity							
Current liabilities							
Trade accounts payable		265,787	197,627	180,314	423,941	248,247	243,613
Derivative financial instruments	27	113,923	-	-	113,923	-	-
Loans and financing	12	91,982	40,815	21,185	95,683	50,964	23,665
Debentures payable	13	787,028	495,159	52,131	863,620	521,483	57,703
Salaries, provisions and social charges		282,584	260,357	250,503	385,023	341,689	299,208
Tax liabilities	14	61,453	108,676	68,597	190,655	174,502	99,359
Taxes paid for acquisitions	14	21,407	18,123	20,082	26,384	29,802	22,021
Accounts payable for acquisitions	15	122,067	93,335	199,927	143,619	98,918	199,927
Dividends and interest on equity payable	18	419,089	309,051	156,028	427,259	316,004	159,578
Deferred gain on property disposal	11	3,920	3,920	3,920	3,920	3,920	3,920
Other		31,151	53,756	45,220	39,022	63,872	63,029
Total current liabilities		2,200,391	1,580,819	997,907	2,713,049	1,849,401	1,172,023
Noncurrent liabilities							
Derivative financial instruments	27	54,160	-	-	54,160	-	-
Loans and financing	12	1,195,514	1,113,852	76,063	1,199,120	1,124,550	80,514
Debentures payable	13	2,929,456	2,262,139	2,717,253	3,114,103	2,539,505	3,013,495
Related parties	7	54,684	74,398	30,610	111	953	1,205
Taxes paid in installments	14	148,141	121,827	122,671	178,427	151,035	148,511
Accounts payable for acquisitions	15	71,610	53,093	66,455	106,699	80,219	66,455
Deferred income and social contribution taxes	19	122,332	165,888	47,661	150,515	216,247	75,739
Provision for contingencies	16	135,425	103,480	116,777	190,109	179,569	135,747
Provision for losses on investments	8	58,873	52,780	64,495	-	-	5,560
Deferred gain on property disposal	11	80,120	84,040	87,956	80,120	84,040	87,956
Other		41,838	39,775	40,788	44,687	43,351	40,222
Total noncurrent liabilities		4,892,153	4,071,272	3,370,729	5,118,051	4,419,469	3,655,404
Equity	18						
Capital stock		867,776	867,776	452,530	867,776	867,776	452,530
Capital reserves		2,399,142	2,381,552	259,408	2,399,142	2,381,552	259,408
Treasury shares		(331,525)	(257,597)	(161,919)	(331,525)	(257,597)	(161,919)
Income reserves		1,346,662	814,074	304,137	1,346,662	814,074	304,137
Other reserves		-	-	600,000	-	-	600,000
Advance for future capital increase		4,224	4,224	4,224	4,224	4,224	4,224
Total equity attributable to Company shareholders		4,286,279	3,810,029	1,458,380	4,286,279	3,810,029	1,458,380
Noncontrolling interests		-	-	-	180,453	90,054	11,890
Total equity		4,286,279	3,810,029	1,458,380	4,466,732	3,900,083	1,470,270
Total liabilities and equity		11,378,823	9,462,120	5,827,016	12,297,832	10,168,953	6,297,697

See accompanying notes.

Rede D'Or São Luiz S.A.

Income statements
Years ended December 31, 2016, 2015 and 2014
(In thousands of reais)

	Note	Parent Company			Consolidated		
		2016	2015	2014	2016	2015	2014
Net revenue	20	5,669,414	4,648,932	3,866,275	7,912,468	6,452,068	4,991,533
Costs of services provided	21	(4,090,352)	(3,298,248)	(2,928,201)	(5,872,422)	(4,732,162)	(3,927,974)
Gross profit		1,579,062	1,350,684	938,074	2,040,046	1,719,906	1,063,559
General and administrative expenses	22	(253,781)	(260,823)	(218,220)	(261,722)	(259,706)	(221,858)
Selling expenses	23	(98,232)	(32,834)	(58,629)	(131,038)	(27,835)	(84,289)
Equity pickup	8	229,014	251,447	88,932	19,352	39,348	42,725
Other operating income (expenses, net)	24	(1,422)	29,723	(54,514)	(51,241)	7,738	(63,737)
Income before financial income (expenses) and income and social contribution taxes		1,454,641	1,338,197	695,643	1,615,397	1,479,451	736,400
Financial income	25	432,532	144,959	62,561	491,340	169,632	88,174
Financial expenses	25	(920,769)	(583,290)	(386,792)	(991,664)	(639,472)	(431,286)
Income before income taxes		966,404	899,866	371,412	1,115,073	1,009,611	393,288
Income taxes	19	(164,533)	(175,133)	(51,222)	(299,115)	(259,460)	(70,405)
Net income for the year		801,871	724,733	320,190	815,958	750,151	322,883
Net income attributable to controlling shareholders		801,871	724,733	320,190	801,871	724,733	320,190
Net income attributable to non-controlling shareholders		-	-	-	14,087	25,418	2,693
Basic earnings per share	26	1.83	1.83	1.25			
Diluted earnings per share	26	1.81	1.68	0.91			

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of comprehensive income
Years ended December 31, 2016, 2015 and 2014
(In thousands of reais)

	Parent Company			Consolidated		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Net income for the year	801,871	724,733	320,190	815,958	750,151	322,883
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	801,871	724,733	320,190	815,958	750,151	322,883
Attributable to						
Controlling shareholders	-	-	-	801,871	724,733	320,190
Noncontrolling shareholders	-	-	-	14,087	25,418	2,693

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of changes in equity
Years ended December 31, 2016, 2015 and 2014
(In thousands of reais)

	Attributable to Company shareholders													
		Capital reserves				Income reserves								
Description	Capital	Goodwill reserve (issue of shares)	Goodwill on capital transactions	Share-based payment reserve	Treasury shares	Legal reserve	Investment reserve	Other reserves (Note 18 d)	Advance for future capital increase	Retained earnings (accumulated losses)	Additional dividends in excess of mandatory minimum dividends	Total equity	Non-controlling interest	Total
Balances at December 31, 2013	261,531	185,353	(52,416)	38,347	(157,117)	8,666	272,485	600,000	4,224	-	-	1,161,073	9,413	1,170,486
Capital increase (Note 18)	190,999	-	-	-	-	-	-	-	-	-	-	190,999	-	190,999
Adjustment to interest held in investee	-	60,761	-	-	-	-	-	-	-	-	-	60,761	-	60,761
Treasury shares (Note 18)	-	-	-	-	(4,802)	-	-	-	-	-	-	(4,802)	-	(4,802)
Net income for the year	-	-	-	-	-	-	-	-	-	320,190	-	320,190	2,693	322,883
Share-based payment reserve (Nota 18)	-	-	-	27,363	-	-	-	-	-	-	-	27,363	-	27,363
Recognition of investment reserve (Note 18)	-	-	-	-	-	-	240,143	-	-	(240,143)	-	-	-	-
Dividends and interest on equity	-	-	-	-	-	-	(217,157)	-	-	(80,047)	-	(297,204)	(216)	(297,420)
Balances at December 31, 2014	452,530	246,114	(52,416)	65,710	(161,919)	8,666	295,471	600,000	4,224	-	-	1,458,380	11,890	1,470,270
Capital increase (Note 18)	267,582	1,637,491	-	-	-	-	(33,613)	-	-	-	-	1,871,460	-	1,871,460
Debentures converted into shares	147,664	452,336	-	-	-	-	-	(600,000)	-	-	-	-	-	-
Acquisition of control in jointly-controlled entity	-	-	-	-	-	-	-	-	-	-	-	-	57,626	57,626
Acquisition of interest in subsidiary	-	-	(19,632)	-	-	-	-	-	-	-	-	(19,632)	(4,038)	(23,670)
Treasury shares (Note 18)	-	-	-	-	(95,678)	-	-	-	-	-	-	(95,678)	-	(95,678)
Capital transactions involving non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(842)	(842)
Net income for the year	-	-	-	-	-	-	-	-	-	724,733	-	724,733	25,418	750,151
Share-based payment reserve (Nota 18)	-	-	-	51,949	-	-	-	-	-	-	-	51,949	-	51,949
Dividends and interest on equity	-	-	-	-	-	-	-	-	-	(181,183)	-	(181,183)	-	(181,183)
Recognition of investment reserve (Note 18)	-	-	-	-	-	-	543,550	-	-	(543,550)	-	-	-	-
Balances at December 31, 2015	**867,776**	**2,335,941**	**(72,048)**	**117,659**	**(257,597)**	**8,666**	**805,408**	**-**	**4,224**	**-**	**-**	**3,810,029**	**90,054**	**3,900,083**
Acquisition of controlling interest in jointly-controlled subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	83,529	83,529
Acquisition of non-controlling interest	-	-	(13,274)	-	-	-	-	-	-	-	-	(13,274)	(2,174)	(15,448)
Treasury shares	-	-	-	-	(73,928)	-	-	-	-	-	-	(73,928)	-	(73,928)
Net income for the year	-	-	-	-	-	-	-	-	-	801,871	-	801,871	14,087	815,958
Share-based payment reserve (Nota 18)	-	-	-	30,864	-	-	-	-	-	-	-	30,864	-	30,864
Proposed dividends and interest on equity (Note 18)	-	-	-	-	-	-	-	-	-	(269,283)	-	(269,283)	(5,043)	(274,326)
Additional dividends in excess of mandatory minimum dividends (Note 18)	-	-	-	-	-	-	(198,129)	-	-	(532,588)	730,717	-	-	-
Balances at December 31, 2016	**867,776**	**2,335,941**	**(85,322)**	**148,523**	**(331,525)**	**8,666**	**607,279**	**-**	**4,224**	**-**	**730,717**	**4,286,279**	**180,453**	**4,466,732**

See accompanying notes.

Rede D'Or São Luiz S.A.

Cash flow statements
Years ended December 31, 2016, 2015 and 2014
(In thousands of reais)

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Cash flows from operating activities						
Income before income and social contribution taxes	966,404	899,866	371,412	1,115,073	1,009,611	393,288
Adjustments to reconcile net income to cash provided by operating activities						
Depreciation and amortization	231,100	119,167	98,063	271,613	151,226	132,870
Gain on disposal of properties	(3,920)	(3,920)	(3,920)	(3,920)	(3,920)	(3,920)
Gain on acquisition in steps	(77,165)	(66,322)	-	(85,335)	(66,322)	-
Loss on divestiture and impairment of goodwill	-	-	-	22,475	-	-
Fair value of debt	24,768	-	-	24,768	-	-
Interest and foreign exchange gains (losses), net	443,859	424,800	362,558	451,482	487,528	380,682
Share-based payment	30,864	51,949	27,363	30,864	51,949	27,363
Provision for contingencies	-	3,590	(6,284)	4,040	(993)	(3,762)
Equity pickup	(229,014)	(251,447)	(88,932)	(19,352)	(39,348)	(42,725)
Allowance for disallowances	230,925	176,992	212,585	383,920	279,619	250,449
Allowance for doubtful accounts	84,409	22,677	40,692	114,251	15,991	65,085
(Increase) decrease in assets and liabilities						
Accounts receivable	(397,406)	(525,293)	(389,580)	(656,183)	(773,006)	(533,492)
Inventories	(24,150)	(14,179)	(16,179)	(35,260)	(11,113)	(22,371)
Taxes recoverable	(60,901)	(46,245)	25,618	(67,709)	(29,154)	14,546
Judicial deposits	(9,559)	(8,949)	(7,979)	(2,210)	(12,645)	(9,280)
Other assets	(52,693)	(38,369)	(21,315)	(37,510)	(40,477)	12,212
Trade accounts payable	53,782	11,800	(15,838)	143,401	(39,775)	(21,828)
Salaries and social charges	7,202	6,677	43,413	27,245	15,151	55,949
Tax obligations	(41,315)	11,622	(3,420)	(51,915)	(30,694)	43,460
Taxes liabilities	21,302	(2,803)	(20,548)	23,278	(4,515)	(9,359)
Related parties	(165,184)	(637,922)	(99,231)	(24,341)	(81,289)	(17,450)
Provision for contingencies	(15,742)	(41,076)	(17,576)	(35,098)	(88,733)	(17,576)
Other liabilities	(29,893)	(6,403)	2,483	(28,368)	(10,433)	(737)
	(714,557)	(1,291,140)	(520,152)	(744,670)	(1,106,683)	(505,926)
Payment of interest	(486,149)	(466,337)	(300,828)	(551,110)	(503,071)	(339,548)
Payment of income and social contribution taxes	(203,256)	(41,030)	-	(322,456)	(77,690)	(55,447)
Net cash from operating activities	298,268	(421,155)	192,557	691,643	197,897	298,409
Cash flow from investing activities						
Payment in business acquisition, net of cash acquired	(338,218)	(673,582)	(76,699)	(441,894)	(943,358)	(76,699)
Capital increase in affiliates	(82,079)	(56,978)	-	-	-	-
Acquisitions of property and equipment	(698,435)	(535,513)	(360,448)	(883,958)	(874,926)	(412,019)
Acquisitions of property and equipment – net of write-offs	3,628	514	986	311,420	661	1,559
Acquisitions of intangible assets	(27,606)	(12,425)	-	(29,077)	(13,925)	(32,099)
Cash from merger of subsidiary	10,865	9,552	-	-	-	-
Receivables from disposal of properties	83,179	-	-	83,179	-	-
Acquisitions of marketable securities	(7,108,431)	(7,678,798)	(3,206,294)	(8,807,086)	(8,595,580)	(4,008,471)
Redemption of marketable securities	6,027,175	7,712,866	3,305,788	7,349,244	8,690,362	4,103,906
Dividends and interest on equity received	24,284	18,385	19,761	19,911	16,027	6,954
Net cash used in investing activities	(2,105,638)	(1,215,979)	(316,906)	(2,398,261)	(1,720,739)	(416,869)
Cash flows from financing activities						
Capital increase and promissory note received	944,435	927,025	190,999	944,435	927,025	190,999
Treasury shares	(73,928)	(95,678)	(4,802)	(73,928)	(95,678)	(4,802)
Acquisition of non-controlling interests	(15,448)	-	-	(15,448)		
Payment of dividends and interest on equity	(125,210)	(8,723)	(199,913)	(125,210)	(8,723)	(228,092)
Loans and financing raised	338,874	1,238,692	-	346,539	1,269,894	-
Debentures payable	1,364,723	-	200,000	1,364,723	-	200,000
Swap settlement	(121,262)	-	-	(121,262)	-	-
Payment of debentures	(470,680)	-	(17,676)	(507,788)	(7,304)	(17,466)
Accounts payable for acquisition	(86,067)	(140,384)	(15,912)	(88,767)	(103,770)	(7,912)
Repayments of loans and financing	(21,126)	(228,475)	(48,093)	(40,157)	(369,287)	(48,607)
Cash provided by financing activities	1,734,311	1,692,457	104,603	1,683,137	1,612,157	84,120
Increase (decrease) in cash and cash equivalents	(73,059)	55,323	(19,746)	(23,481)	89,315	(34,340)
Cash and cash equivalents at beginning of year	93,365	38,042	57,788	144,497	55,182	89,522
Cash and cash equivalents at end of year	20,306	93,365	38,042	121,016	144,497	55,182

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of value added
Years ended December 31, 2016, 2015 and 2014
(In thousands of reais, unless otherwise stated)

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Revenue	6,028,484	4,931,355	4,081,256	8,407,614	6,866,733	5,263,362
Sales of goods, products and services	6,262,733	5,127,104	4,330,613	8,816,530	7,158,423	5,574,976
Allowance for disallowances and Allowance for doubtful accounts	(315,334)	(199,669)	(253,277)	(498,171)	(295,610)	(315,534)
Other income	81,085	3,920	3,920	89,255	3,920	3,920
Inputs acquired from third parties	(1,966,117)	(1,661,431)	(1,564,335)	(3,062,261)	(2,478,749)	(2,150,129)
Cost of services sold	(1,816,295)	(1,595,667)	(1,388,696)	(2,871,031)	(2,407,849)	(1,935,968)
Materials, energy, third-party services and other expenses	(149,822)	(62,175)	(181,923)	(187,190)	(71,893)	(217,923)
Loss/recovery of assets	-	(3,589)	6,284	(4,040)	993	3,762
Gross value added	4,062,367	3,269,924	2,516,921	5,345,353	4,387,984	3,113,233
Depreciation and amortization	(231,100)	(119,167)	(98,063)	(271,613)	(151,226)	(132,870)
Value added, net	3,831,267	3,150,757	2,418,858	5,073,740	4,236,758	2,980,363
Value added received in transfer	661,546	396,406	151,493	510,692	208,980	130,899
Equity pickup	229,014	251,447	88,932	19,352	39,348	42,725
Financial income	432,532	144,959	62,561	491,340	169,632	88,174
Total value added	4,492,813	3,547,163	2,570,351	5,584,432	4,445,738	3,111,262
Distribution of value added	(4,492,813)	(3,547,163)	(2,570,351)	(5,584,432)	(4,445,738)	(3,111,262)
Personnel and charges	(1,880,813)	(1,482,904)	(1,339,392)	(2,509,772)	(2,013,613)	(1,706,844)
Taxes, charges and contributions	(526,926)	(476,313)	(301,905)	(819,257)	(686,196)	(401,431)
Interest, rents and other operating expenses	(1,283,203)	(863,213)	(608,864)	(1,439,445)	(995,778)	(680,104)
Dividends and interest on equity	(269,283)	(181,183)	(80,047)	(269,283)	(181,183)	(80,047)
Retained profits	(532,588)	(543,550)	(240,143)	(546,675)	(568,968)	(242,836)

See accompanying notes.

1. Operations

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

Operating in the States of Rio de Janeiro, São Paulo, Pernambuco and Brasília, the Group operates with 31 own hospitals and 3 under construction, as well as oncology and radiotherapy clinics. Currently, the Group has 4,909 hospital beds in total.

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

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

Hospital	Location	Year of acquisition
Hospital Brasil	Santo Andre, 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 S.A.	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 Ltda.	São Paulo, SP	2016
Hospital Ribeirão Pires	São Paulo, SP	2016

1. Operations (Continued)

In addition, the Company has invested in oncology and radiotherapy clinics.
In the second quarter of 2015, Carlyle Group, by means of its investee HPT Participações S.A., contributed capital in the amount of R$1,819,435 in the Company, which accounts for 8.38% interest in Rede D'Or. The admission of this new shareholder is in line with Group's business model; funds will be used in acquisitions and expansion of hospitals.

On November 11, 2016, Rede D'Or started negotiations for the purchase of Hospital Integrados da Gávea S.A. - Clínica São Vicente. Currently, this operation is under analysis at the Brazil's Administrative Council for Economic Defense ("CADE") awaiting approval.

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

The authorization for conclusion of preparation of these individual and consolidated financial statements (together denominated simply "financial statements") by management was provided on March 15, 2017. Thus, these financial statements consider subsequent events that could affect them until the referred to date.

Individual and consolidated financial statements

The Company's individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), accounting pronouncements issued by the Brazilian Financial Accounting Standards Board - BASB ("CPC") and its accounting interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

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

Basis of measurement

The individual and consolidated financial statements were prepared based on historical cost, except for certain financial instruments and share-based payments, measured at fair value.

Preparation of the financial statements requires the use of certain significant accounting estimates as well as professional judgment by Company management in the process to apply the accounting policies. Since judgment by management involves the determination of estimates related to the probability of future events, actual results may significantly differ from these estimates. Those areas that require greater judgment or involve more complexity or where the assumptions and estimates are significant for the financial statements are disclosed in Note 2.s. The Company reviews its estimates and assumptions periodically, at least on an annual basis.

The individual and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional and reporting currency.

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

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

	Interest held (%)					
	2016		2015		2014	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Parent Company - Rede D'Or São Luiz S.A. (a)						
Wholly-owned subsidiaries						
Rodin Empreendimentos e Participações S.A.	99.99	0.01	99.99	0.01	99.99	0.01
Hospital Esperança S.A. ("Esperança")	100.00	-	100.00	-	100.00	-
Diagno São Marcos Ltda.	-	100.00	-	100.00	-	100.00
Mais-Multi Assistência Incorporada a Saúde Ltda. ("Hospital São Marcos")	100.00	-	100.00	-	100.00	-
Rede D'Or São Luiz Serviços Médicos S.A. ("RM")	99.99	0.01	99.99	0.01	99.99	0.01
Advance Plano de Saúde S.A.	99.99	0.01	99.99	0.01	99.99	0.01
São Luiz Assistência Médica Ambulatorial Ltda.	0.02	99.98	0.02	99.98	0.02	99.98
PMJ Empreendimentos Imobiliários S.A.	100.00	-	100.00	-	100.00	-
Quinta Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01	99.99	0.01
Onco D'Or Oncologia S.A.	98.57	-	100.00	-	100.00	-
Osby RJ Participações Ltda. (merged company)	-	-	-	100.00	-	-
Cidreira RJ Participações Ltda. (merged company)	-	-	-	100.00	-	-
Estância Velha RJ Participações Ltda. (merged company)	-	-	-	100.00	-	-
Onco D'Or PE S.A. (acquired in 2016)	-	67.03	-	-	-	-
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	-	67.02	99.00	1.00	100.00	-
Núcleo Especializado em Oncologia e Hemato (NEOH) (acquired in 2016)	-	67.02	-	-	-	-
Jenner S.A.	50.00	37.50	-	75.00	-	-
Oncoholding Participações S.A. (merged company)	-	-	50.00	37.50	-	50.00
Oncologia D'Or S.A.	7.39	78.36	5.34	78.36	-	50.00
Instituto Onco e Radio São Pellegrino Ltda. (divested company)	-	-	-	83.70	-	-
Centro de Oncologia do RJ Ltda. ("Salus") (acquired in 2016)	-	89.55	-	-	-	-
Centro de Hematologia e Oncologia (CEHON) (acquired in 2016)	-	98.57	-	-	-	-
Centro Diagnóstico NSL S.A.	98.43	-	98.43	-	95.92	-
Maxclínicas Clínicas e Diagnósticos Ltda.	99.99	0.01	99.99	0.01	100.00	-
Tijuca Empreendimentos Imobiliários Ltda. (former Diagnolab Exames Complementares Ltda.)	99.99	0.01	99.99	0.01	99.99	0.01
Centro Hospitalar São Marcos S.A.	100.00	-	100.00	-	100.00	-
Esperança Serviços Médicos e de Diagnósticos S.A.	100.00	-	100.00	-	-	100.00
Santa Luzia Assistência Médica S.A. ("SLAM")	100.00	-	100.00	-	100.00	-
Hospital IFOR S.A. ("IFOR") (merged company)	-	-	100.00	-	100.00	-
Hospital Fluminense S.A.	100.00	-	100.00	-	50.00	-
Onco ABC Serviços Médicos Ltda. (merged company)	-	-	73.50	-	-	50.00
JLD Borducchi Ltda. (merged company)	-	-	73.50	-	-	50.00
Cardial Serviços Médicos Ltda.	84.00	-	73.50	-	-	50.00
ONCORAD - Serviços de Radioterapia Ltda.	0.01	83.99	0.01	73.49	-	50.00
Hospital Villa-Lobos Ltda. (merged company)	-	-	100.00	-	-	-
Unidade de Radiologia Clínica Ltda. ("URC")	72.00	-	72.00	-	72.00	-
Instituto de Ultrassonografia Médica Ltda. ("IUSM")	72.00	-	72.00	-	72.00	-
Laboratório Análises Clínicas - Labvivalle Ltda.	50.01	-	50.01	-	51.00	-
Norte D'Or Participações S.A.	100.00	-	100.00	-	100.00	-
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	-	70.00	-	70.00	-	70.00
Proncordis Pronto Atendimento Cardiológico Ltda.	1.69	93.95	1.69	93.95	-	-
Hospital e Maternidade Bartira S.A. (merged company)	-	-	100.00	-	-	-
Café Verde da Quinta Ltda.	99.99	0.01	100.00	-	100.00	-
Campinas Empreendimentos Imobiliários Ltda. (former D'Or Trading Importação Ltda.)	99.99	0.01	99.99	0.01	-	-
IFOR Empreendimentos Imobiliários S.A. (former Park D'Or)	99.99	0.01	99.99	0.01	-	-
OPUNER do Brasil Ltda.	99.99	0.01	99.99	0.01	99.99	0.01
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	87.82	10.18	87.82	10.18	85.34	10.18
Assunção Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01	-	-
Villa Lobos Empreendimentos Imobiliários S.A. (former JM01 Emp. Imobiliários S.A.)	99.99	0.01	99.99	0.01	-	-
Santa Luzia II Emp. Imobiliários Ltda. (former JM02 Emp. Imobiliários S.A.)	99.99	0.01	99.99	0.01	-	-
RDSL Empreendimentos Imobiliários S.A.	100.00	-	100.00	-	-	-
Rede D'Or São Luiz Soluções Saúde e Segurança	65.00	-	65.00	-	65.00	-
JTO Holding S.A.	50.01	-	50.01	-	-	-
JTO-Fundadores Participações Ltda.	10.00	40.01	10.00	40.01	-	-
D'Or Consultoria Corretagem, Seguros e Benefícios	-	50.01	-	50.01	-	-
Hospital Santa Helena S.A.	100.00	-	14.79	83.78	-	-
Acreditar Oncologia S.A. (control acquired in 2016)	60.00	-	50.00	-	-	-
Hospital Memorial São José Ltda. ("MSJ") (acquired in 2016)	100.00	-	-	-	-	-
Prontimagem Serviços Médicos Ltda.	60.10	-	55.10	-	-	-
GNI01 Empreendimentos Imobiliários Ltda. (b)	99.99	0.01	-	-	-	-
GNI02 Empreendimentos Imobiliários Ltda. (b)	99.99	0.01	-	-	-	-
GNI05 Empreendimentos Imobiliários Ltda. (b)	99.99	0.01	-	-	-	-
GNI06 Empreendimentos Imobiliários Ltda. (b)	99.99	0.01	-	-	-	-
Maximagem com Diag. por imagem Ltda. (acquired in 2016)	100.00	-	-	-	-	-
Noventa e Nove Participações S.A. (acquired in 2016)	100.00	-	-	-	-	-
Hospital Ribeirão Pires Ltda. (acquired in 2016)	-	100.00	-	-	-	-
Hospital Alpha Med Ltda. (acquired in 2016)	65.99	34.01	-	-	-	-
Centro de Diagnóstico por Imagem Bartira (CEDIB) (acquired in 2016)	100.00	-	-	-	-	-
Atenção Total e Gestão de Saúde Ltda. (acquired in 2016)	99.99	0.01	-	-	-	-

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

	Interest held (%)					
	2016		2015		2014	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Entities consolidated by the equity method						
Instituto Brasiliense de Oncologia Clínica Ltda. (c)	-	40.00	-	35.00	-	-
Fujidayclinic Ltda. (c)	-	30.00	-	25.00	-	25.00
IPEC - Instituto de Pesquisa e Ensino CEON Ltda. (c)	-	59.99	-	99.99	-	99.99
Em Frente Distribuição, Manipulação e Nutrição Ltda. (c)	-	59.99	-	50.00	-	50.00
Acreditar Tocantins Oncologia S.A. (c)	-	30.00	-	25.00	-	25.00
Centro Oncológico do Vale Ltda. (c)	-	50.00	-	50.00	-	50.00
Instituto de Radioterapia do Vale do Paraíba Ltda. (c)	-	50.00	-	50.00	-	50.00
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	-	50.00	-	-	50.00
J Badim S.A. ("Hospital Badim")	-	50.00	-	50.00	-	50.00
EAH Administração Hospitalar Ltda.	-	50.00	-	50.00	-	50.00
Memorial Imagem e Diag Ltda. ("Mediax") (ownership interest acquired in 2016)	15.00	-	-	-	-	-
GGSH Part. S.A. (ownership interest acquired in 2016)	21.29	-	-	-	-	-

(a) This includes hospitals São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or, Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Hospital Santa Luzia, Hospital do Coração, Sinisgalli, Hospital Nossa Senhora de Lourdes, Hospital da Criança, Sino Brasileiro Serviços Hospitalares S.A, Villa Lobos Ltda. Hospital e Maternidade Bartira S.A. and Hospital Ifor S.A.;
(b) Companies incorporated in 2016 for the purpose of acquisition of properties.
(c) Investees of subsidiary Acreditar Oncologia S.A.

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

a) Basis of consolidation

The financial statements include information of the Company and its subsidiaries described above. The consolidation process of balance sheet and profit and loss accounts reflects the aggregate of the balances of assets, liabilities, income and expenses, according to their nature, together with the following adjustments:

- Significant transactions among consolidated companies are eliminated;
- Balances of asset and liability accounts held among consolidated companies are eliminated;
- Non-controlling interests are segregated from consolidated equity and P&L.

All consolidated companies have the same fiscal year and the same accounting practices as those of the parent company.

b) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any non-controlling interests in the acquiree. For each business combination, the acquirer should measure the non-controlling interest in the acquiree at fair value or based on its participation in the identified net assets of acquiree. Direct costs attributable acquisition costs incurred are expensed.

Upon acquiring a business, the Company assesses financial assets and liabilities assumed so as to classify them and allocate them in accordance with contractual terms, economical circumstances and relevant conditions on acquisition date, which includes segregating, by the acquiree, embedded derivatives existing in host contracts in the acquired company.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

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

b) Business combination (Continued)

Goodwill is initially measured as the excess of the consideration transferred over the net assets acquired (identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the cost of the operation when determining the gain or loss on disposal.

c) Financial instruments

The Company's non-derivative financial instruments are represented by cash and cash equivalents, marketable securities, accounts receivable, proceeds from disposal of properties, judicial deposits, derivatives, trade accounts payable, loans and financing, debentures, salaries and provisions, and accounts payable for acquisitions. Financial instruments are initially recorded at fair value, plus transaction costs directly attributable to their acquisition or issue, except for financial assets and liabilities classified under the "at fair value through profit or loss" category, whereupon such costs are posted directly to profit or loss for the year. These financial instruments are subsequently measured at each financial statements closing date according to their classification into the following financial assets and liabilities categories:

(i) *Financial assets measured at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if acquired to be sold in the short term. Gains and losses on liabilities held for trading are recognized in profit or loss.

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

c) Financial instruments (Continued)

(ii) *Investments held to maturity*

Financial assets with fixed or determinable payments and fixed maturities, which the Company has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Interest income is recognized using the effective interest method. The Company does not have held-to-maturity investments.

(iii) *Loans and receivables*

After their initial recognition, interest-bearing loans and receivables are subsequently measured at amortized cost, using the effective interest method. Gains and losses are recognized in the income statement when assets and liabilities are derecognized, as well as through the amortization process by the effective interest method.

Financial assets and liabilities are described by category in Note 27. The accounting treatment and presentation of the Company's main financial assets and liabilities are summarized below:

Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or any other purposes. The Company considers cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Therefore, an investment usually qualifies as a cash equivalent when it has short-term maturity, e.g., three months or less, from the date it is taken out.

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

c) Financial instruments (Continued)

Marketable securities

The Company classifies its short-term investments as held for trading, considering the purpose for which the investment was acquired.

Short-term investments held for trading are measured at fair value. Interest and monetary adjustments, if any, are recognized in the income statement when incurred.

Accounts receivables

These are stated at their estimated realizable values, net of present value adjustment and of the allowance for doubtful accounts and disallowance (as applicable).

Financial liabilities

Loans, financing and debentures are initially measured at fair value net of incurred transaction costs, and subsequently measured at amortized cost under the effective interest method.

Current and noncurrent liabilities are stated at known or calculable amounts plus, where applicable, related charges and monetary and/or foreign exchange variations incurred through the statement of financial position date.

Derecognition (write-off)

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized (i.e., removed from profit or loss for the year) mainly when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

c) Financial instruments (Continued)

Derecognition (write-off) (Continued)

When the Group has transferred its rights to receive the cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is any objective evidence indicating impairment of a financial asset or group of financial assets. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty. The probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments may be indicated by a measurable decrease in the estimated future cash flows, such as changes in maturity or economic conditions that correlate with defaults.

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

c) Financial instruments (Continued)

Derivative financial instruments

The Company uses derivative financial instruments such as currency and interest rate swap contracts to hedge against exchange variation risks. Since the second quarter of 2016, the Company began treating these transactions as hedging accounting, recorded as follows: (i) gain or loss resulting from changes in fair value of a hedging instrument is recognized in financial income in the income statements; and (ii) gain or loss resulting from the hedged item attributable to the hedged risk is recorded as an adjustment of the book value of the hedged item and recognized in financial income in the income statement.

Upon initial recognition of a hedging transaction, the Company classifies and formally documents the hedging relationship to which the Company wants to apply, as well as the management's objective and risk management strategy to enforce the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the hedged risk, the nature of the risks excluded from the hedging relationship, the prospective statement of the effectiveness of the hedging relationship and the manner that the Company will evaluate the effectiveness of the hedging instrument in order to offset the exposure to changes in fair value of the hedged item or cash flows related to the hedged risk.

d) Revenue and cost recognition

Transaction revenues, costs and expenses are recognized on an accrual basis.

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

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

e) Current and noncurrent assets and liabilities

Assets are classified as current when they are realizable within the following twelve months. Current and noncurrent liabilities are stated at amounts for which they will be settled, considering each balance sheet date, including interest provisioned, monetary and exchange gain/losses, in accordance with the contractual conditions.

f) Inventories

Inventories comprise hospital materials and medicines and are measured at average acquisition cost, not exceeding market value. Given the nature of the Company's inventories, Management derecognizes obsolete or expired items.

g) Property and equipment

Property and equipment are measured at acquisition or construction cost, less accumulated depreciation calculated by using the straight-line method based on the estimated useful lives of assets. Expenses with repair and maintenance that do not increase the asset useful life are recognized as expenses when incurred.

Management annually reviews the net carrying amount of assets so as to assess events or changes in economic, operating or technological circumstances which may indicate impairment. When such evidence is identified, and net carrying amount exceeds recoverable amount, a provision for impairment is set up to adjust the net carrying amount to the recoverable amount.

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

h) Lease agreements

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, regarding the use of a specific asset or assets or the right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at lease inception at the lower of the fair value of the leased asset or the present value of the minimum lease payments, including, where applicable, initial direct costs incurred in the transaction. Payments of finance lease agreements are allocated to financial charges and reduction of finance lease liabilities in order to obtain constant interest rate on the outstanding liability balance. Financial charges are recognized in the income statement.

Those leased items are depreciated over their useful lives or, when the Company is reasonably sure to obtain ownership at the end of the lease term, the leased item is depreciated over the lease agreement term, whichever is earlier.

Operating leases are those whose risks and rewards are not transferred to the lessee, and costs are recognized in profit or loss on an accrual basis, as the asset item is used. Differences between amounts effectively paid and those expensed in profit or loss are recognized as prepaid expenses or provisioned in the balance sheet.

i) Intangible assets

Intangible assets acquired separately are measured at cost upon their initial recognition. Cost of intangible assets acquired in a business combination corresponds to fair value at the acquisition date. After initial recognition, intangible assets are stated at cost less accumulated amortization and impairment losses.

The useful life of an intangible asset is rated either as finite or indefinite.

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

i) Intangible assets (Continued)

Intangible assets with finite useful lives are amortized over their economic useful lives and tested for impairment whenever there is any indication thereof. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at year-end. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization charges on finite-lived intangible assets are recognized in the income statement in the expense category consistent with the use of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are submitted to annual impairment tests, either individually or based on the relevant Cash-Generating Unit (CGU). Indefinite useful life assessment is reviewed annually to determine whether such assessment continues to be justified. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains and losses arising from write-off of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and classified in the income statement on disposal.

j) Provisions

Provisions are recognized when there is a present (legal or constructive) obligation arising from a past event, the settlement of which is likely to require an outflow of economic benefits, and its amount can be reliably measured. When the Company expects that the amount of a provision will be refunded, whether in full or in part, the refund is recognized as a separate asset, but only when the refund is virtually certain. Expenses related to any provision are stated in the income statement, net of any reimbursements.

The Company is party to several legal and administrative proceedings. The provision for contingencies is set up for legal claims in connection with which an outflow of funds for settlement is probable and the amount can be estimated reliably. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

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

k) Taxes

Current income and social contribution taxes

Income taxes comprise both income and social contribution taxes. Income tax is computed at the rate of 15% on taxable profit, plus surtax of 10% on taxable profit exceeding R$240 over 12 months, whereas social contribution tax is computed at the rate of 9% on taxable profit, both recognized on an accrual basis, therefore additions to book income deriving from temporarily non-deductible expenses or exclusions from temporarily non-taxable profit upon determination of current taxable profit generate deferred tax assets or liabilities.

Current income and social contribution taxes are stated net, by entity, in liabilities when there are amounts payable, or in assets when prepaid taxes exceed total due as of the financial statements date.

Deferred taxes

Deferred taxes arise from temporary differences at the balance sheets date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized on all temporary tax differences, except:

- When a deferred tax liability arises upon initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss).

- On temporary differences related to investments in subsidiaries, when the period for reversal of such differences can be controlled and the temporary differences are not likely to be reversed in the near future.

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

k) Taxes (Continued)

Deferred taxes (Continued)

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and losses, to the extent that taxable profit is likely to be available for realization of deductible temporary differences and unused tax credits and losses are likely to be used, except:

- When the deferred tax asset related to the deductible temporary difference is generated upon initial recognition of an asset or liability in a transaction other than a business combination and does not affect, at transaction date, the book income or tax income or loss.

- On deductible temporary differences with investments in subsidiaries. Deferred tax assets are only recognized to the extent that temporary differences are reversed in the near future and taxable profit is available for temporary differences to be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and written off, as taxable profit is no longer likely to allow deferred tax assets to be fully or partially used. Deferred tax assets written off are reviewed as of each balance sheet date, and recognized as future taxable profits are likely to allow such tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate likely to be applicable in the year in which the asset or the liability will be realized or settled, based on the tax rates (and tax law) in force at balance sheet date.

Deferred tax assets and liabilities are stated net if there is a legal or constructive right to offset tax assets against tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

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

k) Taxes (Continued)

Taxes on revenue

Revenues, expenses and assets are recognized net of taxes on sales, except:

- When the sales taxes incurred on purchase of goods or services are not recoverable from tax authorities, in which case the sales taxes are recognized as part of acquisition cost of the asset or expense item, as applicable.

- When amounts receivable and payable are stated together with sales taxes.

- When net sales taxes, either recoverable or payable, are included as components of amounts receivable or payable in the balance sheet.

l) Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are monetarily restated, and therefore adjusted to their present value. Present value adjustment of current monetary assets and liabilities is calculated, and only recorded, if it is considered significant in relation to the overall financial statements.

m) Share-based payment

Share-based payment to Company executives is measured and recognized at fair value as of the date options are granted, in a specific equity and profit or loss account, as contractual conditions are met. The cost of transactions settled in shares is recognized, over the year in which performance and/or conditions are fulfilled, ending on the date the employee becomes entitled to premium (vesting date). The cumulative expense recognized through the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares to be acquired.

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

m) Share-based payment (Continued)

When an award that is settled with equity instruments is canceled, it is treated as if it had vested on the cancellation date, and any unrecognized expense in relation to the award is immediately recognized. This includes any premium in which non-acquisition conditions within the control of the Company or the other party are not met. However, if a new plan replaces the plan canceled, and is designated as a substitute plan on grant date, the plan canceled and the new plan are treated as a change in the original plan.

n) Treasury shares

These are own equity instruments that were reacquired (treasury stock), recognized at cost, less equity. No gains or losses are recognized in profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

o) Cash flow statements

Cash flow statements were prepared using the indirect method and are presented in accordance with CPC 03 (R2).

p) Statements of value added

The Company prepares individual and consolidated Statements of Value Added pursuant to technical standard CPC 09 - Statement of Value Added. These statements are shown as part of the financial statements as required by Brazilian Corporate Law for publicly-held companies, and as supplementary information for privately-held the IFRS do not require disclosure of the Statements of Value Added.

q) Segment reporting

The Company only operates in the hospital segment. In addition to analyzing the segment as a whole, the Company's decision-makers analyze the hospital segment on a disaggregated basis by the P&L of each hospital; However, this individual analysis by hospital does not represent different operating segments. The Company has no revenues arising from customers outside Brazil.

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

r) Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of outstanding shares for the year.

Diluted earnings per share are calculated by dividing net income attributed to holders of Company common shares, after adjustments to the stock option plan, as described in Note 18 (e), as described in Note 18 (e), by the weighted average number of Company common shares available in the year, plus the weighted average number of common shares that would be issued when converting all potential diluted common shares into common shares.

s) Significant accounting judgments, estimates and assumptions

Judgments

Preparing the Company's consolidated financial statements requires that management make judgment and estimates and adopt assumptions that affect those figures reported as revenues, expenses, assets and liabilities, as well as contingent-liability disclosures, as of the financial statements date. Nevertheless, uncertainty associated with those estimates and assumptions could lead to results that would require significant adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

Significant assumptions concerning sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the balance sheet date, involving significant risk of causing a material adjustment to the carrying amount of the assets and liabilities in the next financial year are discussed below:

Allowance for doubtful accounts and disallowances

The allowances for doubtful accounts and for disallowances 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 this balance, considering the individual risk of the portfolios. The allowances for doubtful accounts and for disallowances are set up based on the history of receipts by health insurer/plan, in addition to the individual analysis of receivables to identify specific risks of counterparties, if any.

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

s) Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Fair value of financial instruments

When the fair value of financial assets and liabilities in the balance sheet cannot be obtained in active markets, it shall be determined through valuation techniques, including the discounted cash flow method. The data for these methods is based on the market, whenever possible. However, when not feasible, a certain level of judgment is required to establish the fair value.

Judgment includes consideration of the inputs used, such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of property and equipment and intangible assets

Depreciation or amortization of property and equipment and intangible assets considers management's best estimate on the use of these assets during operations. Changes in the economic scenario and/or consumer market may require that the estimated useful lives be reviewed.

Impairment of non-financial assets

Management reviews net carrying amount of assets at least annually to assess events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. When such evidence is identified and net carrying amount exceeds recoverable amount, a provision for impairment is set up by adjusting net carrying amount to the recoverable amount.

The recoverable amount of an asset or a cash generating unit is defined as the higher of value in use and fair value less costs to sell. In the case of the Company, the evaluation considered each of its hospitals as a cash generating unit.

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

s) Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Impairment of non-financial assets (Continued)

Upon estimation of the asset's value in use, the estimated future cash flows are discounted to their present value, using a discount rate before taxes that reflects the weighted average cost of capital for the segment where the cash-generating unit operates. Fair value less costs of disposal is determined, whenever possible, based on a firm sales agreement in an arm's length transaction, between knowledgeable and willing parties, after deducting the costs of disposal, or, when a firm sales agreement does not exist, based on market price in an active market, or on price of the most recent transaction with similar assets.

This criterion is also applied to evaluate impairment of intangible assets with indefinite useful lives, which are tested for impairment at December 31 of each year, either individually or at the CGU level, as applicable or when circumstances indicate that the carrying amount may be impaired. When such evidence is identified and net carrying amount exceeds recoverable amount, a provision for impairment is set up to adjust the net carrying amount to the recoverable amount, as applicable.

Income and social contributions taxes

Deferred income and social contribution tax assets are recognized insofar as taxable profit is likely to be available for temporary differences to be used and tax losses to be offset. Recovery of deferred tax assets is reviewed at each year end and, when taxable profit is no longer likely to be available for total or partial asset recovery, the asset balance is adjusted to the amount expected to be recovered.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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

s) Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Provision for contingencies

The Company recorded a provision, which involves considerable management judgment, for tax, labor and civil contingencies which, as a result of a past event, is likely to generate an outflow of economic benefits for settlement thereof, and whose amount can be reliably estimated. The Company is also subject to legal, civil and labor claims covering matters arising from its normal course of business.

Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute barring period, conclusion of tax audits or additional exposures identified based on new matters or court decisions. Actual results could differ from those estimates. The grounds for and nature of the provision for contingencies are mentioned in Note 16.

Settlement of transactions involving those estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent in their estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

t) Pronouncements issued, but not yet effective at December 31, 2016

The standards and interpretations issued, applicable to the Group, but not yet adopted through to the date of these financial statements are set out below:

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

t) Pronouncements issued, but not yet effective at December 31, 2016 (Continued)

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments, which reflects all financial instruments project phases and replaces IAS 39 - Financial Instruments: Recognition and measurement, and previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Management is assessing the impact of applying this standard.

IFRS 15 - Revenue from contracts with customers

Issued in May 2014, this standard establishes a new five-phase model to recognize revenue from contracts with customers. Under IFRS 15, revenues are recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to a customer. IFRS 15 principles comprise a more structured approach to measure and recognize revenue. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. There is no equivalent standard in Brazil. Management is assessing the impact of applying this standard.

IFRS 16 - Leases

This standard will replace IAS 17 - "Leases" and corresponding interpretations, and is intended to unify the accounting method adopted for leases, requiring that lessees recognize all lease agreements as assets/liabilities. Certain agreements with termination expected within twelve months or whose amount is immaterial me be left out of the scope. This standard will be effective as from January 1, 2019. Management is assessing the impact of applying this standard.

3. Business combination

Acquisitions in 2016

Acreditar Oncologia S.A.

On April 19, 2016, Rede D'Or acquired an additional 5% interest in Acreditar Oncologia S.A. ("Acreditar") and now holds 60% interest and, therefore, holds control over this investee, as determined in the shareholders agreement. The consideration transferred for the additional 5% interest totaled R$10,229 of which R$5,115 were paid on the contract execution date, and the R$5,114 remaining balance maturing on April 29, 2018, to be restated by reference to the CDI as from acquisition.

As provided for by Accounting Pronouncement CPC 15 - Business combinations, the Company assessed its prior shareholding interest at fair value and recorded the corresponding gain at the controlling interest acquisition date, as follows:

	At acquisition date
Prior shareholding interest at fair value	112,519
Prior shareholding interest at carrying amount (55%)	41,116
Gain on business combination realized in stages (Note 24)	71,403
Deferred income and social contribution taxes (Note 19)	(24,277)
Net gain on business combination realized in stages	47,126

The gain presented above was classified as Other operating income in the income statement.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

Acreditar Oncologia S.A. (Continued)

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

	At acquisition date
Assets	
Cash and cash equivalents	10,798
Accounts receivable	19,229
Inventories	1,536
Taxes recoverable	3,458
Investments	6,717
Property and equipment	4,857
Intangible assets	3,348
Other	11,542
	61,485
Liabilities	
Trade accounts payable	(5,347)
Tax liabilities	(3,781)
Salaries, provisions and social charges	(810)
Other	(2,686)
	(12,624)
Total identifiable assets, net	48,861
Total consideration	10,229
Fair value of prior shareholding interest	112,519
Noncontrolling interests at fair value	81,833
Goodwill on acquisition (Note 10)	155,720

Since the acquisition date, Acreditar contributed to the Group with revenues of R$70,595 and pretax income of R$22,581. If the business combination had occurred at the beginning of the year, Acreditar would have contributed revenue of R$88,536 to the Group and pretax income of R$27,807. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

Memorial São José Ltda.

On April 25, 2016, the Group acquired all shares in Hospital Memorial São José Ltda. ("Memorial"), a limited liability company that operas a hospital located in Recife, Pernambuco State. The consideration transferred totaled R$141,315, fully paid at the transaction date.

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

	At acquisition date
Assets	
Cash and cash equivalents	7,081
Accounts receivable	19,725
Inventories	2,891
Indemnifiable assets	3,975
Taxes recoverable	1,560
Related parties	258
Judicial deposits	1,196
Deferred income and social contribution taxes	4,219
Property and equipment	18,305
Intangible assets	273
Other	1,717
	61,200
Liabilities	
Trade accounts payable	(6,981)
Loans and financing	(81)
Salaries, provisions and social charges	(5,636)
Tax liabilities	(14,013)
Taxes in installments	(447)
Provision for contingencies	(3,975)
Other	(1,280)
	(32,413)
Total identifiable assets, net	28,787
Total consideration	141,315
Goodwill on acquisition (Note 10)	112,528

Since the acquisition date, Memorial contributed to the Group with revenues of R$106,078 and pretax income of R$3,286. If the business combination had occurred at the beginning of the year, Memorial would have contributed revenue of R$183,022 to the Group and pretax income of R$28,349. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

Hospital Alpha-Med.

On October 24, 2016, the Group acquired all shares of Hospital Alpha-Med Ltda. ("Alpha-Med"), a limited liability company that operates a hospital located in Carapicuíba, São Paulo State, as well as the property of the hospital. The consideration transferred totaled R$52,500, of which R$46,500 were paid at the contract execution date and the R$6,000 remaining balance was retained as guarantee for price adjustment and indemnification obligations by sellers.

The Group is evaluating the assets acquired and liabilities assumed at their fair values, as required by IRFS 3/CPC 15; therefore, the effects recorded are preliminary. The calculation of preliminary goodwill was as follows:

	At acquisition date
Assets	
Cash and cash equivalents	2,603
Accounts receivables	3,346
Inventories	659
Indemnifiable assets	6,000
Deferred income and social contribution taxes	5,223
Property and equipment	11,623
Other	6
	29,460
Liabilities	
Trade accounts payable	(1,215)
Loans and financing	(56)
Salaries, provisions and social charges	(1,915)
Tax liabilities	(980)
Provision for contingencies	(15,410)
Other	(122)
	(19,698)
Total identifiable assets, net	9,762
Total consideration	52,500
Goodwill on acquisition (Note 10)	42,738

Since the acquisition date, Alpha-Med contributed to the Group with revenues of R$9,986 and pretax income of R$2,754. If the business combination had occurred at the beginning of the year, Alpha-Med would have contributed revenue of R$52,808 to the Group and pretax income of R$9,961. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

CEHON - Centro de Hematologia e Oncologia da Bahia Ltda.

On December 29, 2016, Rede D'Or, through its subsidiary Onco D'Or Oncologia S.A. ("Onco D'or"), acquired additional 67.44% interest in CEHON - Centro de Hematologia e Oncologia da Bahia Ltda. ("CEHON"). Accordingly, the Group acquired 100% interest in CEHON and therefore holds control over this investee. The consideration transferred for the additional 67.44% interest totaled R$54,817, of which R$38,103 were paid on the contract execution date; R$7,189 through transfer of R$1.43% of Onco D'Or' shares to sellers; and R$9,526 were retained as guarantee for price adjustment.

As provided for by Accounting Pronouncement CPC 15 - Business combinations, the Company assessed its prior shareholding interest at fair value and recorded the corresponding gain at the controlling interest acquisition date, as follows:

	At acquisition date
Prior shareholding interest at fair value	26,466
Prior shareholding interest at carrying amount (32.56%)	18,296
Gain on business combination realized in stages (Note 24)	8,170
Deferred income and social contribution taxes (Note 19)	(2,778)
Net gain on business combination realized in stages	5,392

The gain presented above was classified as Other operating income in the income statement.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

CEHON - Centro de Hematologia e Oncologia da Bahia Ltda. (Continued)

The Group is evaluating the assets acquired and liabilities assumed at their fair values, as required by IRFS 3/CPC 15; therefore, the effects recorded are preliminary. The calculation of preliminary goodwill was as follows:

	At acquisition date
Assets	
Cash and cash equivalents	6,202
Accounts receivables	6,162
Inventories	2,843
Taxes recoverable	4
Property and equipment	4,470
Intangible assets	16
Other	362
	20,059
Liabilities	
Trade accounts payable	(5,566)
Loans and financing	(390)
Salaries, provisions and social charges	(499)
Tax liabilities	(701)
Taxes in installments	(248)
Other	(129)
	(7,533)
Total identifiable assets, net	12,526
Total consideration	54,817
Fair value of prior shareholding interest	26,466
Goodwill on acquisition (Note 10)	68,757

If the business combination had occurred at the beginning of the year, CEHON would have contributed revenue of R$47,803 to the Group and pretax income of R$10,528. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

Hospital Ribeirão Pires

On December 16, 2016, the Group acquired all shares of Hospital Ribeirão Pires Ltda. ("Ribeirão Pires), a limited liability company that operates a hospital located in Ribeirão Pires, São Paulo State, as well as the property of the hospital. The consideration transferred totaled R$197,662, of which R$127,852 were paid at the contract execution date and the R$69,810 remaining balance was retained as guarantee for price adjustment and for regularization of part of pending documentation.

The Group is evaluating the assets acquired and liabilities assumed at their fair values, as required by IRFS 3/CPC 15; therefore, the effects recorded are preliminary. The calculation of preliminary goodwill was as follows:

	At acquisition date
Assets	
Cash and cash equivalents	2,460
Accounts receivable	18,253
Indemnifiable assets	7,000
Inventories	866
Taxes recoverable	248
Judicial deposits	28
Deferred income and social contribution taxes	3,905
Property and equipment	58,448
Intangible assets	102
Other	362
	91,672
Liabilities	
Trade accounts payable	(3,611)
Loans and financing	(926)
Salaries, provisions and social charges	(4,884)
Tax liabilities	(1,362)
Provision for contingencies	(7,196)
Related parties	(5,436)
Other	(334)
	(23,749)
Total identifiable assets, net	67,923
Total consideration	197,662
Goodwill on acquisition (Note 10)	129,739

If the business combination had occurred at the beginning of the year, Ribeirão Pires would have contributed revenue of R$137,270 to the Group and pretax income of R$17,886. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

Maximagem Diagnóstico por Imagem Ltda.

On December 27, 2016, Rede D'Or acquired additional 50% interest in Maximagem Diagnóstico por Imagem Ltda. ("Maximagem") and now holds 100% interest and, therefore, holds control over this investee. The consideration transferred for the additional 50% interest totaled R$28,092, of which R$14,046 were paid on the contract execution date and the R$14,046 remaining balance will be paid after three years from the contract date, restated by reference to the CDI.

As provided for by Accounting Pronouncement CPC 15 - Business combinations, the Company assessed its prior shareholding interest at fair value and recorded the corresponding gain at the controlling interest acquisition date, as follows:

	At acquisition date
Prior shareholding interest at fair value	28,092
Prior shareholding interest at carrying amount (50%)	25,757
Gain on business combination realized in stages (Note 24)	2,335
Deferred income and social contribution taxes (Note 19)	(794)
Net gain on business combination realized in stages	1,541

The gain presented above was classified as Other operating income in the income statement.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

Maximagem Diagnóstico por Imagem Ltda. (Continued)

The Group is evaluating the assets acquired and liabilities assumed at their fair values, as required by IRFS 3/CPC 15; therefore, the effects recorded are preliminary. The calculation of preliminary goodwill was as follows:

	At acquisition date
Assets	
Cash and cash equivalents	877
Accounts receivables	390
Inventories	4,224
Taxes recoverable	489
Property and equipment	11,610
Intangible assets	113
Other	58
	17,761
Liabilities	
Trade accounts payable	(3,165)
Loans and financing	(2,249)
Salaries, provisions and social charges	(1,032)
Tax liabilities	(469)
Other	(428)
	(7,343)
Total identifiable assets, net	10,418
Total consideration	28,092
Fair value of prior shareholding interest	28,092
Goodwill on acquisition (Note 10)	45,766

If the business combination had occurred at the beginning of the year, Maximagem would have contributed revenue of R$29,610 to the Group and pretax income of R$5,947. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2016 (Continued)

NEOH - Memorial Núcleo Especializado em Oncologia e Hematologia Ltda.

On December 28, 2016, Rede D'Or, through its subsidiaries Onco D'or Oncologia PE ("Onco PE") and Instituto Oncológico PE. ("IOPE"), acquired 99.99% interest in NEOH - Memorial Núcleo Especializado em Oncologia e Hematologia Ltda ("NEOH"). The consideration transferred totaled R$35,466, fully paid on the contract execution date, of which R$2,022 through transfer of 32% of Onco PE's shares to the sellers.

The Group is evaluating the assets acquired and liabilities assumed at their fair values, as required by IRFS 3/CPC 15; therefore, the effects recorded are preliminary. The calculation of preliminary goodwill was as follows:

	At acquisition date
Assets	
Cash and cash equivalents	2,585
Accounts receivables	2,715
Inventories	2,565
Property and equipment	398
Intangible assets	82
Other	132
	8,477
Liabilities	
Trade accounts payable	(3,910)
Salaries, provisions and social charges	(239)
Tax liabilities	(284)
	(4,433)
Total identifiable assets, net	4,044
Total consideration	35,466
Goodwill on acquisition (Note 10)	31,422

If the business combination had occurred at the beginning of the year, NEOH would have contributed revenue of R$38,334 to the Group and pretax income of R$12,824. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2015

Hospital Fluminense S.A.

On February 1, 2015, the Group acquired additional 50% interest in Hospital Fluminense S.A., a privately-held company operating Niterói D'Or hospital, located in the city of Niterói, state of Rio de Janeiro, therefore, holding 100% interest in and control over this investee. Total consideration transferred amounted to R$700, divided into four (4) consecutive monthly installments.

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

	At the acquisition date
Prior shareholding interest at fair value	700
Prior shareholding interest at carrying amount (50%)	(4,715)
Gain on phased business combination	5,415
Deferred income and social contribution taxes	(1,841)
Net gain on phased business combination (Note 24)	3,574

The gain presented above was classified as Other operating income in the income statement.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Hospital Fluminense S.A. (Continued)

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

	At acquisition date
Assets	
Cash and cash equivalents	2,616
Accounts receivables	6,148
Property and equipment	12,205
Other	4,599
	25,568
Liabilities	
Salaries, provisions and social charges	(2,304)
Current account with related companies	(21,100)
Other	(11,422)
	(34,826)
Total identifiable assets, net	(9,258)
Total consideration	700
Fair value of prior shareholding interest	700
Goodwill on acquisition (Note 10)	10,658

From the acquisition date until December 31, 2015, Hospital Fluminense contributed to the Group with revenues of R$61,163 and pretax income of R$3,734. If the business combination had occurred at the beginning of 2015, Hospital Fluminense would have contributed revenue of R$73,396 to the Group and pretax income of R$4,481. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

Hospital Villa-Lobos Ltda.

On February 12, 2015, the Group acquired all shares of Hospital Alpha-Med Ltda. ("Villa-Lobos"), a privately-held company that operates a hospital in São Paulo.

The consideration transferred totaled R$123,471, fully paid at the transaction date.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Hospital Villa-Lobos Ltda. (Continued)

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

	At the acquisition date
Assets	
Cash and cash equivalents	11,613
Accounts receivables	10,554
Intercompany current account	7,445
Inventories	2,482
Deferred taxes	7,231
Property and equipment	9,184
Other	1,289
	49,798
Liabilities	
Trade accounts payable	(4,446)
Salaries, provisions and social charges	(4,239)
Loans and financing	(48,790)
Provision for contingencies	(1,865)
Other	(3,061)
	(62,401)
Total identifiable assets, net	(12,603)
Total consideration	123,471
Goodwill on acquisition (Note 10)	136,074

From the acquisition date until December 31, 2015, Villa-Lobos contributed to the Group with revenues of R$148,634 and pretax income of R$32,499. If the business combination had occurred at the beginning of 2015, Villa-Lobos would have contributed revenue of R$162,146 to the Group and pretax income of R$35,453. Through the merger of this subsidiary, which generated operating and corporate synergies for the Group, the Company has been using the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Sino Brasileiro Serviços Hospitalares S.A.

On February 13, 2015, the Group acquired all shares of Sino Brasileiro Serviços Hospitalares S.A. ("Sino Brasileiro"), a privately-held company operating a hospital in the city of Osasco. The consideration transferred totaled R$345,915, fully paid at the transaction date.

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

	At acquisition date
Assets	
Cash and cash equivalents	58,515
Accounts receivables	14,023
Deferred taxes	13,302
Property and equipment	16,755
Other	3,609
	106,204
Liabilities	
Trade accounts payable	(3,589)
Salaries, provisions and social charges	(2,589)
Provision for contingencies	(5,201)
Other	(840)
	(12,219)
Total identifiable assets, net	93,985
Total consideration	345,915
Goodwill on acquisition (Note 10)	251,930

From the acquisition date until December 31, 2015, Sino Brasileiro contributed to the Group with revenues of R$152,754 and pretax income of R$38,486. If the business combination had occurred at the beginning of 2015, Sino Brasileiro would have contributed revenue of R$166,641 to the Group and pretax income of R$41,985. Through the merger of this subsidiary, which generated operating and corporate synergies for the Group, the Company has been using the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Cardial Serviços Médicos S.A./Onco ABC Serviços Médicos S.A./JLD Borducchi S.A.

At March 31, 2015, the Group acquired 23.5% more shareholding interest of the privately-held companies Cardial Serviços Médicos S.A. ("Cardial"), Onco ABC Serviços Médicos S.A. ("Onco ABC") and JLD Borducchi S.A. ("JLD"). Thus, the Group holds 73.5% shareholding interest in these companies, which operate an oncology service clinic located in São Paulo The consideration transferred totaled R$16,939, fully paid at the transaction date. The Company was already a joint controlling shareholder of the Hospital and became its controlling shareholder by means of the acquired remaining interest.

As provided for by accounting pronouncement IFRS3/CPC 15 - Business combinations, the Company assessed its prior shareholding interest at fair value and recorded the corresponding gain at the controlling interest acquisition date, as follows:

	At the acquisition date
Prior shareholding interest at fair value	36,040
Prior shareholding interest at carrying amount (50%)	17,209
Gain on phased business combination	18,831
Deferred income and social contribution taxes	(6,403)
Net gain on phased business combination (Note 24)	12,428

The gain presented above was classified as Other operating income in the income statement.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Cardial Serviços Médicos S.A./Onco ABC Serviços Médicos S.A./JLD Borducchi S.A.
-- (Continued)

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

	At the acquisition date
Assets	
Cash and cash equivalents	14,848
Accounts receivables	4,783
Property and equipment	107
Other	6,948
	26,686
Liabilities	
Trade accounts payable	(2,499)
Salaries, provisions and social charges	(38)
Other	(4,243)
	(6,780)
Total identifiable assets, net	19,906
Total consideration	16,939
Fair value of prior shareholding interest	36,040
Noncontrolling interests at fair value	19,101
Goodwill on acquisition (Note 10)	52,174

From the acquisition date until December 31, 2015, Cardial, JLD and Onco ABC contributed to the Group with revenues of R$38,375 and pretax income of R$8,411. If the business combination had occurred at the beginning of 2015, these companies would have contributed revenue of R$51,166 to the Group and pretax income of R$11,215. Through the merger of these subsidiaries, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Oncoholding Participações S.A./Oncologia Rede D'Or S.A.

On May 7, 2015, Rede D'Or, by means of its wholly-owned subsidiary Onco D'Or Oncologia S.A., acquired 37.5% of the capital of Oncoholding Participações S.A. ("Oncoholding"), which holds 89.52% of the capital of Oncologia Rede D'Or S.A., thus holding 87.5% of the capital of Oncoholding.

This operation totaled R$64,500, of which R$36,000 were paid at contract date, and the remaining R$28,500 will be paid in five years after contract date, restated at CDI rate, as of closing date.

As provided for by Accounting Pronouncement CPC 15 - Business combinations, the Company assessed its prior shareholding interest at fair value and recorded the corresponding gain at the controlling interest acquisition date, as follows:

	At the acquisition date
Prior shareholding interest at fair value	86,000
Prior shareholding interest at carrying amount (50%)	43,751
Gain on phased business combination	42,249
Deferred income and social contribution taxes	(14,365)
Net gain on phased business combination (Note 24)	27,884

The gain presented above was classified as Other operating income in the income statement.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Oncoholding Participações S.A./Oncologia Rede D'Or S.A. (Continued)

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

	At the acquisition date
Assets	
Cash and cash equivalents	8,169
Accounts receivables	42,510
Inventories	3,779
Taxes recoverable	4,867
Property and equipment	14,262
Other	7,354
	80,941
Liabilities	
Trade accounts payable	(11,749)
Tax liabilities	(5,160)
Salaries, provisions and social charges	(3,664)
Tax payment in installments	(5,216)
Current account with related companies	(13,507)
Deferred taxes	(16,865)
Other	(33,044)
	(89,205)
Total identifiable assets, net	(8,264)
Total consideration	64,500
Fair value of prior shareholding interest	86,000
Noncontrolling interests at fair value	21,500
Goodwill on acquisition (Note 10)	180,264

From the acquisition date until December 31, 2015, Oncoholding/Oncologia contributed to the Group with revenues of R$148,511 and pretax income of R$35,260. If the business combination had occurred at the beginning of 2015, Oncoholding/Oncologia would have contributed revenue of R$214,055 to the Group and pretax income of R$46,487. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Hospital e Maternidade Bartira Ltda.

On May 15, 2015, the Group acquired all shares of Hospital e Maternidade Bartira Ltda. ("Bartira"), a privately-held entity that operates a hospital in Santo André. The consideration transferred totaled R$118,365, of which R$89,073 were paid at the acquisition date, and the remaining R$29,292 will be paid in five years, restated at the CDI rate, as of closing date.

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

	At the acquisition date
Assets	
Accounts receivables	11,646
Indemnifiable assets	29,292
Deferred taxes	17,323
Property and equipment	25,042
Other	2,312
	85,615
Liabilities	
Trade accounts payable	(9,829)
Loans and financing	(6,794)
Tax liabilities	(16,284)
Provision for contingencies	(43,542)
Other	(6,457)
	(82,906)
Total identifiable assets, net	2,709
Total consideration	118,365
Goodwill on acquisition (Note 10)	115,656

From the acquisition date until December 31, 2015, Bartira contributed to the Group with revenues of R$72,579 and pretax income of R$10,298. If the business combination had occurred at the beginning of 2015, Bartira would have contributed revenue of R$108,869 to the Group and pretax income of R$15,447. Through the merger of this subsidiary, which generated operating and corporate synergies for the Group, the Company has been using the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisitions in 2015 (Continued)

Hospital Santa Helena S.A.

On December 22, 2015, the Group acquired 98.57% voting capital of Hospital Santa Helena S.A. ("Santa Helena"), a privately-held company that operates a hospital in Brasília. The consideration transferred totaled R$331,204, fully paid at the transaction date.

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

	At the acquisition date
Assets	
Cash and cash equivalents	753
Accounts receivables	66,959
Inventories	3,896
Taxes recoverable	2,279
Judicial deposits	2,466
Deferred taxes	36,256
Property and equipment	323,128
Other	460
	436,197
Liabilities	
Trade accounts payable	(10,907)
Loans and financing	(8,088)
Salaries, provisions and social charges	(7,115)
Tax liabilities	(22,877)
Current account with related companies	(163,691)
Provision for contingencies	(14,206)
Other	(3,911)
	(230,795)
Total identifiable assets, net	205,402
Noncontrolling interests at fair value	2,937
Total consideration	331,204
Goodwill on acquisition (Note 10)	125,802

If the business combination had occurred at the beginning of 2015, Santa Helena would have contributed revenue of R$140,435 to the Group and pretax income of R$21,738. Through the merger of this subsidiary, which will generate operating and corporate synergies for the Group when materialized, Management also expects to use the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

3. Business combination (Continued)

Acquisition in 2014

Hospital IFOR S.A.

On October 9, 2014, the Group acquired all shares of Hospital IFOR S.A. ("IFOR"), a privately-held company operating a hospital in São Bernardo do Campo. The consideration transferred totaled R$84,699, of which R$76,699 were paid at the acquisition date, and the remaining R$8,000 will be paid in 72 months, as of closing date.

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

	At the acquisition date
Assets	
Cash and cash equivalents	1,408
Accounts receivables	6,516
Property and equipment	6,359
Other	6,222
	20,505
Liabilities	
Trade accounts payable	(3,715)
Loans and financing	(7,316)
Salaries, provisions and social charges	(2,105)
Tax liabilities	(3,820)
Provision for contingencies	(4,488)
Other	(86)
	(21,530)
Total identifiable assets, net	(1,025)
Total consideration	84,699
Goodwill on acquisition (Note 10)	85,724

From the acquisition date until December 31, 2014, Hospital IFOR contributed to the Group with revenues of R$19,589 and pretax income of R$1,735. If the business combination had occurred at the beginning of 2014, Hospital IFOR would have contributed revenue of R$80,514 to the Group and pretax income of R$396. Through the merger of this subsidiary, which generated operating and corporate synergies for the Group, the Company has been using the goodwill deductibility for tax purposes, in accordance with applicable tax limits.

4. Cash and cash equivalents and marketable securities

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Cash and cash equivalents						
Cash and banks	19,397	76,149	35,791	40,493	94,763	42,656
Short-term investments	909	17,216	2,251	80,523	49,734	12,526
Cash and cash equivalents	20,306	93,365	38,042	121,016	144,497	55,182
Marketable securities						
Non-boutique investment funds	1,048,966	646,720	355,131	1,383,317	822,157	499,637
Repurchase agreements	316,656	19,057	181,095	427,394	41,935	230,001
Financial Treasury Bills (LFT)	422,833	-	-	569,194		-
Bank Deposit Certificates (CDBs)	180,444	13,255	83,477	240,482	33,145	119,008
Marketable securities	1,968,899	679,032	619,703	2,620,387	897,237	848,646

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

Short-term investments classified as marketable securities particularly refer to government securities remunerated by reference to the Central Bank benchmark rate (SELIC) - Financial Treasury Bills (LFTs), Bank Deposit Certificates (CDBs) and debentures providing for repurchase clauses, which are part of the boutique fund portfolio "FIM CP Plataforma" (which also invests in non-boutique investment funds), issued by first-tier financial institutions, substantially remunerated based on an average rate from 85% to 105% of the Interbank Deposit Certificate (CDI) in 2016, 2015 and 2014.

5. Accounts receivable

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

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Accounts receivable from health insurance and health plans	2,013,274	1,572,170	1,217,720	3,040,912	2,436,851	1,607,140
Accounts receivable from individuals	51,142	66,776	56,103	74,296	79,951	61,382
Allowances for doubtful accounts and for disallowances	(617,418)	(317,299)	(300,455)	(972,464)	(605,121)	(401,283)
	1,446,998	1,321,647	973,368	2,142,744	1,911,681	1,267,239

5. Accounts receivable (Continued)

Changes in allowances for doubtful accounts and for disallowances are as follows:

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Balance at beginning of year	(317,299)	(300,455)	(156,389)	(605,121)	(401,283)	(220,858)
Recognition of allowance for disallowances	(230,925)	(176,992)	(212,585)	(383,920)	(279,619)	(250,449)
Write-off of uncollectible amounts	51,445	211,921	109,211	151,918	256,829	135,109
Set up (reversal) of allowance for doubtful accounts	(84,409)	(22,677)	(40,692)	(114,251)	(15,991)	(65,085)
Provision arising from company acquisitions	(36,230)	(29,096)	-	(21,090)	(165,057)	-
Balance at end of year	(617,418)	(317,299)	(300,455)	(972,464)	(605,121)	(401,283)

At December 31, the aging list of trade accounts receivable is as follows:

	Parent Company								
			Overdue						
	Total	Falling due	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 180 days	181 - 360 days	Over 360 days
2016	2,064,416	1,219,060	68,786	63,894	64,129	35,746	66,788	169,722	376,291
2015	1,638,946	1,140,748	50,395	34,998	25,326	40,535	65,512	86,481	194,951
2014	1,273,823	797,551	77,468	30,751	31,688	25,655	56,956	111,005	142,749

	Consolidated								
			Overdue						
	Total	Falling due	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 180 days	181 - 360 days	Over 360 days
2016	3,115,208	1,745,983	95,296	99,364	106,725	74,180	131,497	294,477	567,686
2015	2,516,802	1,723,105	91,655	59,050	44,482	60,973	98,633	132,466	306,438
2014	1,668,522	821,570	139,000	54,681	57,448	51,756	112,582	223,242	208,243

6. Inventories

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Medicine	35,523	29,615	21,501	67,075	37,655	27,607
Special materials	34,789	27,011	24,551	42,408	41,367	31,967
Disposable materials	28,369	23,690	18,350	34,035	28,727	22,145
Bracing and prosthetic	643	582	3,545	927	718	4,857
Materials for use and consumption	9,730	7,508	7,757	18,953	9,762	10,250
Food items	2,137	1,250	2,227	3,712	1,542	3,443
Dressing room materials	1,323	2,237	1,345	1,994	4,889	1,732
Surgical sutures	2,440	1,761	1,589	3,066	2,237	1,992
Other	6,543	3,686	2,022	12,736	6,641	2,694
	121,497	97,340	82,887	184,906	133,538	106,687

7. Transactions with related parties

Significant related-party transactions

The nature of main transactions with related parties is summarized as follows:

i. Lease - the Company leases properties owned by the controlling shareholders, namely: properties of the hospitals Copa D'Or and Quinta D'Or and also the property of the administrative unit. They are leased at market value and generated an impact on P&L for the year in the amount of R$16,555 (R$15,654 and R$14,275 in 2015 and 2014, respectively). Leases are annually restated by reference to the Extended Consumer Price Index (IPCA).

ii. Transfers of funds between the companies - the main balances are eliminated in the consolidated financial statements. These balances between related parties are not restated, do not have a defined maturity, and receipt is substantially expected for the subsequent financial year. The remaining consolidated balances refer to the transfer of funds to investees under shared control. This aims at boosting the investee's operations and payment is expected to be made with cash from operations.

iii. Shared services are centralized services rendered by the parent company, Rede D'Or, such as legal advice, marketing, accounting, treasury, accounts payable and accounts receivable. These services are shared among the other units of the group and have specific apportionment criteria based on the contribution of each unit to the consolidated gross revenue.

iv. Debentures - certain subsidiaries issued nonconvertible debentures, which were acquired by the parent company. These issues are intended to provide funds to the investees for investment in operations and expansion.

Further details are as follows:

7. Transactions with related parties (Continued)

Related-party balances

	Parent Company											
	2016				2015				2014			
Companies	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss
Debentures Norte D'Or (a)	9,075	19,681	-	3,991	33,701	5,385	-	2,428	13,154	13,462	-	4,092
Debentures Oncotech Oncologia S.A. (b)	-	-	-	-	6,371	-	-	1,568	10,716	6,154	-	3,071
Shared services												
Medise Medicina Diagnóstico e Serviços Ltda.	-	14,024	-	7,237	-	22,351	-	7,546	-	41,384	-	12,236
Hospital Esperança S.A.	-	2,182	-	23,254	-	23,000	-	23,403	-	36,823	-	17,494
Hospital São Marcos S.A	-	16,405	-	3,683	-	12,723	-	3,023	-	9,700	-	2,958
Hospital Norte D'Or de Cascadura S.A.	-	-	-	3,228	-	-	-	5,723	-	12,034	-	4,893
Rede D'or São Luiz Serviços Médicos S.A.	-	128,211	-	29,182	-	148,786	-	41,370	-	124,604	-	47,326
J. Badim S.A.	-	1,120	-	1,812	-	324	-	776	-	1,425	-	1,425
Oncologia D'Or S.A.	-	9,627	-	1,533	-	8,096	-	504	-	16,815	-	911
Hospital Fluminense S.A.	-	6,712	-	2,803	-	11,476	-	3,463	-	6,532	-	3,976
São Luiz Serviços Médicos S.A.	-	-	6,033	-	-	-	30,408	-	-	2,739	-	-
Centro Dignóstico NSL (c)	-	3,042	-	-	-	-	-	-	-	-	-	-
Unidade de Radiologia Clínica Ltda. (c)	-	9,162	-	-	-	6,544	-	-	-	-	-	-
Medise Medicina Diagnóstico e Serviços Ltda.	-	-	11,814	-	-	-	19,690	-	-	-	9,604	-
PMJ Assessoria e Consultoria Financeira S.A. (c)	-	87,540	-	-	-	22,644	-	-	-	22,098	-	-
Quinta D'Or Empreendimentos Imobiliários S.A. (c)	-	16,265	-	-	-	37,725	-	-	-	47,163	-	-
Oncoholding Participações S.A (c)	-	16,688	-	-	-	16,688	-	-	-	-	-	-
Oncologia D'Or S.A. (c)	-	8,716	-	-	-	48,394	-	-	-	42,316	-	-
Hospital Fluminense S.A. (c)	-	16,342	-	-	-	14,204	-	-	-	25,996	-	-
Hospital São Marcos Ltda. (c)	-	-	-	-	-	12,310	-	-	-	16,090	-	-
Hospital Esperança S.A. (c)	-	-	17,981	-	-	-	17,401	-	-	-	20,109	-
JMJB Diagnósticos e Serviços Hospitalares S.A. (c)	-	7,801	-	-	-	2,624	-	-	-	2,444	-	-
Proncordis PA Cardiologico Ltda. (c)	-	10,120	-	-	-	7,037	-	-	-	5,985	-	-
Rodin Empreendimentos e Participações S.A. (c)	-	11,461	-	-	-	625	-	-	-	5,619	-	-
Onco D'Or Oncologia S.A. (c)	-	48,096	-	-	-	36,429	-	-	-	-	-	-
Campinas Empreendimentos Imobiliários Ltda. (c)	-	45,049	-	-	-	42,157	-	-	-	-	-	-
Hospital e Maternidade Bartira S.A. (c)	-	-	-	-	-	14,304	-	-	-	-	-	-
Hospital Santa Helena S.A. (c)	-	64,498	-	-	-	5,600	-	-	-	-	-	-
Santa Luzia II Emp. Imobiliários Ltda. (c)	-	326,107	-	-	-	434,477	-	-	-	-	-	-
IFOR Empreendimentos Imobiliários S.A. (c)	-	184,523	-	-	-	198,832	-	-	-	-	-	-
Hospital Memorial São José Ltda. (c)	-	10,987	-	-	-	-	-	-	-	-	-	-
GNI01 Emp. Imob. Ltda. (c)	-	29,654	-	-	-	-	-	-	-	-	-	-
Opuner do Brasil Ltda. (c)	-	-	5,779	-	-	-	-	-	-	-	-	-
Assunção Emp. Imobiliários Ltda. (c)	-	5,082	-	-	-	-	-	-	-	-	-	-
Instituto D'Or de Pesquisa e Ensino (c)	-	7,404	-	-	-	-	-	-	-	-	-	-
RDSL Empreendimento Imobiliários (c)	-	20,559	-	-	-	-	-	-	-	-	-	-
Tijuca Empreendimentos Imobiliários S.A. (c)	-	-	-	-	-	20,566	-	-	-	-	-	-
JM&AM Empreendimentos Imobiliários S.A. (e)	-	-	-	16,555	-	-	-	15,654	-	-	-	14,275
Other	-	22,806	13,077	364	-	30,263	6,899	-	-	30,221	897	-
	9,075	**1,149,864**	**54,684**	**93,642**	40,072	1,183,564	74,398	105,458	23,870	469,604	30,610	112,657

7. Transactions with related parties (Continued)

Related-party balances (Continued)

	Consolidated											
	2016				2015				2014			
Companies	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss	Current assets	Noncurrent assets	Noncurrent liabilities	Profit or loss
Debentures Oncotech Oncologia S.A. (b)	-	-	-	-	-	-	-	-	10,715	6,154	-	-
Shared services												
J Badim S.A.	-	1,120	-	1,812	-	324	-	776	-	1,425	-	1,425
Oncologia D'Or S.A.	-	-	-	-	-	-	-	-	-	16,815	-	911
Hospital Fluminense S.A.	-	-	-	-	-	-	-	-	-	6,532	-	3,976
Oncologia Rede D'Or S.A.	-	-	-	-	-	-	-	-	-	49,133	-	-
Onco BSB	-	-	-	-	-	-	953	-	-	1,743	-	-
Hospital Fluminense S.A.	-	-	-	-	-	-	-	-	-	26,018	-	-
Proncordis	-	-	-	-	-	-	-	-	-	5,985	-	-
Onco ABC	-	-	-	-	-	-	-	-	-	3,230	-	-
JMJB Diagnósticos e Serviços												
Hospitalares S.A.	-	7,801	-	-	-	7,615	-	-	-	2,444	-	-
Instituto D'Or de Pesquisa e Ensino	-	7,404	-	-	-	-	-	-	-	-	-	-
Diagnolabs Ltda.	-	-	-	-	-	-	-	-	-	461	-	-
Badim	-	1,393	-	-	-	615	-	-	-	585	-	-
JM&AM Empreendimentos Imobiliários												
S.A. (d)	-	-	-	16,555	-	-	-	15,654	-	-	-	14,275
Other	-	3,903	111	-	-	16,575	-	-	-	13,600	1,205	-
	-	21,621	111	18,367	-	25,129	953	16,430	10,715	134,125	1,205	20,587

(a) On February 09, 2012, Hospital Norte D'Or privately issued nonconvertible, single-series, registered debentures amounting to R$35,000, maturing on February 10, 2017, with Rede D'Or as the debenture holder. The debentures are remunerated on a *pro rata temporis* basis, bearing interest equivalent to 100% of DI (Interbank Deposits) plus 3.5% p.a. Interest is paid on a quarterly basis. There are no guarantees for the debentures. Upon a 10-day notice, Norte D'Or is entitled to repay the debentures in advance, as provided for by agreement. On May 8, 2014, the indenture was amended to split the first payment into 10 successive monthly installments beginning August 2014, subject to interest as defined in the original indenture. On November 10, 2015, nonconvertible, single-series, registered debentures amounting to R$25.000 were issued, with quarterly payments beginning in May 2017 and maturing on November 10, 2019. The debenture holder is Rede D'Or and the other conditions are similar to that of the first issue.

(b) On January 16, 2012, Oncotech Oncologia S.A. privately issued nonconvertible, single-series, registered debentures amounting to R$40,000, maturing on April 18, 2016, 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 4% p.a. Interest is paid on a quarterly basis. There are no guarantees for the debentures. Upon a 10-day notice, Oncotech is entitled to repay the debentures in advance, as provided for by agreement.

(c) Transfers of funds between companies for acquisition of companies, properties, for expansion of operations, among others. These balances are substantially eliminated in the consolidated financial statements. There are no maturity or monetary restatement on these balances.

(d) Transactions referring to the lease of properties belonging to the company of the controlling shareholders of Rede D'Or.

7. Transactions with related parties (Continued)

Key management personnel compensation

The Company considers "Key management personnel" only the members of its Statutory Board and Board of Directors.

For the years ended December 31, 2016, 2015 and 2014, key management personnel compensation was as follows:

	2016	2015	2014
Salaries and bonuses	34,952	30,145	21,873
Benefits	176	185	147
Share-based payment	30,864	51,949	27,363
	65,992	82,279	49,383

8. Investments

Breakdown of and changes in investments – Parent Company

Parent Company	Balance at 2015	Equity pickup	Acquisition of interest/ control	Dividends	Capital increase/Advance for future capital increase	Write-off	Transfer	Other	Merger	Balance at 2016
Medise Medicina Diagnóstico e Serviços S.A.	97,362	26,603	-	-	26,056	-		(184)	-	149,837
Hospital Esperança S.A.	125,954	96,848	-	-	33,000	-	-	86	-	255,888
Hospital São Marcos (including goodwill)	26,707	18,341	-	-	-	-	-	3,675	-	48,723
PMJ Empreendimentos Imobiliários S.A.	74,503	(1,148)	-	-	-	-	-	-	-	73,355
Norte D'Or Participações S.A. (including goodwill)	62,982	1,909	-	-	-	-	-	-	-	64,891
Onco D'Or Oncologia S.A.	64,502	5,727	-	(3,000)	67,825	(17,372)	-	-	-	117,682
Jenner S.A. (including goodwill)	94,554	(1,522)	-	-	-	-	-	1,706	-	94,738
JMJB Diagnósticos e Serviços Hospitalares	21,775	2,174	-	(5,770)	-	-	-	-	-	18,179
Rodin Empreendimentos e Participações S.A.	57,773	(5,551)	-	-	-	-	-	-	-	52,222
Quinta Empreendimentos Imobiliários Ltda.	20,335	11,473	-	-	-	-	-	-	-	31,808
Hospital IFOR S.A. (a)	90,789	-	-	-	-	-	-	-	(90,789)	-
Hospital Fluminense S.A. (including goodwill)	4,464	8,926	-	-	8,000	-	-	-	-	21,390
Acreditar Oncologia S.A. (including goodwill) (b)	30,466	12,165	94,074	(6,600)	-	-	-	-	-	130,105
Hospital Villa-Lobos Ltda. (a)	176,595	-	-	-	-	-	-	-	(176,595)	-
Cardial Serviços Médicos (including goodwill)	55,473	6,631	1,914	(6,661)	-	-	-	(1,410)	-	55,947
Hospital e Maternidade Bartira S.A. (a)	102,658	-	-	-	-	-	-	-	(102,658)	-
Hospital Santa Helena S.A. (including goodwill) (c)	69,827	4,176	134,403	(1,142)	-	-	-	-	-	207,264
Diagnolab Exames Complementares Ltda.	-	1,135	-	-	-	-	20,329	-	-	21,464
Memorial São José Ltda. (including goodwill) (b)	-	2,645	141,315	-	-	-	-	-	-	143,960
Maximagem - Diagnóstico por Imagem Ltda. (including goodwill) (b)	-	1,762	55,802	-	955	-	-	-	-	58,519
IPASA Investimento Participação e Administração S.A. (including goodwill) (d)	-	(108)	16,181	-	-	(15,888)	-	(185)	-	-
GGSH Participações S.A (including goodwill) (d)	-	142	15,888	-	-	-	-	-		16,030
Lithocenter S.A (a)	3,181	1,814	-	-	-	(4,995)	-	-	-	-
Ribeirão Pires (including goodwill)	-	-	168,003	-	-	-	-	-	-	168,003
Alpha Med (including goodwill)	-	1,175	32,289	-	100	-	-	-	-	33,564
Cedib (including goodwill)	-	-	3,895	-	1,429	-	-	-	-	5,324
Other	36,009	40,039	35,418	(1,111)	18,017	(3,632)	(12)	(1,172)	-	123,556
	1,215,909	235,356	699,182	(24,284)	155,382	(41,887)	20,317	2,516	(370,042)	1,892,449
Rede D'or São Luiz Serviços Médicos S.A.	(26,666)	(4,900)	-	-	-	-	-	-	-	(31,566)
Centro Hospitalar São Marcos S.A.	(24,642)	(536)	-	-	-	-	-	-	-	(25,178)
Diagnolab Exames Complementares Ltda.	(237)	-	-	-	20,566	-	(20,329)	-	-	-
Proncordis Pronto Atendimento Cardiológico Ltda.	-	(26)	-	-	-	-	12	-	-	(14)
IFOR Empreendimentos imobiliários S.A (Former Park D'Or)	-	(15)	-	-	-	-	-	-	-	(15)
Café Verde	(1,235)	(865)	-	-	-	-	-	-	-	(2,100)
	(52,780)	(6,342)	-	-	20,566	-	(20,317)	-	-	(58,873)
Equity pickup		229,014								

(a) Companies merged into Rede D'Or on January 1, 2016. These mergers had no impact on the Company's consolidated financial statements.
(b) Acquisition of control in 2016, as described in Note 3.
(c) Acquisition of 85.03% interest in Hospital Santa Helena S.A. held by subsidiary JM02.
(d) On September 8, 2016, IPASA was merged into GGSH Participações S.A. ("GGSH"), resulting in a capital increase of GGSH, in which new shares were attributed to Rede D'Or, which now holds 21.29% interest in this investee.

8. Investments (Continued)

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

Parent Company	Balance at 2014	Equity pickup	Acquisition of interest/ control	Dividends	Spin-off	Advance for future capital increase	Transfer	Other	Merger	Balances at 2015
Medise Medicina Diagnóstico e Serviços S.A.	68,419	26,766	2,177	-	-	-	-	-	-	97,362
Hospital Esperança S.A.	56,422	69,532	-	-	-	-	-	-	-	125,954
Hospital São Marcos (including goodwill)	9,492	17,215	-	-	-	-	-	-	-	26,707
PMJ Empreendimentos Imobiliários S.A.	68,606	5,897	-	-	-	-	-	-	-	74,503
Norte D'Or Participações S.A. (including goodwill)	48,705	6,478	-	-	7,799	-	-	-	-	62,982
JMJB Diagnósticos e Serviços Hospitalares	14,853	10,416	-	-	(7,799)	-	-	4,305	-	21,775
Onco D'Or Oncologia S.A.	40,027	8,626	-	(1,000)	-	16,849	-	-	-	64,502
Oncoholding Participações S.A. (including goodwill)	40,852	13,015	41,525	-	-	-	-	(838)	-	94,554
Rodin Empreendimentos e Participações S.A.	56,655	1,118	-	-	-	-	-	-	-	57,773
Quinta Empreendimentos Imobiliários Ltda.	9,601	10,734	-	-	-	-	-	-	-	20,335
Hospital IFOR S.A.	84,815	4,837	-	-	-	-	-	1,137	-	90,789
Hospital Fluminense S.A.	-	2,824	1,400	-	-	-	-	240	-	4,464
Acreditar Oncologia S.A.	25,638	16,177	-	(11,349)	-	-	-	-	-	30,466
Onco ABC Serviços Médicos Ltda.	16,929	7,184	35,770	(4,410)	-	-	-	-	-	55,473
Hospital Villa-Lobos Ltda.	-	36,624	123,471	-	-	16,500	-	-	-	176,595
Sino Brasileiro Serviços Hospitalares S.A. (a)	-	4,309	345,915	-	-	-	-	-	(350,224)	-
Hospital e Maternidade Bartira S.A.	-	13,585	89,073	-	-	-	-	-	-	102,658
Hospital Santa Helena S.A.	-	-	49,681	-	-	20,146	-	-	-	69,827
Other	36,559	(12,897)	9,015	(1,626)	-	3,483	-	4,656	-	39,190
	577,573	242,440	698,027	(18,385)	-	56,978	-	9,500	(350,224)	1,215,909
Rede D'or São Luiz Serviços Médicos S.A.	(34,134)	7,468	-	-	-	-	-	-	-	(26,666)
Centro Hospitalar São Marcos S.A.	(24,574)	(68)	-	-	-	-	-	-	-	(24,642)
Diagnolab Exames Complementares Ltda.	(227)	(10)	-	-	-	-	-	-	-	(237)
Café Verde	-	1,508	-	-	-	-	-	(2,743)	-	(1,235)
Park D'Or	-	(1)	1	-	-	-	-	-	-	-
Hospital Fluminense S.A.	(5,560)	110	5,450	-	-	-	-	-	-	-
	(64,495)	9,007	5,451	-	-	-	-	(2,743)	-	(52,780)
Equity pickup		251,447								

(a) Companies merged into Rede D'Or in 2015. These mergers had no impact on the Company's consolidated financial statements.

8. Investments (Continued)

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

Parent Company	Balance at 2013	Equity pickup	Acquisition of interest	Dividends	Capital increase	Advance for future capital increase (b)	Balances at 2014
Medise Medicina Diagnóstico e Serviços S.A.	58,039	11,326	-	-	-	(946)	68,419
Hospital Esperança S.A.	40,491	15,931	-	-	-	-	56,422
Hospital São Marcos	16,926	(7,434)	-	-	-	-	9,492
PMJ Empreendimentos Imobiliários S.A.	63,087	5,519	-	-	-	-	68,606
Hospital Norte D'Or de Cascadura S.A.	43,661	5,044	-	-	-	-	48,705
Onco D'Or Oncologia S.A.	31,687	8,340	-	-	-	-	40,027
JMJB Diagnósticos e Serviços Hospitalares	9,342	1,387	-	(100)	4,224	-	14,853
Rodin Empreendimentos e Participações S.A.	-	2,913	67,122	(13,380)	-	-	56,655
Quinta Empreendimentos Imobiliários Ltda.	-	9,591	-	-	-	10	9,601
Hospital IFOR S.A.	-	1,253	83,562	-	-	-	84,815
Oncoholding Participações S.A.	24,254	19,731	-	(3,133)	-	-	40,852
Acreditar Oncologia S.A.	22,359	5,021	-	(1,742)	-	-	25,638
Onco ABC Serviços Médicos Ltda.	12,607	4,992	-	(670)	-	-	16,929
Other	24,576	8,692	-	(736)	-	4,027	36,559
	347,029	92,306	150,684	(19,761)	4,224	3,091	577,573
São Luiz Serviços Médicos S.A.	(44,592)	632	-	-	-	9,826	(34,134)
Centro Hospitalar São Marcos S.A.	-	(2,396)	-	-	-	(22,178)	(24,574)
Diagnolab Exames Complementares Ltda.	-	(10)	(217)	-	-	-	(227)
Hospital Fluminense S.A.	(3,960)	(1,600)	-	-	-	-	(5,560)
	(48,552)	(3,374)	(217)	-	-	(12,352)	(64,495)
Equity pickup		88,932					

8. Investments (Continued)

Breakdown of and changes in investments - Consolidated

Company	Balances at 2015	Equity pickup	Acquisition of interest/ control	Dividends	Capital increase	Write-off	Balances at 2016
JMJB Diagnósticos e Serviços Hospitalares S.A.	21,775	2,174	-	(5,770)	-	-	18,179
Acreditar Oncologia S.A.	30,466	2,863	(27,829)	(5,500)	-	-	-
Onco São José dos Campos	36,998	5,852	-	(7,129)	-	-	35,721
CEHON	16,849	2,915	(20,247)	(1,408)	1,891	-	-
Maximagem - Diagnóstico por Imagem LTDA	-	1,773	(1,773)	-	-	-	-
Prontimagem	1,181	-	(1,181)	-	-	-	-
Lithocenter	3,181	1,814	-	-	-	(4,995)	-
GGSH Participações S.A	-	142	15,888	-	-	-	16,030
Other	-	1,819	6,519	(104)	-	-	8,234
	110,450	19,352	(28,623)	(19,911)	1,891	(4,995)	78,164

Equity pickup	**19,352**

8. **Investments** (Continued)

Breakdown of and changes in investments - Consolidated (Continued)

Company	Balances at 2014	Equity pickup	Acquisition of interest/ control	Dividends	Spin-off	Other	Balances at 2015
JMJB Diagnósticos e Serviços Hospitalares S.A.	14,853	10,416	-	-	(7,799)	4,305	21,775
Oncoholding Participações S.A. (*)	40,853	3,310	(44,163)	-	-	-	-
Acreditar Oncologia S.A.	12,463	16,177	-	(11,349)	-	-	17,291
Ágio Acreditar Oncologia S.A.	13,175		-	-	-	-	13,175
Onco ABC Serviços Médicos Ltda. (*)	9,617	280	(9,897)	-	-	-	-
Ágio Onco ABC Serviços Médicos Ltda. (*)	7,312		(7,312)	-	-	-	-
Onco São José dos Campos	5,461	5,935	-	(4,000)	-	(1,365)	6,031
Ágio Onco São José dos Campos	30,967		-	-	-	-	30,967
CEHON	-	-	16,849	-		-	16,849
Other	14,904	3,120	(6,147)	(678)	-	(6,837)	4,362
	149,605	39,238	(50,670)	(16,027)	(7,799)	(3,897)	110,450
Hospital Fluminense S.A. (*)	(5,560)	110	5,450	-	-	-	-
Equity pickup		39,348					

(*) Companies consolidated as from acquisition of shareholding control, as mentioned in Note 3.

8. **Investments** (Continued)

Breakdown of and changes in investments - Consolidated (Continued)

Company	Balances at 2013	Equity pickup	Dividends	Capital increase	Other	Balances at 2014
JMJB Diagnósticos e Serviços Hospitalares S.A.	9,342	1,387	(100)	4,224	-	14,853
Oncoholding Participações S.A.	24,255	19,731	(3,133)	-	-	40,853
Acreditar Oncologia S.A.	9,184	5,021	(1,742)	-	-	12,463
Ágio Acreditar Oncologia S.A.	13,175	-	-	-	-	13,175
Onco ABC Serviços Médicos Ltda.	5,295	4,992	(670)	-	-	9,617
Ágio Onco ABC Serviços Médicos Ltda.	7,312	-	-	-	-	7,312
Onco São José dos Campos	1,700	4,566	(805)	-	-	5,461
Ágio Onco São José dos Campos	30,967	-	-	-	-	30,967
Other	6,791	8,628	(504)	-	(11)	14,904
Total	108,021	44,325	(6,954)	4,224	(11)	149,605
Hospital Fluminense S.A.	(3,960)	(1,600)	-	-	-	(5,560)
Equity pickup		42,725				

8. **Investments** (Continued)

Summary of subsidiaries' information

	2016							2015	2014
	% Total	% Voting capital	Profit or loss for the year	Liabilities	Equity	Operating Income (loss)	Profit or loss for the year	Profit or loss for the year	Profit or loss for the year
Parent Company - Rede D'Or São Luiz S.A. (a)									
Direct and indirect subsidiaries									
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	**98.00**	**98.00**	**254,759**	**101,864**	**152,895**	**38,665**	**27,145**	27,312	11,857
Rodin Empreendimentos e Participações S.A.	**100.00**	**100.00**	**54,347**	**2,125**	**52,222**	**(5,569)**	**(5,551)**	1,118	6,487
Hospital Esperança S.A. ("Esperança")	**100.00**	**100.00**	**889,394**	**633,507**	**255,888**	**199,911**	**96,848**	69,532	15,931
Mais-Multi Assistência Incorporada a Saúde Ltda. ("Hospital São Marcos")	**100.00**	**100.00**	**103,286**	**65,370**	**37,916**	**20,023**	**18,341**	17,215	-7,434
Rede D'Or São Luiz Serviços Médicos S.A.	**100.00**	**100.00**	**253,912**	**285,478**	**(31,566)**	**(10,850)**	**(4,900)**	7,468	632
Advance Plano de Saúde S.A.	**100.00**	**100.00**	**22,270**	**16,561**	**5,709**	**(2,318)**	**(1,108)**	610	-858
São Luiz Assistência Médica Ambulatorial Ltda.	**100.00**	**100.00**	**511**	-	**511**	-	-	-	-
PMJ Empreendimentos Imobiliários S.A	**100.00**	**100.00**	**168,368**	**95,013**	**73,355**	**(5,422)**	**(1,148)**	5,897	5,519
Quinta Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**49,017**	**17,209**	**31,808**	**12,284**	**11,473**	10,734	9,591
Onco D'Or Oncologia S.A.	**85.86**	**85.86**	**226,545**	**101,849**	**119,217**	**12,812**	**11,282**	8,626	8,340
Jenner S.A.	**82.02**	**82.02**	**119,747**	**16,689**	**103,058**	**(16)**	**(2,664)**	-	39,462
Oncologia Rede D'Or S.A.	**81.01**	**81.01**	**210,090**	**101,843**	**108,603**	**10,797**	**(3,390)**	17,357	-
Esperança Serviços Médicos e de Diagnósticos S.A.	**100.00**	**100.00**	**5,700**	**1,786**	**3,914**	**1,760**	**1,721**	(393)	808
Centro Diagnóstico NSL S.A.	**100.00**	**100.00**	**5,320**	**3,915**	**1,405**	**164**	**(157)**	(909)	340
Maxclínicas Clínicas e Diagnósticos Ltda.	**100.00**	**100.00**	**2,639**	**1,654**	**992**	**(2,068)**	**(2,275)**	1,224	1,484
Diagno São Marcos Ltda.	**100.00**	**100.00**	**729**	**3,658**	**(2,929)**	**(1,535)**	**(1,648)**	(851)	-379
Diagnolab Exames Complementares Ltda.	**100.00**	**100.00**	**22,035**	**571**	**21,464**	**1,076**	**1,135**	(10)	-10
Centro Hospitalar São Marcos S.A.	**100.00**	**100.00**	**1,425**	**26,603**	**(25,178)**	**(197)**	**(536)**	(68)	-2,396
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**58.38**	**58.38**	**38,180**	**34**	**38,146**	**(343)**	**(482)**	(2,678)	-2,391
Santa Luzia Assistência Médica Ltda. ("SLAM")	**100.00**	**100.00**	**4,591**	**2,248**	**2,343**	**(2,376)**	**(1,788)**	517	680
Hospital Fluminense S.A.	**100.00**	**100.00**	**49,532**	**40,922**	**8,610**	**14,486**	**8,926**	2,719	-3,200
Cardial Serviços Médicos Ltda.	**84.00**	**84.00**	**29,549**	**8,031**	**21,519**	**12,463**	**8,557**	7,614	-
ONCORAD - Serviços de Radioterapia Ltda.	**84.00**	**84.00**	**1,811**	**1,986**	**(175)**	**99**	**(164)**	(2,448)	-
Unidade de Radiologia Clínica Ltda. ("URC")	**72.00**	**72.00**	**20,691**	**14,842**	**5,848**	**3,793**	**1,260**	686	-
Instituto de Ultrassonografia Médica Ltda. ("IUSM")	**72.00**	**72.00**	**1,559**	**301**	**1,258**	**27**	**24**	10	-
Laboratório Análises Clínicas - Labvivalle Ltda.	**50.01**	**50.01**	**3,245**	**385**	**2,859**	**1,736**	**1,680**	634	-
Norte D'Or Participações S.A.	**100.00**	**100.00**	**37,639**	**907**	**36,441**	**2,198**	**1,909**	6,478	3,603
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	**70.00**	**70.00**	**95,328**	**47,795**	**47,553**	**14,409**	**4,435**	12,769	7,205
Hospital e Maternidade Bartira S.A.	**100.00**	**100.00**	**114,609**	**50,266**	**64,343**	**43,653**	**40,790**	13,585	-
Hospital Santa Helena S.A	**100.00**	**100.00**	**294,694**	**213,232**	**81,462**	**48,295**	**27,841**	-	-
Acreditar Oncologia S.A	**60.00**	**60.00**	**80,617**	**20,223**	**60,394**	**21,563**	**15,204**	32,354	100,042
Hospital Memorial São Jose Ltda.	**100.00**	**100.00**	**61,604**	**40,806**	**20,838**	**8,767**	**2,645**	-	-
Centro de Oncologia do RJ ("SALUS")	**100.00**	**100.00**	**5,514**	**4,541**	**973**	**1,301**	**949**	-	-
Café Verde da Quinta Ltda.	**100.00**	**100.00**	**41**	**2,141**	**(2,100)**	**(861)**	**(868)**	1,508	-
D'Or Trading Importação Ltda.	**100.00**	**100.00**	**45,385**	**45,032**	**353**	**(149)**	**(149)**	1	-
IFOR Empreendimentos imobiliários S.A (Antiga Park D'Or)	**100.00**	**100.00**	**40**	**55**	**(15)**	**(14)**	**(21)**	(1)	-
Proncordis Pronto Atendimento Cardiológico Ltda.	**95.64**	**95.64**	**10,076**	**10,952**	**(876)**	**(522)**	**(1,239)**	(985)	-
Prontimagem Serviços Médicos Ltda.	**60.10**	**60.10**	**2,290**	**481**	**1,809**	**177**	**(367)**	-	-
GNI01 Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**29,659**	**29,654**	**5**	**-**	**-**	-	-
GNI02 Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**23,812**	**5,357**	**18,454**	**531**	**444**	-	-
GNI05 Empreendimentos Imobiliários Ltda	**100.00**	**100.00**	**1**	-	**1**	-	-	-	-
GNI06 Empreendimentos Imobiliários Ltda	**100.00**	**100.00**	**1**	-	**1**	-	-	-	-
Maximagem com Diag por Imagem Ltda.	**100.00**	**100.00**	**13,891**	**7,115**	**6,775**	**7,783**	**5,006**	-	-
Centro de Hematologia e Oncologia (CEHON)	**85.86**	**85.86**	**20,058**	**7,533**	**12,526**	**10,937**	**8,953**	-	-
Onco D'Or PE S.A.	**58.38**	**58.38**	**44,215**	**-**	**44,216**	**(13)**	**(13)**	-	-
Núcleo Especializado em Oncologia e Hemato (NEOH)	**92.31**	**92.31**	**8,476**	**4,432**	**4,044**	**-**	**-**	-	-
Noventa e Nove Participações S.A.	**100.00**	**100.00**	**114**	**1,942**	**(1,828)**	**-**	**-**	-	-
Hospital Ribeirão Pires Ltda.	**100.00**	**100.00**	**36,823**	**38,765**	**(1,943)**	**-**	**-**	-	-
Hospital Alpha Med Ltda.	**100.00**	**100.00**	**14,563**	**20,129**	**(5,567)**	**2,829**	**1,780**	-	-
Centro de Diagnóstico por Imagem Bartira (CEDIB)	**100.00**	**100.00**	2,726	2,046	**681**	(438)	**-**	-	-
Assunção Empreendimentos Imobiliários S.A.	**100.00**	**100.00**	6,538	6,508	**31**	25	**29**	-	-
Atenção Total e Gestão de Saúde Ltda.	**100.00**	**100.00**	5	-	**5**	-	**-**	-	-

8. **Investments** (Continued)

Summary of information on affiliates and jointly-controlled subsidiaries

	2016							2015	2014
	% Total	% Voting capital	Profit or loss for the year	Liabilities	Equity	Operating Income (loss)	Profit or loss for the year	Profit or loss for the year	Profit or loss for the year
Entities consolidated by the equity method								-	
Acreditar Tocantins S.A.	**50.00**	**50.00**	**8,640**	**1,269**	**7,190**	**1,909**	**2,004**	32,354	-
Instituto de Radioterapia do Vale do Paraíba Ltda.	**42.93**	**42.93**	**21,948**	**12,440**	**9,509**	**14,460**	**11,705**	11,859	98
JMJB Diagnósticos e Serviços Hospitalares S.A.	**50.00**	**50.00**	**44,336**	**8,033**	**36,358**	**3,655**	**4,348**	20,832	2,774
GGSH Participações S.A. (empresa adquirida em 2016)	**21.29**	**21.29**	**64,770**	**1,959**	**62,811**	**(4,511)**	**(848)**	-	-
Fujidayclinic Ltda.	**50.00**	**50.00**	**9,424**	**2,114**	**7,311**	**2,944**	**2,356**	-	-
HEMATO – Serviços de Hemoterapia Ltda.	**19.16**	**19.16**	**4,438**	**4,317**	**121**	**1,998**	**1,425**	-	-
Centro Oncológico do Vale Ltda (b).	-	-	-	-	-	-	-	11,705	11,859
Clínica de Oncologia Dr. Paulo Emílio Pinto Ltda.(b)	-	-	-	-	-	-	-	(89)	518
Lithocenter S.A. (c)	-	-	-	-	-	-	-	4182	-

(a) This includes hospitals São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or, Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Hospital Santa Luzia, Hospital do Coração, Sinisgalli, Hospital Nossa Senhora de Lourdes, Hospital da Criança, Hospital São Caetano, Hospital Ifor S.A. (merged in 2015), Sino Brasileiro Serviços Hospitalares S.A. Hospital e Maternidade Bartira S.A. and Hospital Villa-Lobos Ltda. (the last 3 were merged in January 2016);
(b) Company merged into Instituto de Radioterapia do Vale do Paraíba Ltda. over 2016;
(c) Company disposed of over 2016.

9. Property and equipment

Breakdown of balances

		Parent Company								
		2016			2015			2014		
Description	Depreciation rate	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	**647,982**	**(363,138)**	**284,844**	463,548	(254,233)	209,315	343,483	(202,393)	141,090
Surgical instruments	20%	**33,257**	**(12,231)**	**21,026**	14,810	(10,085)	4,725	9,773	(6,816)	2,957
Machinery and equipment	7% to 10%	**193,711**	**(111,621)**	**82,090**	144,594	(85,544)	59,050	135,333	(64,269)	71,064
Real estate	2.5% to 4%	**442,851**	**(64,383)**	**378,468**	221,295	(68,869)	152,426	214,320	(56,452)	157,868
Improvements in own properties	4%	**94,452**	**(15,951)**	**78,501**	82,004	(6,228)	75,776	68,533	(4,108)	64,425
Leasehold improvements	3% to 4%	**793,676**	**(176,333)**	**617,343**	518,867	(116,581)	402,286	502,728	(107,254)	395,474
Furniture and fixtures	10%	**96,030**	**(49,205)**	**46,825**	67,446	(41,030)	26,416	61,814	(35,050)	26,764
Vehicles	20%	**3,631**	**(2,306)**	**1,325**	2,659	(1,926)	733	2,628	(1,681)	947
Facilities	10%	**70,417**	**(24,487)**	**45,930**	55,578	(19,980)	35,598	53,253	(16,854)	36,399
Land	N/A	**122,684**	**-**	**122,684**	91,595	-	91,595	86,829	-	86,829
Construction in progress	N/A	**459,643**	**-**	**459,643**	553,565	-	553,565	184,917	-	184,917
Other	5% to 10%	**11,349**	**(4,459)**	**6,890**	10,442	(4,317)	6,125	10,179	(4,268)	5,911
		2,969,683	**(824,114)**	**2,145,569**	2,226,403	(608,793)	1,617,610	1,673,790	(499,145)	1,174,645

		Consolidated								
		2016			2015			2014		
Description	Depreciation rate	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	**819,559**	**(424,606)**	**394,953**	578,814	(306,352)	272,462	428,789	(246,579)	182,210
Surgical instruments	20%	**39,483**	**(14,334)**	**25,149**	24,498	(11,697)	12,801	12,667	(7,451)	5,216
Machinery and equipment	7% to 10%	**249,915**	**(150,724)**	**99,191**	187,369	(114,644)	72,725	161,165	(85,147)	76,018
Real estate	2.5% to 4%	**786,820**	**(70,601)**	**716,219**	650,547	(73,271)	577,276	112,601	(59,837)	52,764
Improvements in own properties	4%	**97,780**	**(16,920)**	**80,860**	85,333	(6,533)	78,800	68,533	(4,108)	64,425
Leasehold improvements	3% to 4%	**996,741**	**(253,862)**	**742,879**	689,641	(184,791)	504,850	639,675	(170,578)	469,097
Furniture and fixtures	10%	**131,514**	**(66,952)**	**64,562**	96,448	(56,323)	40,125	82,980	(47,365)	35,615
Vehicles	20%	**4,081**	**(2,584)**	**1,497**	3,403	(2,234)	1,169	3,321	(1,830)	1,491
Facilities	10%	**118,912**	**(42,190)**	**76,722**	97,363	(34,093)	63,270	88,540	(27,682)	60,858
Land	N/A	**391,074**	**-**	**391,074**	448,482	-	448,482	350,167	-	350,167
Construction in progress	N/A	**508,275**	**-**	**508,275**	574,732	-	574,732	195,444	-	195,444
Other	5% to 10%	**17,012**	**(6,048)**	**10,964**	16,314	(5,893)	10,421	15,793	(5,826)	9,967
		4,161,166	**(1,048,821)**	**3,112,345**	3,452,944	(795,831)	2,657,113	2,159,675	(656,403)	1,503,272

9. Property and equipment (Continued)

Changes in the Parent Company

	2015	Additions	Write-offs	Transfers	Additions from merger	2016
Cost						
Hospital machinery and equipment	463,548	148,505	(300)	33,141	3,088	647,982
Surgical instruments	14,810	11,664	-	-	6,783	33,257
Machinery and equipment	144,594	36,938	-	8,826	3,353	193,711
Real estate	221,295	46,754	-	167,370	7,432	442,851
Improvements in own properties	82,004	1,984	-	10,464	-	94,452
Leasehold improvements	518,867	42,607	-	223,556	8,646	793,676
Furniture and fixtures	67,446	25,698	-	225	2,661	96,030
Vehicles	2,659	702	-	-	270	3,631
Facilities	55,578	11,561	-	1,114	2,164	70,417
Land	91,595	17,599	-	-	13,490	122,684
Construction in progress	553,565	353,794	(3,328)	(444,696)	308	459,643
Other	10,442	629	-	-	278	11,349
	2,226,403	698,435	(3,628)	-	48,473	2,969,683
Depreciation						
Hospital machinery and equipment	(254,233)	(108,905)	-	-	-	(363,138)
Surgical instruments	(10,085)	(2,146)	-	-	-	(12,231)
Machinery and equipment	(85,544)	(26,077)	-	-	-	(111,621)
Real estate	(68,869)	4,486	-	-	-	(64,383)
Improvements in own properties	(6,228)	(9,723)	-	-	-	(15,951)
Leasehold improvements	(116,581)	(59,752)	-	-	-	(176,333)
Furniture and fixtures	(41,030)	(8,175)	-	-	-	(49,205)
Vehicles	(1,926)	(380)	-	-	-	(2,306)
Facilities	(19,980)	(4,507)	-	-	-	(24,487)
Other	(4,317)	(142)	-	-	-	(4,459)
	(608,793)	(215,321)	-	-	-	(824,114)
Property and equipment, net	1,617,610	483,114	(3,628)	-	48,473	2,145,569

9. Property and equipment (Continued)

Changes in Parent Company (Continued)

	2014	Additions	Write-offs	Transfers	Additions from merger	2015
Cost						
Hospital machinery and equipment	343,483	108,023	-	1,734	10,308	463,548
Surgical instruments	9,773	4,518	(42)	561	-	14,810
Machinery and equipment	135,333	8,230	(47)	685	393	144,594
Real estate	214,320	5,530	-	386	1,059	221,295
Improvements in own properties	68,533	13,471	-	-	-	82,004
Leasehold improvements	502,728	16,159	-	(20)	-	518,867
Furniture and fixtures	61,814	4,393	(48)	230	1,057	67,446
Vehicles	2,628	-	-	-	31	2,659
Facilities	53,253	2,301	-	24	-	55,578
Land	86,829	-	-	-	4,766	91,595
Construction in progress	184,917	372,335	(87)	(3,600)	-	553,565
Other	10,179	553	(290)	-	-	10,442
	1,673,790	535,513	(514)	-	17,614	2,226,403
Depreciation						
Hospital machinery and equipment	(202,393)	(51,840)	-	-	-	(254,233)
Surgical instruments	(6,816)	(3,269)	-	-	-	(10,085)
Machinery and equipment	(64,269)	(21,275)	-	-	-	(85,544)
Real estate	(56,452)	(12,417)	-	-	-	(68,869)
Improvements in own properties	(4,108)	(2,120)	-	-	-	(6,228)
Leasehold improvements	(107,254)	(9,327)	-	-	-	(116,581)
Furniture and fixtures	(35,050)	(5,980)	-	-	-	(41,030)
Vehicles	(1,681)	(245)	-	-	-	(1,926)
Facilities	(16,854)	(3,126)	-	-	-	(19,980)
Other	(4,268)	(49)	-	-	-	(4,317)
	(499,145)	(109,648)	-	-	-	(608,793)
Property and equipment, net	1,174,645	425,865	(514)	-	17,614	1,617,610

9. Property and equipment (Continued)

Changes in Parent Company (Continued)

	2013	Additions	Write-offs	Transfers	2014
Cost					
Hospital machinery and equipment	300,594	39,124	(30)	3,795	343,483
Surgical instruments	7,603	1,651	-	519	9,773
Machinery and equipment	119,951	15,456	(93)	19	135,333
Real estate	160,658	44,399	-	9,263	214,320
Improvements in own properties	67,459	1,074	-	-	68,533
Leasehold improvements	426,486	41,040	(53)	35,255	502,728
Furniture and fixtures	54,064	5,729	-	2,021	61,814
Vehicles	2,517	111	-	-	2,628
Facilities	18,612	2,744	(36)	31,933	53,253
Land	79,281	7,548	-	-	86,829
Construction in progress	67,376	201,207	(774)	(82,892)	184,917
Other	9,727	365	-	87	10,179
	1,314,328	360,448	(986)	-	1,673,790
Depreciation					
Hospital machinery and equipment	(166,798)	(35,622)	27	-	(202,393)
Surgical instruments	(4,279)	(2,537)	-	-	(6,816)
Machinery and equipment	(47,480)	(16,882)	93	-	(64,269)
Real estate	(50,969)	(5,483)	-	-	(56,452)
Improvements in own properties	(4,095)	(13)	-	-	(4,108)
Leasehold improvements	(94,056)	(13,251)	53	-	(107,254)
Furniture and fixtures	(26,292)	(8,758)	-	-	(35,050)
Vehicles	(1,562)	(119)	-	-	(1,681)
Facilities	(10,097)	(6,769)	12	-	(16,854)
Land	-	-	-	-	-
Other	(3,055)	(1,213)	-	-	(4,268)
	(408,683)	(90,647)	185	-	(499,145)
Property and equipment, net	905,645	269,801	(801)	-	1,174,645

9. Property and equipment (Continued)

Changes in Consolidated

	2015	Additions	Write-offs	Transfers	Business combinations	2016
Cost						
Hospital machinery and equipment	578,814	181,499	(300)	31,420	28,126	819,559
Surgical instruments	24,498	12,735	-	-	2,250	39,483
Machinery and equipment	187,369	50,178	-	8,826	3,542	249,915
Buildings	650,547	136,090	(228,486)	196,934	31,735	786,820
Improvements in own properties	85,333	2,768	(1,291)	9,642	1,328	97,780
Leasehold improvements	689,641	53,380	-	248,753	4,967	996,741
Furniture and fixtures	96,448	29,139	-	225	5,702	131,514
Vehicles	3,403	629	(15)	(35)	99	4,081
Facilities	97,363	19,633	-	1,147	769	118,912
Land	448,482	15,598	(78,000)	-	4,994	391,074
Construction in progress	574,732	431,481	(3,328)	(496,912)	2,302	508,275
Other	16,314	698	-	-	-	17,012
	3,452,944	933,828	(311,420)	-	85,814	4,161,166
Depreciation						
Hospital machinery and equipment	(306,352)	(118,254)	-	-	-	(424,606)
Surgical instruments	(11,697)	(2,637)	-	-	-	(14,334)
Machinery and equipment	(114,644)	(36,080)	-	-	-	(150,724)
Buildings	(73,271)	2,670	-	-	-	(70,601)
Improvements in own properties	(6,533)	(10,387)	-	-	-	(16,920)
Leasehold improvements	(184,791)	(69,071)	-	-	-	(253,862)
Furniture and fixtures	(56,323)	(10,629)	-	-	-	(66,952)
Vehicles	(2,234)	(350)	-	-	-	(2,584)
Facilities	(34,093)	(8,097)	-	-	-	(42,190)
Other	(5,893)	(155)	-	-	-	(6,048)
	(795,831)	(252,990)	-	-	-	(1,048,821)
Property and equipment, net	2,657,113	680,838	(311,420)	-	85,814	3,112,345

9. Property and equipment (Continued)

Changes in Consolidated (Continued)

	2014	Additions	Write-offs	Transfers	Business combinations	2015
Cost						
Hospital machinery and equipment	428,789	117,218	(71)	962	31,916	578,814
Surgical instruments	12,668	5,259	(42)	523	6,090	24,498
Machinery and equipment	161,164	12,968	(70)	1,243	12,064	187,369
Buildings	112,601	300,824	-	338	236,784	650,547
Improvements in own properties	68,533	13,495	-	-	3,305	85,333
Leasehold improvements	639,675	30,034	(41)	(20)	19,993	689,641
Furniture and fixtures	82,980	6,507	(48)	523	6,486	96,448
Vehicles	3,321	-	35	(7)	54	3,403
Facilities	88,540	6,205	(2)	181	2,439	97,363
Land	350,167	1	-	-	98,314	448,482
Construction in progress	195,444	381,818	(87)	(3,743)	1,300	574,732
Other	15,793	597	(335)	-	259	16,314
	2,159,675	874,926	(661)	-	419,004	3,452,944
Depreciation						
Hospital machinery and equipment	(246,579)	(59,773)	-	-	-	(306,352)
Surgical instruments	(7,451)	(4,246)	-	-	-	(11,697)
Machinery and equipment	(85,147)	(29,497)	-	-	-	(114,644)
Buildings	(59,837)	(13,434)	-	-	-	(73,271)
Improvements in own properties	(4,108)	(2,425)	-	-	-	(6,533)
Leasehold improvements	(170,578)	(14,213)	-	-	-	(184,791)
Furniture and fixtures	(47,365)	(8,958)	-	-	-	(56,323)
Vehicles	(1,830)	(404)	-	-	-	(2,234)
Facilities	(27,682)	(6,411)	-	-	-	(34,093)
Other	(5,826)	(67)	-	-	-	(5,893)
	(656,403)	(139,428)	-	-	-	(795,831)
Property and equipment, net	1,503,272	735,498	(661)	-	419,004	2,657,113

9. Property and equipment (Continued)

Changes in Consolidated (Continued)

	2013	Additions	Write-offs	Transfers	Business combinations	2014
Cost						
Hospital machinery and equipment	375,687	47,236	(30)	3,886	2,010	428,789
Surgical instruments	8,815	2,051	(35)	767	1,070	12,668
Machinery and equipment	138,582	18,208	(93)	3,890	577	161,164
Buildings	53,269	49,861	-	9,263	208	112,601
Improvements in own properties	67,459	1,074	-	-	-	68,533
Leasehold improvements	567,074	47,757	(53)	23,893	1,004	639,675
Furniture and fixtures	66,411	7,306	(10)	8,641	632	82,980
Vehicles	2,913	111	-	-	297	3,321
Facilities	47,719	7,413	(36)	32,585	859	88,540
Land	327,619	22,548	-	-	-	350,167
Construction in progress	71,668	208,090	(1,302)	(83,012)	-	195,444
Other	15,261	364	-	87	81	15,793
	1,742,477	412,019	(1,559)	-	6,738	2,159,675
Depreciation						
Hospital machinery and equipment	(201,996)	(44,610)	27	-	-	(246,579)
Surgical instruments	(4,519)	(2,945)	13	-	-	(7,451)
Machinery and equipment	(57,495)	(27,745)	93	-	-	(85,147)
Buildings	(50,190)	(9,647)	-	-	-	(59,837)
Improvements in own properties	(4,095)	(13)	-	-	-	(4,108)
Leasehold improvements	(157,503)	(13,128)	53	-	-	(170,578)
Furniture and fixtures	(30,127)	(17,248)	10	-	-	(47,365)
Vehicles	(1,688)	(142)	-	-	-	(1,830)
Facilities	(18,268)	(9,426)	12	-	-	(27,682)
Other	(4,548)	(1,278)	-	-	-	(5,826)
	(530,429)	(126,182)	208	-	-	(656,403)
Property and equipment, net	1,212,048	285,837	(1,351)	-	6,738	1,503,272

9. Property and equipment (Continued)

Significant changes for the years were:

2016

(i) Acquisition of two plots of land, one for expansion of Hospital Niterói D'Or (in progress), in the amount of R$47,000, and the other for construction of a new hospital in São Paulo state, in the amount of R$44,000;
(ii) Purchase of hospital machinery and equipment, as part of the Company's operational routine;
(iii) Opening of Hospital Copa Star, which resulted in a transfer to construction in progress of approximately R$390 million;
(iv) Expenses with the construction of Copa Star and São Caetano hospitals, remodeling of Realcordis and construction of a new tower for expansion of Vivalle (opened in the first quarter of 2016);
(v) On October 24, 2016, the Company performed the sale and leaseback of properties belonging to Hospital Santa Helena to North West International II Investimentos Imobiliários em Saúde S.A. The sale transaction totaled R$306,486, fully received on the contract execution date. No gain or loss was recorded on this transaction since, at the time of acquisition, the property was recorded at fair value based on the sale proposal received at that time. Therefore, the amount of R$306,486 was written off of books and recorded under cash.

2015

(i) Acquisition of the property where Hospital Villa-Lobos is located, which belonged to third parties other than the former owners of the hospital, for a the amount of R$195,000;
(ii) Purchase of hospital machinery and equipment, as part of the Company's operational routine;
(iii) Expenses with the construction of Copa Star and São Caetano hospitals and construction of a new tower for expansion of Vivalle (opened in the first quarter of 2016); and
(iv) Expansion of the following hospitals: Hospital São Luiz Itaim, Hospital Prontolinda and Hospital Assunção.

2014

(i) Acquisition of property for expansion of Hospital São Luiz Itaim in the amount of R$36,620.
(ii) Acquisition of land in the amount of R$15,000 for expansion of Hospital Niterói D'Or;
(iii) Purchase of hospital machinery and equipment, as part of the Company's operational routine;
(iv) Expenses with the construction of Hospital Caetano and of a new tower for expansion of Vivalle (opened in the first quarter of 2016); and
(v) Expansion of the following hospitals: Hospital São Luiz Itaim, Hospital Prontolinda and Hospital Assunção.

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 impairment or loss on the value of property and equipment in 2016, 2015 and 2014.

10. Intangible assets

	Annual rate	Parent Company			Consolidated		
		2016	2015	2014	2016	2015	2014
Finite useful lives							
Software	20%	73,450	61,169	64,269	78,521	64,070	65,422
Exclusive agreement	20%	12,011	12,425	-	13,302	13,925	-
Indefinite useful life							
Goodwill							
Acquisition of Copa D'Or		80,058	80,058	80,058	80,058	80,058	80,058
Acquisition of HMSL		668,339	668,339	668,339	668,339	668,339	668,339
Acquisition of Hospital Brasil		121,398	121,398	121,398	121,398	121,398	121,398
Acquisition of Hospital Prontolinda		30,595	30,595	30,595	30,595	30,595	30,595
Acquisition of Vivalle		38,692	38,692	38,692	38,692	38,692	38,692
Acquisition of São Marcos		-	-	-	10,807	10,807	10,807
Acquisition of Santa Luzia		199,333	199,333	199,333	199,333	199,333	199,333
Acquisition of Sinisgalli		156,646	156,646	156,646	156,646	156,646	156,646
Acquisition of Hospital Esperança		-	-	-	108,408	108,408	108,408
Acquisition of Norte D'Or		-	-	-	28,450	28,450	28,450
Acquisition of IFOR		85,724	-	-	85,724	85,724	85,724
Acquisition of Sino Brasileiro		251,930	245,160	-	251,930	245,160	-
Acquisition of Villa-Lobos		136,074	-	-	136,074	129,218	-
Acquisition of Bartira		115,656	-	-	115,656	107,225	-
Acquisition of Onco ABC/Cardeal/JLD		-	-	-	52,174	52,174	-
Acquisition of Oncoholding		-	-	-	157,619	180,264	-
Acquisition of Hospital Fluminense		-	-	-	10,658	10,658	-
Acquisition of Hospital Santa Helena		-	-	-	125,802	123,523	-
Acquisition of Acreditar		-	-	-	155,720	-	-
Acquisition of Memorial São Jose		-	-	-	112,528	-	-
Acquisition of Alpha-Med		-	-	-	42,738	-	-
Acquisition of CEHON		-	-	-	68,757	-	-
Acquisition of Maximagem		-	-	-	45,539	-	-
Acquisition of Ribeirão Pires		-	-	-	129,739	-	-
Acquisition of NEOH		-	-	-	31,422	-	-
Acquisition of JTO		-	-	-	12,567	5,001	-
Acquisition of Salus		-	-	-	8,956	-	-
Acquisition of Prontimagem		-	-	-	6,220	-	-
Other goodwill		48,649	48,649	49,621	57,001	61,039	62,010
Trademarks and patents (*)		190,810	190,810	190,810	190,810	190,810	190,810
		2,209,365	1,853,274	1,599,761	3,332,183	2,711,517	1,846,692

(*) This mainly refers to Hospital São Luiz trademark recorded upon its acquisition.

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 taxes 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 takes into account both debt and equity. 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, 2016, the discount rate used for determining the value in use of the CGU was 9.08% (8.09% in 2015 and 7.41% in 2014).

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.

Management tested indefinite-lived intangible assets for impairment, i.e., goodwill, trademarks and patents, for the years ended December 31, 2016, 2015 and 2014, through comparison of their book balances with their respective value in use. As a result of this test, in 2016 the need to recognize a loss related to the goodwill was identified and recorded on Instituto Oncológico de Pernambuco, in the amount of R$6,022.

11. Deferred gain on property disposal

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 December 31, 2016, breakdown of deferred gains was as follows:

	Parent Company and Consolidated		
	2016	**2015**	**2014**
Caxias D'Or	37,840	39,560	41,276
Hospital Brasil	46,200	48,400	50,600
	84,040	87,960	91,876
Current	3,920	3,920	3,920
Noncurrent	80,120	84,040	87,956

Upon execution of contracts, the receipt of part of the sales amount (R$73,926 at December 31, 2015), arising from the sale of these two properties was contingent upon the regularization of documentation and transfer to the buyer. On June 15, 2016, the regularization was completed and the Company received the amount of R$83,179 including interest agreed.

12. Loans and financing

			Parent Company		
Bank	**Indexes**	**Spread**	**2016**	**2015**	**2014**
BNDES/FINEP	TJLP	3.35%	138,252	86,252	8,859
IFC - International Finance Corporation (*)	USD/LIBOR	3.30%	865,461	1,067,519	86,601
Loan 4131 (*)	USD/Fixed rate	3.35%	282,730	-	-
CCBs	Fixed rate	11.90%	1,053	896	1,788
			1,287,496	1,154,667	97,248
Current			91,982	40,815	21,185
Noncurrent			1,195,514	1,113,852	76,063

			Consolidated		
Bank	**Indexes**	**Spread**	**2016**	**2015**	**2014**
BNDES/FINAME	TJLP	4.90%	142,312	97,403	13,719
IFC - International Finance Corporation (*)	USD/LIBOR	3.30%	865,461	1,067,519	86,601
Loan 4131 (*)	USD/Fixed rate	3.35%	282,730	-	-
CCB's	Fixed rate	3.90%	4,300	10,592	3,859
			1,294,803	1,175,514	104,179
Current			95,683	50,964	23,665
Noncurrent			1,199,120	1,124,550	80,514

(*) As mentioned in Note 27, the Company contracts derivative financial instruments to hedge the foreign exchange variation and adopted the hedge accounting as accounting practice; therefore, these debts are recorded at fair value through profit or loss.

Financing was obtained in order to acquire companies, and to expand the size of hospitals. As a guarantee, shares representing 8.6% of Company's capital and chattel mortgage of credit rights were provided.

In addition to the guarantees given, the maintenance of covenants is provided for by certain loan and financing agreements with International Finance Corporation ("IFC") and JP Morgan Chase Bank. These include the assessment of indicators contractually determined based on net debt, EBITDA and financial income (expenses). To the date, all covenants have been complied with.

On December 4, 2014, the Company obtained two credit facilities from International Finance Corporation ("IFC") amounting to US$ 191,250 and from Société de Promotion et de Participation Pour La Coopération Economique ("Proparco") amounting to EUR50,000.

On April 15, 2016, the Company took out a loan from JP Morgan Chase Bank totaling US$84,998, with an interest rate of 3.35% p.a.

12. Loans and financing (Continued)

The main financing obtained from IFC, Proparco and JP Morgan are detailed below:

Bank	Currency	Indexes	Spread	Beginning of repayment	End of repayment	Repayment period	Number of installments	Guarantees
IFC A Loan	US$	LIBOR	3.0%	Nov 2017	Nov 2024	Half-yearly	15 installments	Shares and receivables
IFC B1 Loan	US$	LIBOR	3.0%	Nov 2017	Nov 2024	Half-yearly	15 installments	Shares and receivables
IFC B2 Loan	US$	LIBOR	2.7%	Nov 2016	Nov 2022	Half-yearly	13 installments	Shares and receivables
IFC C Loan	US$	LIBOR	6.0%	Nov 2021	Nov 2027	Half-yearly	13 installments	Shares and receivables
IFC MCPP Loan	US$	LIBOR	3.0%	Nov 2017	Nov 2024	Half-yearly	15 installments	Shares and receivables
Proparco Loan	EUR	EURIBOR	3.0%	Nov 2017	Nov 2024	Half-yearly	15 installments	Shares and receivables
JP Morgan	US$	Fixed rate	3.35%	Apr 2019	Apr 2020	Quarterly	5 installments	N/A

At December 31, 2016, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2018	141,145	2018	142,500
2019	308,841	2019	309,717
2020	242,820	2020	243,556
2021	123,442	2021	124,080
2022 to 2027	379,266	2022 to 2027	379,267
	1,195,514		1,199,120

13. Debentures payable

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Rede D'Or São Luiz						
1st issue (a)	662,362	873,314	881,165	662,362	873,314	881,165
2nd issue (b)	73,558	78,408	85,183	73,558	78,408	85,183
3rd issue (c)	516,370	644,446	642,320	516,370	644,446	642,320
4th issue (d)	741,497	804,082	799,590	741,497	804,082	799,590
5th issue (e)	99,696	98,545	99,774	99,696	98,545	99,774
6th issue (f)	149,281	196,733	199,241	149,281	196,733	199,241
7th issue (j)	1,275,740	-	-	1,275,740	-	-
8th issue (k)	152,758	-	-	152,758	-	-
Medise						
1st issue (g)	45,222	61,770	62,111	45,222	61,770	62,111
Hospital Esperança						
1st issue (h)	-	-	-	188,757	204,161	202,600
2nd issue (i)	-	-	-	72,482	99,529	99,214
	3,716,484	2,757,298	2,769,384	3,977,723	3,060,988	3,071,198
Current	787,028	495,159	52,131	863,620	521,483	57,703
Noncurrent	2,929,456	2,262,139	2,717,253	3,114,103	2,539,505	3,013,495

13. Debentures payable (Continued)

(a) On April 20, 2011, the Company issued nonconvertible debentures in a series of 100 debentures for public distribution, totaling R$1,000,000, maturing on April 20, 2020 (as per the amendment of December 2013), and monthly principal repayment beginning January 20, 2016. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a., to be paid on a quarterly basis for four years and eight months, and on a monthly basis thereafter. As a guarantee, shares representing 4.8% of Company's capital and chattel mortgage of credit rights were offered. After 24 months, the Company is entitled to repay the debentures in advance, as provided for by agreement.

(b) On October 28, 2011, the Company carried out the second issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on January 15, 2017, and monthly principal repayment beginning July 15, 2012. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. Interest has been paid on a monthly basis since July 15, 2012. There are no expected guarantees or repayment in advance.

(c) On December 10, 2011, the Company carried out the third issue of nonconvertible, single-series debentures for public distribution, totaling R$650,000, maturing on December 10, 2020 (as per the amendment of December 2013), and monthly principal repayment beginning January 10, 2016. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a. There are no expected guarantees for the debentures. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement.

(d) On September 5, 2012, the Company carried out the fourth issue of nonconvertible, single-series debentures for public distribution, totaling R$800,000, maturing on August 10, 2021 (as per the amendment of December 2013), and monthly principal repayment beginning September 10, 2016. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. As a guarantee, shares representing 5.2% of Company's capital and chattel mortgage of credit rights were offered.

(e) On December 10, 2013, the Company carried out the fifth issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on December 10, 2018, and annual principal repayments beginning December 10, 2017. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees for the debentures.

(f) On December 15, 2014, the Company carried out the sixth issue of nonconvertible, single-series debentures for public distribution, totaling R$200,000, maturing on December 15, 2019, and annual principal repayment beginning December 15, 2016. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees for the debentures.

(g) On December 12, 2011, subsidiary Medise carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on December 12, 2017, and quarterly principal repayment beginning June 10, 2016. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.2% p.a. Interest has been paid on a monthly basis from January 12, 2013. As a guarantee, chattel mortgage of credit rights was offered. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement. In July 2014, Rede D'Or São Luiz S.A. assumed Medise's debts in connection with the Offer, pursuant to Article 299 et seq. of the 2012 Brazilian Civil Code ("cc/2012"). As a result, the status of Rede D'Or changed from Collateral to Issuer, in view of the capital reduction of the Issuer.

(h) On October 15, 2012, subsidiary LE Participações Societárias S.A. (later merged into Hospital Esperança S.A.) carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$200,000, maturing on October 15, 2021 (as amended in February 2013), and monthly principal repayment beginning October 15, 2016. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. As a guarantee, shares representing 1.3% of Company's capital and chattel mortgage of credit rights were offered.

13. Debentures payable (Continued)

(i) On December 9, 2013, subsidiary Hospital Esperança S.A. carried out the second issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on December 10, 2018, and quarterly principal repayment beginning June 10, 2016. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 1.9% p.a. Chattel mortgage of credit rights was given in guarantee.

(j) On July 12, 2016, Rede D'Or completed the issue of R$1,200,000 in three, four and five year debentures. The issue of the first series amounts to R$600,000, maturing on July 12, 2019, and shall pay remuneration corresponding to 100% of the interbank rate (CDI) plus 1.9% per year. The second series amounted to R$300,000, million maturing on July 12, 2020 with remuneration at 100% of the CDI plus 2% p.a. The third issue amounted to R$300,000, maturing on July 12, 2021, with remuneration at 100% of the CDI plus 2.1% p.a. Chattel mortgage of credit rights was given in guarantee.

(k) On July 21, 2016, the Company carried out the issue of nonconvertible, single-series debentures for public distribution, totaling R$150,000, maturing on July 21, 2021 and quarterly principal repayment beginning January 21, 2018. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.6% p.a. There are no expected guarantees for the debentures.

In addition to the guarantees given, the maintenance of covenants is provided for by the debenture agreements. These include the assessment of indicators contractually determined based on net debt, EBITDA and financial income (expenses). To the date, all covenants have been complied with.

At December 31, 2016, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2018	622,396	2018	697,130
2019	1,145,133	2019	1,183,924
2020	686,382	2020	725,173
2021	475,545	2021	507,876
	2,929,456		3,114,103

14. Tax liabilities and taxes paid in installments

a) Tax liabilities

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Contribution tax on gross revenue for social integration program (PIS)	2,330	1,991	1,979	1,822	2,841	3,020
Contribution tax on gross revenue for social security financing (COFINS)	25,211	25,490	14,945	37,267	34,690	20,807
Service Tax (ISS)	21,099	50,415	32,854	57,166	78,913	47,678
Withholding Income Tax (IRRF)	12,813	27,652	13,345	17,599	31,574	15,557
Income tax	-	-	1,862	54,712	19,593	7,132
Social contribution tax	-	-	550	20,981	2,168	1,626
Other	-	3,128	3,062	1,108	4,723	3,539
	61,453	108,676	68,597	190,655	174,502	99,359

b) Taxes in installments

	Parent Company			Consolidated		
Taxes in installments	2016	2015	2014	2016	2015	2014
ISS	22,259	24,140	21,532	23,482	25,411	22,698
Installment payment - Law No. 11941/09	68,135	68,784	72,635	79,009	89,654	86,854
Installment payment - social security contributions	78,749	46,113	48,090	98,217	61,512	59,269
Other	405	913	496	4,103	4,260	1,711
	169,548	139,950	142,753	204,811	180,837	170,532
Current	21,407	18,123	20,082	26,384	29,802	22,021
Noncurrent	148,141	121,827	122,671	178,427	151,035	148,511

14. Tax liabilities and taxes paid in installments (Continued)

b) Taxes in installments (Continued)

Tax installment payment program - Law No. 11941/09

On August 25 and November 28, 2014, the Company enrolled with the Special Tax Installment Payment Program introduced by Law No. 12996/2014 and Law No. 13043/2014, with a view to balancing its tax liabilities by means of a special method the allows the installment payment of its tax and social security liabilities. When the Company opted to enroll with this program, it formally requested the Brazilian IRS to include all of the outstanding debts in its current account, amounting to R$27,742, in addition to migrating PAES and PAEX payables in the amount of R$20,490.

The debts included in the installment payment program were under in court discussion, including R$22,544 recorded as a provision for contingencies, and reclassified to taxes paid in installments when the Company enrolled with the program in 2014. Additionally, the Company had tax claims regarded as possible losses for which no provision had been recognized, which were also included in the installment payment program, recorded in the amount of R$5,198 and matched against a profit and loss account in 2014.

The Company did not use credits arising from income and social contribution tax losses to reduce interest and fines.

At December 31, 2016, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2018	21,562	2017	26,962
2019	20,492	2018	25,796
2020	19,403	2019	24,224
2021	17,045	2020	21,176
2022 to 2030	69,639	2021 to 2030	80,268
	148,141		178,427

15. Accounts payable for acquisitions

Acquisitions	Restatement index	Parent Company 2016	Parent Company 2015	Parent Company 2014	Consolidated 2016	Consolidated 2015	Consolidated 2014
São Luiz	CDI	-	40,288	215,944	-	40,288	215,944
Ribeirão Pires	CDI	69,810	-	-	69,810	-	-
Bartira	CDI	36,256	31,803	-	36,256	31,803	-
IFOR	CDI	10,577	9,278	-	10,577	9,278	-
Norte	CDI	7,477	16,757	28,958	7,477	16,757	28,958
Acreditar	CDI	12,575	-	-	12,575	-	-
São Marcos	CDI	6,872	6,028	5,324	6,872	6,028	5,324
Alphamed	CDI	6,146	-	-	6,146	-	-
Vivalle	CDI	5,395	4,732	4,179	5,395	4,732	4,179
Oncologia RJ	CDI	-	-	-	35,801	31,404	-
CEHON	CDI	-	-	-	9,526	-	-
Salus	IPCA	-	-	-	6,589	-	-
Other acquisitions	CDI	38,569	37,542	11,977	43,294	38,847	11,977
		193,677	146,428	266,382	250,318	179,137	266,382
Current		122,067	93,335	199,927	143,619	98,918	199,927
Noncurrent		71,610	53,093	66,455	106,699	80,219	66,455

Accounts payable for acquisition of companies refer to the remaining balance of the considerations for acquisitions made.

At December 31, 2016, noncurrent maturity schedule is as follows:

Parent Company Year	Parent Company Amount	Consolidated Year	Consolidated Amount
2018	13,772	2018	20,361
2019	14,046	2019	14,046
2020	11,000	2020	39,500
2021	29,292	2021	29,292
2022	3,500	2022	3,500
	71,610		106,699

16. Provision for contingencies and judicial deposits

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

	Parent Company					
	2016		2015		2014	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax	58,944	(44,235)	16,220	(36,309)	42,751	(28,380)
Labor	50,170	(5,212)	60,196	(5,213)	48,463	(4,466)
Civil	26,311	(22,668)	27,064	(20,717)	25,563	(17,906)
	135,425	(72,115)	103,480	(62,239)	116,777	(50,752)

	Consolidated					
	2016		2015		2014	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax	79,811	(54,794)	59,132	(48,987)	45,662	(36,433)
Labor	60,014	(7,702)	71,859	(5,784)	51,932	(4,915)
Civil	50,284	(27,263)	48,578	(23,668)	38,153	(19,836)
	190,109	(89,759)	179,569	(78,439)	135,747	(61,184)

Changes in provisions for contingencies for 2016, 2015 and 2014 were as follows:

	Parent Company			
	Tax	Labor	Civil	Total
Balances at 01/01/2014	84,403	36,739	33,017	154,159
Additions, net of reversals	(13,113)	13,123	(6,293)	(6,283)
Enrollment with REFIS (Note 14b)	(22,544)	-	-	(22,544)
Monetary restatements	9,021	-	-	9,021
Payments	(15,016)	(1,399)	(1,161)	(17,576)
Balances in 2014	42,751	48,463	25,563	116,777
Additions, net of reversals	(16,367)	13,985	5,972	3,590
Monetary restatements	2,306	807	748	3,861
Payments	(17,671)	(3,059)	(5,219)	(25,949)
Additions from acquisitions (a)	5,201	-	-	5,201
Balances in 2015	**16,220**	**60,196**	**27,064**	**103,480**
Additions, net of reversals	(6,765)	(1,350)	8,115	-
Monetary restatements	2,043	715	2,239	4,997
Payments	-	(11,145)	(11,219)	(22,364)
Additions from acquisitions (b)	47,446	1,754	112	49,312
Balances in 2016	**58,944**	**50,170**	**26,311**	**135,425**

(a) This addition refers to Sino Brasileiro, which was merged in 2014.
(b) These additions refer to Hospital e Maternidade Bartira, Hospital IFOR and Hospital Villa-Lobos, which were merged into Rede Dor São Luiz in the January 1, 2016.

16. Provision for contingencies and judicial deposits (Continued)

	Consolidated			
	Tax	**Labor**	**Civil**	**Total**
Balances at 01/01/2014	86,032	38,889	37,885	162,806
Additions, net of reversals	(15,775)	13,793	(1,780)	(3,762)
Enrollment with REFIS (Note 14b)	(22,544)	-	-	(22,544)
Monetary restatements	12,335	-	-	12,335
Payments	(15,016)	(1,399)	(1,161)	(17,576)
Additions from acquisitions (c)	630	649	3,209	4,488
Balances in 2014	45,662	51,932	38,153	135,747
Additions, net of reversals	(14,561)	7,254	6,313	(994)
Monetary restatements	9,317	7,881	1,311	18,509
Payments	(19,925)	(4,574)	(9,654)	(34,153)
Additions from acquisitions (d)	38,639	9,366	12,455	60,460
Balances in 2015	**59,132**	**71,859**	**48,578**	**179,569**
Additions, net of reversals	(5,004)	(4,914)	5,878	(4,040)
Monetary restatements	5,842	2,874	2,915	11,631
Payments	(4)	(11,881)	(11,747)	(23,632)
Additions from acquisitions (e)	19,845	2,076	4,660	26,581
Balances in 2016	**79,811**	**60,014**	**50,284**	**190,109**

(c) These additions refer to Hospital IFOR, which was acquired in 2014.

(d) These additions refer to companies acquired in 2015, i.e., Bartira, Villa-Lobos, Sino Brasileiro, Santa Helena and Hospital Fluminense.

(e) These additions refer to Hospital Memorial, Alpha-Med and Ribeirão Pires, which were acquired in 2016.

16. Provision for contingencies and judicial deposits (Continued)

Tax claims provisioned particularly arise from proceedings related to discussions on the levy of State VAT (ICMS) on imports of medical equipment, Service Tax (ISS) payable based on a differentiated rate, and discussions on the levy of Federal VAT (IPI) on imports, losses of which are assessed as probable, provisioned by Company management.

The Company is also a party to various tax claims, totaling R$82,860 (R$74,829 in 2015 and R$9,020 in 2014) in Company, and R$153,654 (R$86,253 in 2015 and R$22,979 in 2014) in Consolidated, losses of which were estimated by its legal advisors as possible. Therefore, no provisions were set up for contingencies for such claims.

Labor claims are largely derived from overtime payment, 13th month salary pay, prior resignation notice, vacation pay and Unemployment Compensation Fund (FGTS). In addition to the claims provisioned, Rede D'Or is party to labor claims totaling R$138,337 (R$78,958 in 2015 and R$53,524 in 2014) in Company and R$169,596 (R$95,466 in 2015 and R$55,623 in 2014) in Consolidated, losses of which were estimated by its legal advisors as possible. Therefore, no provisions were set up for those contingencies.

Civil claims particularly refer to compensation for property damages and pain and suffering. In addition to the claims provisioned, Rede D'Or is party to civil claims totaling R$120,110 (R$71,691 in 2015 and R$75,025 in 2014) in Company and R$191,702 (R$132,648 in 2015 and R$112,350 in 2014) in Consolidated, losses of which were estimated by its legal advisors as possible. Therefore, no provisions were set up for those contingencies.

17. Commitments

At December 31, 2016, Rede D'Or has operating leases referring substantially to buildings from third and related parties for an average period of eighteen years, and non-cancelable minimum payments and their schedule are as follows:

Year	Parent Company	Consolidated
	(Gross nominal amounts)	
2017	278,652	350,865
2018	259,789	332,003
2019	249,943	322,156
2020	242,876	315,089
2021 to 2050	2,662,813	3,616,159
	3,694,073	4,936,272

Lease expenses recognized for the year amounted to R$265,183 (R$219,766 in 2015 and R$200,906 in 2014) in Company and R$283,994 (R$256,720 in 2015 and R$231,622 in 2014) in Consolidated.

These leases refer to all hospitals of Rede D'Or São Luiz S.A., except Hospital e Maternidade Assunção Hospital e Maternidade Nossa Senhora de Lourdes, Hospital Vivalle and Hospital Copa Star, as they are in own buildings.

18. Equity

a) Capital stock

Breakdown of Company's capital is as follows:

	2016		2015		2014	
Shareholders	Number of shares	Ownership interest	Number of shares	Ownership interest	Number of shares	Ownership interest
Controlling family (a)	263,849,784	57.03%	263,227,301	56.90%	294,363,184	91.58%
Pacific RDSL Participações (b)	119,269,748	25.78%	118,988,362	25.72%	-	-
Carlyle Group (c)	54,625,943	11.81%	54,497,067	11.78%	-	-
Other	22,166,942	4.79%	23,199,687	5.01%	24,327,036	7.57%
Total common shares	459,912,417	99.41%	459,912,417	99.41%	318,690,220	99.15%
Preferred shares	2,734,600	0.59%	2,734,600	0.59%	2,734,600	0.85%
Total shares	462,647,017	100.00%	462,647,017	100.00%	321,424,820	100.00%

(a) This represents 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"), which acquired interest directly from shareholders in 2015.
(c) Represented by funds HPT Participações S.A. and RDSL Investimento Secundário FIP.

At December 31, 2016, subscribed and paid-in capital amounted to R$867,776 (R$867,776 and R$452,530 at December 31, 2015 and 2014) represented by 459,912,417 common shares and 2,734,600 registered preferred class A shares, with no par value, (459,912,417 common shares and 2,734,600 preferred shares in 2015, and 318,690,220 common shares and 2,734,600 preferred shares in 2014).

Under the Company's charter, each common share is entitled to a vote in the Company's general meetings. Preferred class A shares are non-voting shares, have priority in the return of capital, without premium, in case of Company dissolution, and are entitled to preferred annual dividend.

On April 30, 2013, the Company's capital increase by R$209,228 was approved, of which R$88,528, without issue of new shares, through capitalization of part of the income reserve balance, and R$120,699 in cash, with issue of 27,879,412 new registered common shares with no par value, for issue price of R$4.33 (four reais and thirty-three cents) each.

On December 22, 2014, the Company's capital increase was approved in the amount of R$190,999 in cash, with issue of 46,024,097 new registered common shares with no par value, for the issue price of R$4.15 (four reais and fifteen cents) each.

18. Equity (Continued)

a) Capital (Continued)

Special General Shareholders Meeting held on February 23, 2015, capital increase was approved in the amount of R$52,026 in cash, with issue of 12,537,402 new common registered shares, with no par value, for the issue price of R$4.15 (four reais and fifteen cents) each. On the same date, R$33,613 was allocated from income reserve (investment reserve) to capital increase, without issue of new shares.

At March 31, 2015, BTG Pactual Saúde Fundo de Investimento em Participações communicated Rede D'Or that it would exercise its option to convert debentures into shares, in the amount of R$600,000, by means of issue of 91,633,457 new common registered shares, with no par value, accounting for 21.53% capital of the Company, of which R$147,664 recorded as capital increase and R$452,336 recorded as goodwill reserve in share subscription. Given their nature, those debentures were classified as equity; therefore, said capitalization generated no effects on the Company's financial statements. The operation took place on May 7, 2015, upon approval by competent regulators.

On April 27, 2015, the Company entered into an investment agreement with HPT Participações S.A. (Carlyle Group investee), in the amount of R$1,819,435, of which R$181,943 for capital increase and R$1,637,491 as goodwill reserve on share subscription, upon issue of 37,051,337 new common registered shares, accounting for 8.38% of Rede D'Or capital. Capital contribution was as follows: (a) R$875,000 contributed in cash ("First Tranche"), through issue of 18,525,668 new common shares, free and clear of any liens, subscribed and paid up, representing 4.19% of the Company's total capital; and (b) R$944,435 contributed as a promissory note ("Second Tranche"), through issue of 18,525,669 new common shares, free and clear of any liens, subscribed and paid in, representing 4.19% of the Company's total capital. On April 15, 2016, the amount of R$944,500 related to the Second Tranche of the investment with HPT Participações S.A. was fully received by the Company.

In addition, in 2015, Carlyle carried out other transactions between shareholders, whereby it acquired 17,445,730 common shares of the Company, and became holder of 54,497,067 shares, which account for 11.85% of voting capital.

18. Equity (Continued)

b) Allocation of income

The legal reserve is set up at 5% of net income for the year, limited to 20% of capital or until its balance plus capital reserves exceeds 30% of the amount of capital (Law No. 6404/76, article 182).

Dividend is paid based on Law No. 6404/76, and the mandatory minimum dividend corresponds to 25% of net income, after allocation of legal reserve.

At December 31, 2016, 2015 and 2014, the calculation of dividends and the changes therein for the years are as follows:

	2016	2015	2014
Net income for the year	**801,871**	**724,733**	320,190
Set-up of legal reserve (article 193 Law No. 6404) (*)	**-**	**-**	-
Mandatory minimum dividend calculation base	**801,871**	**724,733**	320,190
Dividends and interest on equity	**269,283**	**181,183**	80,047
Dividends per thousand shares - in reais	**0.5855**	**0.4285**	0.2512

(*) The Company did not set up a legal reserve based on paragraph 1 of article 193 of Law No. 6404, according to which when the legal reserve, plus the capital reserves, exceeds 30% of capital, it does not need to be set up.

At December 31, 2016, the Board of Directors approved the payment of interest on equity to shareholders in the amount of R$269,283, according to article 9 of Law No. 9249/95 and Decrees No. 2673/98 and No. 3381/00, which were attributed to the mandatory minimum dividend and recorded under liabilities at December 31, 2016. This liability was paid to shareholders, net of Withholding Income Tax (IRRF), on January 5, 2017. In addition, the Board of Directors proposed the allocation of R$730,717 of additional dividends to the mandatory minimum, which were recorded in equity at December 31, 2016 and also paid on January 5, 2017.

At December 31, 2016, dividends and interest on equity payable totaled R$419,089 (R$309,051 in 2015 and R$156,028 in 2014), in Company, and R$427,259 (R$316,004 in 2015 and R$159,578 in 2014), in consolidated.

The proposals for allocation of profits will be submitted for approval by the Annual General Meeting.

18. Equity (Continued)

c) Treasury shares

At December 31, 2016, the Company had 19,734,399 registered common shares with no par value of Rede D'Or, in the amount of R$331,525, recorded as treasury shares in equity.

Changes in treasury shares are as follows:

	Number of shares	Share value (in reais)	Total
Balance at December 31, 2013	18,053,489	8.69	157,117
Acquisitions made	1,937,003	2.48	4,802
Balance at December 31, 2014	19,990,492	8.10	161,919
Acquisitions made	4,957,395	25.64	127,110
Sales made	(4,988,060)	6.30	(31,432)
Balance at December 31, 2015	19,959,827	12.91	257,597
Acquisitions made	3,356,924	28.26	94,875
Sales made	(3,582,352)	5.85	(20,947)
Balance at December 31, 2016	**19,734,399**	**16.80**	**331,525**

Shares purchased and sold in 2014 and 2015 and 2016 substantially refer to the share-based payment option plan, as follows.

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 option plan 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 7,074,940 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 vesting date, and to the following four, under the same conditions, after 24, 36, 48 and 60 months also from the vesting date. The participants have a maximum of sixty months, as from the end of the vesting period, to exercise the options.

The price for exercising the options granted was R$8.09 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*

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

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

18. Equity (Continued)

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

· *Second and Third Stock Option Plans* (Continued)

The price for exercising the options granted is R$9.24 per share for the Second Plan and R$9.34 per share for the Third Plan. Exercise price is increased by CDI variation, on a *pro rata* day basis, until the effective date of exercise of any stock option.

· *Fourth Stock Option Plan*

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

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

The Company granted to beneficiaries of the Fourth Plan the option to purchase 1,203,497 common registered shares with no par value, through an individual contract between each beneficiary and the Company.

In order to be entitled to the right to stock options, beneficiaries has to work for the Company for at least three years (vesting period). Company management 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; 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 price for exercising the options granted in the first series is R$13.99 per share and for the second series is R$9.00 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

18. Equity (Continued)

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

· *Fifth Stock Option Plan*

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

The Company granted to beneficiaries of the first series of the Fifth Plan the option to purchase 132,513 common registered shares with no par value, through an individual contract between each beneficiary and the Company.

In order to be entitled to the right to stock options, beneficiaries has to work for the Company for at least three years (vesting period). Company management 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 39,756 common shares, to be granted annually and exercised as from January 31 of each subsequent year. At the end of 2016, two series have already been granted totaling 79,512 common registered shares, with no par value. The participants have a maximum forty-eight months from the end of the vesting period to exercise the options.

The price for exercising the options granted in the first series is R$9.00 per share and for the second series is R$12.68 per shares, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

18. Equity (Continued)

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

· *Sixth Stock Option Plan*

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

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

The price for exercising the options granted in the first, second and third series is R$47.23 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*

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

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

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

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

18. Equity (Continued)

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

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

The results of the calculation of fair value of options restated at the financial statement date are as follows:

· *First Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
01/01/2012	1,414,988	39.6%	10.5%	7.61	Expired
01/01/2013	1,414,988	39.6%	10.5%	7.89	Expired
01/01/2014	1,414,988	39.6%	10.6%	8.28	Expired
01/01/2015	1,414,988	39.6%	10.7%	8.64	Expired
01/01/2016	1,414,988	39.6%	10.7%	8.97	Expired
Total	7,074,940	Average risk-free rate	10.6%		

· *Second Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
03/31/2013	478,016	32.39%	7.10%	13.91	Expired
03/31/2014	478,016	32.39%	7.25%	13.67	Expired
03/31/2015	478,016	32.39%	7.61%	13.53	Expired
03/31/2016	478,016	32.39%	8.06%	13.50	Expired
03/31/2017	478,016	32.39%	8.39%	13.49	Unexpired
Total	2,390,080	Average risk-free rate	7.68%		

· *Third Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
31/03/2014	786,960	31.74%	9.11%	14.26	Expired
31/03/2015	786,960	31.74%	10.23%	14.21	Expired
31/03/2016	786,960	31.74%	10.89%	14.16	Expired
31/03/2017	786,960	31.74%	11.34%	14.15	Unexpired
31/03/2018	786,960	31.74%	11.53%	14.09	Unexpired
Total	3,934,800	Average risk-free rate	10.62%		

18. Equity (Continued)

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

· *Fourth Stock Option Plan*

First series

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
03/31/2015	7,453	30.27%	10.81%	16.00	Expired
03/31/2016	12,540	30.27%	11.16%	15.85	Expired
03/31/2017	12,540	30.27%	11.50%	15.83	Unexpired
03/31/2018	12,541	30.27%	11.66%	15.79	Unexpired
03/31/2019	12,541	30.27%	11.82%	15.81	Unexpired
Total	57,615	Average risk-free rate	11.39%		

Second series

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
06/02/2015	120,350	30.17%	10.76%	19.70	Expired
06/02/2016	120,350	30.17%	10.91%	19.42	Expired
06/02/2017	240,699	30.17%	11.09%	19.18	Unexpired
06/02/2018	240,699	30.17%	11.18%	18.97	Unexpired
06/02/2019	240,699	30.17%	11.29%	18.79	Unexpired
06/02/2020	120,350	30.17%	11.41%	18.66	Unexpired
06/02/2021	120,350	30.17%	11.40%	18.49	Unexpired
Total	1,203,497	Average risk-free rate	11.15%		

· *Fifth Stock Option Plan*

First series

Maturity date	Number Of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
03/31/2015	88,342	30.94%	12.81%	22.91	Expired
03/30/016	44,171	30.94%	12.67%	22.56	Expired
Total	132,513	Average risk-free rate	12.74%		

18. Equity (Continued)

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

Second series

Maturity date	Number Of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
03/31/2015	39,756	30.94%	13.12%	20.52	Expired
03/30/2016	39,756	30.94%	13.00%	20.22	Expired
Total	79,512	Average risk-free rate	13.06%		

· *Sixth Stock Option Plan*

Maturity date	Number Of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
01/31/2017	133,004	32.00%	15.95%	50.31	Unexpired
Total	133,004	Average risk-free rate	15.95%		

· *Seventh Stock Option Plan*

First series

Maturity date	Number Of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
03/31/2017	70,000	33.72%	12.06%	52.37	Unexpired
Total	70,000	Average risk-free rate	12.06%		

Second series

Maturity date	Number Of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
03/31/2017	460,000	33.72%	11.98%	52.37	Unexpired
Total	460,000	Average risk-free rate	11.98%		

18. Equity (Continued)

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

Third series

Maturity date	Number Of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
03/31/2017	80,000	33.75%	11.87%	52.65	Unexpired
Total	80,000	Average risk-free rate	11.87%		

The effects of share-based payment (stock option plan), covering all granted and outstanding options, in equity and profit and loss for the year, are as follows:

	Fair value of options per year	Effects on profit or loss for the year	Cumulative effect on equity
2011	**1,457**	**1,457**	**1,457**
2012	**16,234**	**16,234**	**17,691**
2013	**20,656**	**20,656**	**38,347**
2014	**26,637**	**27,363**	**65,710**
2015	**52,570**	**51,949**	**117,659**
2016	**30,864**	**30,864**	**148,523**
2017	**10,861**		
2018	**5,713**		
2019	**3,614**		
2020	**2,977**		
2021	**1,216**		
2022	**257**		
2023	**64**		
	173,120		

The Company grants a put option to each beneficiary on total shares that are acquired due to exercise of stock option. The periods for exercising the option are determined by individual agreements between the parties, and the acquisition price of the Company for exercising the put options will be determined differently, with specific measurement criteria. In 2015, first plan executives exercised their put options of shares expired, up to that time, against the Company, which purchased 3,572,896 shares and recorded them as treasury shares. Over the first quarter of 2016, those same executives exercised their put options of shares expired over the year against the Company, which purchased more 1,832,947 shares and recorded them as treasury shares.

Should the beneficiary withdraw from his/her position, options not yet exercisable expire, with no right to compensation, and options already 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.

19. Income and social contributions taxes

Income and social contribution tax expenses for the years ended December 31, 2016, 2015 and 2014 are as follows:

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Deferred						
Income tax	4,797	(100,489)	(14,810)	29,475	(92,130)	(10,991)
Social contribution tax	1,727	(36,182)	(5,335)	10,580	(33,208)	(3,967)
	6,524	(136,671)	(20,145)	40,055	(125,338)	(14,958)
Current						
Income tax	(124,957)	(28,809)	(22,837)	(247,732)	(98,647)	(40,494)
Social contribution tax	(46,100)	(9,653)	(8,240)	(91,438)	(35,475)	(14,953)
	(171,057)	(38,462)	(31,077)	(339,170)	(134,122)	(55,447)
Income and social contribution tax expenses	(164,533)	(175,133)	(51,222)	(299,115)	(259,460)	(70,405)

Changes in deferred income and social contribution tax assets and liabilities at December 31, 2016, 2015 and 2014 were as follows:

	Parent Company								
	2013	Additional benefits (expenses) recorded	2014	Additional benefits (expenses) recorded	Additions from business combinations	2015	Additional benefits (expenses) recorded	Additions from business combinations	2016
Assets									
Tax losses	35,759	(10,611)	25,148	(11,765)	-	13,383	(11,000)	-	2,383
Social contribution tax losses	12,875	(3,822)	9,053	(4,236)	-	4,817	(3,960)	-	857
Allowance for doubtful accounts	35,123	13,926	49,049	7,710	9,707	66,466	28,699	8,780	103,945
Allowance for disallowances	18,701	34,305	53,006	(11,882)	472	41,596	18,344	5,851	65,791
Contingencies	52,415	(12,711)	39,704	(7,602)	6,911	39,013	(5,837)	17,457	50,633
Provision for inventories	1,159	-	1,159	-	-	1,159	-	-	1,159
Provision for bonus	12,657	6,487	19,144	(250)	-	18,894	(3,384)	-	15,510
Foreign exchange variation	-	-	-	-	-	-	-	-	-
Provision for losses	9,086	2	9,088	1,149	1,355	11,592	-	4,937	16,529
Deferred gain on property disposals	9,683	9,339	19,022	(1,333)	-	17,689	13,287	-	30,976
Taxes - Judicial deposits	772	1,192	1,964	2,690	-	4,654	1,719	7	6,380
Provision for overtime	4,015	938	4,953	(3,691)	-	1,262	2,594	-	3,856
Swap variation	-	-	-	-	-	-	54,211	-	54,211
Total deferred tax assets	192,245	39,045	231,290	(29,210)	18,445	220,525	94,673	37,032	352,230
Liabilities									
Differences between accounting and tax base of goodwill	(211,017)	(58,115)	(269,132)	(82,499)	-	(351,631)	(74,058)	-	(425,689)
Gain on acquisition in steps	-	-	-	(22,550)	-	(22,550)	(26,323)	-	(48,873)
Swap variation	(8,744)	(1,075)	(9,819)	(2,413)	-	(12,232)	12,232	-	-
Total deferred tax liabilities	(219,761)	(59,190)	(278,951)	(107,462)	-	(386,413)	(88,149)	-	(474,562)
Net effect - asset (liability)	(27,516)	(20,145)	(47,661)	(136,672)	18,445	(165,888)	6,524	37,032	(122,332)

19. Income and social contributions taxes (Continued)

	Consolidated								
	2013	Additional benefits (expenses) recorded	2014	Additional benefits (expenses) recorded	Additions from business combinations	2015	Additional benefits (expenses) recorded	Additions from business combinations	2016
Assets									
Tax losses	37,016	(11,868)	25,148	(11,250)	-	13,898	(10,167)	-	3,731
Social contribution tax losses	13,327	(4,274)	9,053	(4,052)	-	5,001	(3,660)	-	1,341
Allowance for doubtful accounts	38,025	19,635	57,660	5,437	34,501	97,598	38,584	3,021	139,203
Allowance for disallowances	20,809	37,637	58,446	7,624	16,653	82,723	47,616	3,189	133,528
Contingencies	52,555	(11,531)	41,024	(5,353)	42,281	77,952	(7,650)	9,528	79,830
Provision for inventories	1,159	-	1,159	-	-	1,159	-	-	1,159
Provision for bonus	12,657	6,487	19,144	(250)	-	18,894	(2,953)	-	15,941
Foreign exchange variation	-	-	-	-	-		-	-	-
Provision for losses	9,086	2	9,088	4,846	1,353	15,287	-	-	15,287
Deferred gain on property disposals	9,683	9,339	19,022	(1,333)	-	17,689	13,287	-	30,976
Taxes - Judicial deposits	857	1,270	2,127	3,841	-	5,968	1,818	-	7,786
Provision for overtime	5,638	1,232	6,870	(5,023)	-	1,847	4,078	-	5,925
Swap variation	-	-	-	-	-	-	54,211	-	54,211
Total deferred tax assets	200,812	47,929	248,741	(5,513)	94,788	338,016	135,164	15,738	488,918
Liabilities									
Differences between accounting and tax base of goodwill	(226,137)	(61,812)	(287,949)	(94,748)	(14,906)	(397,603)	(78,240)	-	(475,843)
Gain on acquisition in steps	(17,848)	-	(17,848)	(22,550)	-	(40,398)	(29,101)	-	(69,499)
Swap variation	(8,744)	(1,075)	(9,819)	(2,413)	-	(12,232)	12,232	-	-
Deferred revenue	-	-	-	(114)	(23,309)	(23,423)	-	-	(23,423)
Total deferred tax liabilities	(252,729)	(62,887)	(315,616)	(119,825)	(38,215)	(473,656)	(95,109)	-	(568,765)
Net effect - asset (liability)	(51,917)	(14,958)	(66,875)	(125,338)	56,573	(135,640)	40,055	15,738	(79,847)
Assets in the statement of financial position	5,972	2,892	8,864	(1,227)	72,970	80,607	(25,677)	15,738	70,668
Liabilities in the statement of financial position	(57,889)	(17,850)	(75,739)	(124,111)	(16,397)	(216,247)	65,732	-	(150,515)
Net effect - asset (liability)	(51,917)	(14,958)	(66,875)	(125,338)	56,573	(135,640)	40,055	15,738	(79,847)

The reconciliation of income and social contribution taxes to the amount determined at the statutory rate for 2016, 2015 and 2014 is as follows:

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Income before income and social contribution taxes	966,404	899,866	371,412	1,115,073	1,009,611	393,288
Income and social contribution tax expense at the statutory rate of 34%	328,577	305,954	126,280	379,125	343,268	133,718
Adjustments to determine the effective rate						
Interest on debentures recorded as equity instrument	-	(19,755)	(42,725)	-	(19,755)	(42,725)
Equity pickup	(77,865)	(89,492)	(30,237)	(6,580)	(13,378)	(14,527)
Stock option expenses	10,494	17,663	9,303	10,494	17,663	9,303
Expenses with interest and fines	-	1,366	-	-	1,371	-
Interest on equity	(91,541)	(46,459)	(2,940)	(91,541)	(46,459)	(2,940)
Unrecognized tax credit	-	-	-	-	(10,111)	-
Effects of companies taxed under the regime whereby profit is computed as a percentage of their gross revenue	-	-	-	-	(5,457)	-
Other	(5,132)	5,856	(8,459)	7,617	(7,682)	(12,424)
Expenses (benefit) in the income statement	164,533	175,133	51,222	299,115	259,460	70,405
Effective rate	17%	20%	14%	27%	26%	18%

19. Income and social contributions taxes (Continued)

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

The Company expects that deferred tax credits calculated on income and social contribution tax losses will be realized in 2 years. Management expects that other temporary differences will be realized between 1 to 5 years, except for deferred gain on property disposals, of which the realization will take place along the lease contract term.

20. Net revenue

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Gross revenue	6,262,733	5,127,104	4,330,613	8,816,530	7,158,423	5,574,976
Deductions from revenue						
Cancellations and rebates	(230,925)	(176,992)	(213,655)	(383,920)	(279,619)	(252,417)
Taxes on revenues	(362,394)	(301,180)	(250,683)	(520,142)	(426,736)	(331,026)
	5,669,414	4,648,932	3,866,275	7,912,468	6,452,068	4,991,533

The Company has no revenues arising from customers outside Brazil.

21. Cost of services rendered

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Personnel	(1,698,432)	(1,297,563)	(1,188,762)	(2,327,391)	(1,828,272)	(1,556,214)
Materials and medicines	(1,075,610)	(883,700)	(825,725)	(1,525,510)	(1,205,523)	(1,022,458)
Third-party services	(740,685)	(711,967)	(562,971)	(1,345,521)	(1,202,326)	(913,510)
Utilities and services	(97,251)	(82,833)	(60,787)	(136,302)	(115,577)	(80,313)
Leases	(265,183)	(219,766)	(200,906)	(283,994)	(245,986)	(231,622)
Depreciation and amortization	(213,191)	(102,419)	(89,050)	(253,704)	(134,478)	(123,857)
	(4,090,352)	(3,298,248)	(2,928,201)	(5,872,422)	(4,732,162)	(3,927,974)

22. General and administrative expenses

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Personnel	(182,381)	(185,341)	(150,630)	(182,381)	(185,341)	(150,630)
Third-party services	(38,526)	(43,105)	(51,493)	(38,526)	(43,105)	(51,493)
Trips and lodging	(14,965)	(12,039)	(13,367)	(18,866)	(15,505)	(14,484)
Depreciation and amortization	(17,909)	(16,748)	(9,013)	(17,909)	(16,748)	(9,013)
Contingencies	-	(3,590)	6,283	(4,040)	993	3,762
	(253,781)	(260,823)	(218,220)	(261,722)	(259,706)	(221,858)

23. Selling expenses

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Allowance for doubtful accounts	(84,409)	(22,677)	(40,692)	(114,251)	(15,991)	(65,085)
Marketing	(13,823)	(10,157)	(17,937)	(16,787)	(11,844)	(19,204)
	(98,232)	(32,834)	(58,629)	(131,038)	(27,835)	(84,289)

24. Other operating expenses, net

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Taxes, fees and penalties	(24,976)	(17,795)	(14,131)	(34,215)	(22,965)	(16,063)
Gain on disposal of properties	3,920	3,920	3,920	3,920	3,920	3,920
Gain on phased acquisition	77,165	66,322	-	85,335	66,322	-
Loss on divestiture and impairment of goodwill	-	-	-	(22,475)	-	-
Equipment lease	(11,451)	(5,394)	(3,911)	(14,902)	(6,947)	(5,129)
Disposal of property and equipment	(4,671)	-	-	(4,669)	-	-
Freight expenses	(4,036)	(1,753)	(1,688)	(4,600)	(2,164)	(1,890)
Legal fees	(2,728)	(6,744)	(3,849)	(3,853)	(9,480)	(5,296)
Insurance	(2,180)	(1,292)	(1,427)	(2,773)	(1,564)	(1,611)
Other expenses and revenues	(32,465)	(7,541)	(33,428)	(53,009)	(19,384)	(37,668)
	(1,422)	29,723	(54,514)	(51,241)	7,738	(63,737)

The loss on divestiture comprises: (i) divestiture in São Pellegrino for the amount of R$3,256, with a loss of R$16,453 recognized in profit or loss; and (ii) impairment of goodwill of IOPE in the amount of R$6,022.

25. Financial income (expenses), net

Financial income and expenses for the years ended December 31, 2016, 2015 and 2014 are as follows:

	Parent Company			Consolidated		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Short-term investment yields	208,611	93,397	56,560	258,293	121,641	80,597
Foreign exchange gain (loss), net on financing	205,288	(76,107)	(6,253)	205,792	(77,789)	(6,253)
Fair value of debt	(24,768)	-	-	(24,768)	-	-
Derivatives' fair value (swaps)	(295,026)	47,271	5,211	(295,026)	47,271	5,211
Interest and monetary variation on financing	(76,924)	(67,297)	(30,283)	(77,070)	(67,297)	(30,923)
Interest on debentures	(480,601)	(413,625)	(324,487)	(538,585)	(463,528)	(367,905)
Taxes on financial income (expenses)	(15,355)	(7,133)	(760)	(18,422)	(8,762)	(1,153)
Other financial income (expenses)	(9,462)	(14,837)	(24,219)	(10,538)	(21,376)	(22,686)
	(488,237)	(438,331)	(324,231)	(500,324)	(469,840)	(343,112)
Total financial income	432,532	144,959	62,561	491,340	169,632	88,174
Total financial expenses	(920,769)	(583,290)	(386,792)	(991,664)	(639,472)	(431,286)
	(488,237)	(438,331)	(324,231)	(500,324)	(469,840)	(343,112)

26. Earnings per share

a) Basic

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 shares during the year, excluding common shares purchased by the Company and held as treasury shares.

	2016	2015	2014
Income attributable to controlling shareholders	801,871	724,733	320,190
Weighted average number of common shares issued (in thousands)	439,297	396,753	256,592
Basic earnings per share (in R$)	1.8254	1.8267	1.2479

b) Diluted

Earnings per share are calculated by adjusting the weighted average number of outstanding common shares assuming conversion of all possible common shares that would have resulted in dilution. The Company has two categories of dilutive potential common shares: stock option plans and convertible debentures.

	2016	2015	2014
Income attributable to the Company's controlling shareholders	801,871	724,733	320,190
Weighted average number of common shares issued, including dilutive factors (in thousands)	443,811	430,833	353,059
Diluted earnings per share (in R$)	1.8068	1.6822	0.9069

27. Financial instruments and financial risk management

27.1. Financial instruments by category

The Company and its subsidiaries assessed the market value of financial assets and liabilities based on available market information and appropriate valuation methodologies. However, both interpretation of market information and selection of valuation methodologies require considerable judgment and reasonable estimates in order to produce adequate realizable values. Accordingly, the estimates presented do not necessarily reflect the current market values. The use of different market assumptions and/or methodologies may have a significant impact on the estimated realizable values. At December 31, 2016, 2015 and 2014, the Company and its subsidiaries detected no significant or prolonged impairment in the recoverable amount of its financial instruments.

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 or 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: inputs for the asset or liability that are not based on observable market data.

The following tables present breakdown of financial assets and liabilities at December 31, 2016, 2015 and 2014:

27. Financial instruments and financial risk management (Continued)

27.1. Financial instruments by category (Continued)

		Parent Company			
			Book balance		
Financial assets	**Classification by category**	**Fair value hierarchy**	**2016**	**2015**	**2014**
Cash and cash equivalents	Measured at fair value	Level 2	20,306	93,365	38,042
Marketable securities	Measured at fair value	Level 2	1,968,899	679,032	619,703
Accounts receivables	Loans and receivables		1,446,998	1,321,647	973,368
Dividend receivable	Loans and receivables		-	27,977	41,357
Financial instrument - promissory note	Loans and receivables		-	944,435	-
Receivables from disposal of properties	Loans and receivables		-	73,926	73,926
Judicial deposits	Loans and receivables		72,115	62,239	50,752
Derivatives	Measured at fair value	Level 2	30,275	35,956	28,861
			3,538,593	3,238,577	1,826,009

			Book balance		
Financial liabilities	**Classification by category**	**Fair value hierarchy**	**2016**	**2015**	**2014**
Trade accounts payable	Loans and receivables		265,787	197,627	180,314
Loans and financing	Loans and receivables and fair value through profit or loss (a)	Level 2	1,287,496	1,154,667	97,248
Debentures	Loans and receivables		3,716,484	2,757,298	2,769,384
Salaries, provisions and social charges	Loans and receivables		282,584	260,357	250,503
Accounts payable for acquisition	Loans and receivables		193,677	146,428	266,382
Derivatives	Fair value through profit or loss	Level 2	168,083	-	-
			5,914,111	4,516,377	3,563,831

(a) The debt installment recorded as hedge accounting is measured at fair value through profit or loss.

27. Financial instruments and financial risk management (Continued)

27.1. Financial instruments by category (Continued)

		Consolidated			
			Book balance		
Financial assets	**Classification by category**	**Fair value hierarchy**	**2016**	**2015**	**2014**
Cash and cash equivalents	Measured at fair value	Level 2	121,016	144,497	55,182
Marketable securities	Measured at fair value	Level 2	2,620,387	897,237	848,646
Accounts receivables	Loans and receivables		2,142,744	1,911,681	1,267,239
Financial instrument - promissory note	Loans and receivables		-	944,435	-
Receivables from disposal of properties	Loans and receivables		-	73,926	73,926
Judicial deposits	Loans and receivables		89,759	78,439	61,184
Derivatives	Measured at fair value	Level 2	30,275	35,956	28,861
			5,004,181	4,086,171	2,335,038

			Book balance		
Financial liabilities	**Classification by category**	**Fair value hierarchy**	**2016**	**2015**	**2014**
Trade accounts payable	Loans and receivables		424,037	248,247	243,613
Loans and financing	Loans and receivables and fair value through profit or loss (a)	Level 2	1,294,803	1,175,515	104,179
Debentures	Loans and receivables (a)		3,977,723	3,060,987	3,071,198
Salaries, provisions and social charges	Loans and receivables		385,023	341,689	299,208
Accounts payable for acquisition	Loans and receivables		250,318	179,136	266,382
Derivatives	Fair value through profit or loss	Level 2	168,083	-	-
			6,499,987	5,005,574	3,984,580

(a) The fair value is measured by the discount to present value of the future flow of the operation. The debt installment recorded as hedge accounting is measured at fair value through profit or loss. Concerning debentures, since the contractual flow of debt notes is approximately the CDI + 2.3% and the discount is the CDI + credit risk, which is approximately 2% for the reporting date, the book value approximates the fair value of debt notes.

27. Financial instruments and financial risk management (Continued)

27.2. Risk management

The Company's financial transactions are carried out through the financial area in accordance with the strategy previously approved by the Executive Board and shareholders. Company's risk management strategies and the corresponding effects on the individual and consolidated financial statements 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 shareholder.

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

	Parent Company			Consolidated		
	2016	2015	2014	2016	2015	2014
Cash and cash equivalents	20,306	93,365	38,042	121,016	144,497	55,182
Marketable securities	1,968,899	679,032	619,703	2,620,387	897,237	848,646
	1,989,205	772,397	657,745	2,741,403	1,041,734	903,828
Loans and financing	(1,287,496)	(1,154,667)	(97,248)	(1,294,803)	(1,175,514)	(104,179)
Debentures	(3,716,484)	(2,757,298)	(2,769,384)	(3,977,723)	(3,060,988)	(3,071,198)
Net debt	(3,014,775)	(3,139,568)	(2,208,887)	(2,531,123)	(3,194,768)	(2,271,549)
Total equity	4,286,279	3,810,029	1,454,156	4,466,732	3,900,083	1,466,046
Gearing ratio (%)	0.70	0.82	1.52	0.57	0.82	1.55

b) Interest rate risk

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

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

b) Interest rate risk (Continued)

The sensitivity analysis of interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at December 31, 2016, 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.)	13.63%	17.04%	20.45%
Projected interest expenses (*)	1,571	1,770	1,966

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

c) Credit risk

Credit risk is the risk that a counterparty to a business arrangement will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily for trade receivables and deposits with banks and financial institutions, foreign 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.

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

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.

At December 31, 2016, the Company held cash and cash equivalents and marketable securities in the total amount of R$1,989,205 in Company and R$2,741,403 in Consolidated. The amounts disclosed below are projected considering inflation and interest up to maturity.

	Parent Company					
	Up to 6 months	From 6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	265,787	-	-	-	-	265,787
Loans and financing	21,549	75,582	156,901	864,193	539,691	1,657,916
Debentures	435,291	377,449	691,874	2,953,246	-	4,457,860
Salaries, provisions and social charges	282,584	-	-	-	-	282,584
Accounts payable for acquisition	42,973	86,023	15,309	69,558	5,080	218,943
Total	1,048,184	539,054	864,084	3,886,997	544,771	6,883,090

	Consolidated					
	Up to 6 months	From 6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	424,037	-	-	-	-	424,037
Loans and financing	24,510	76,377	158,407	867,073	539,691	1,666,058
Debentures	474,515	417,549	774,951	3,093,944	-	4,760,959
Salaries, provisions and social charges	385,052	-	-	-	-	385,052
Accounts payable for acquisition	59,886	89,854	22,633	106,040	5,094	283,507
Total	1,368,000	583,780	955,991	4,067,057	544,785	7,519,613

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 9% of total consolidated liabilities at December 31, 2016. The Company took out financial instruments to hedge against exchange rate fluctuation (see following topic). Management understands that the risk of exposure to foreign currency is not material for its financial position.

f) Derivatives

At December 31, 2016, the Company has derivatives recorded based on hedge accounting of fair value hedge for swaps acquired in order hedge the Company against financing in foreign currency at the notional amount of US$341,751 (R$1,115,922) and EUR4,976 (R$16,990). The swaps swapped the flow of interest and principal in foreign currency for CDI+ or a percentage of CDI in reais. In addition, the Company also has other swaps that were acquired in order to cover exposure to indebtedness and variable interest, however they were not designated for the hedge accounting strategy.

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

f) Derivatives (Continued)

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

Description	Range of maturity month/year	Reference value (notional)		2016 Fair value	2015 Fair value	2014 Fair value
Swap (CDI x TJLP)	16/01/2017					
Long position	CDI + 2.0%					
Short position	TJLP + 7.07%	R$	73,913	42	1,852	1,480
Swap (CDI x TJLP)	10/12/2018					
Long position	CDI + 2.30%					
Short position	TJLP + 7.46%	R$	30,000	(261)	1,038	954
Swap (Currency)	15/04/2020					
Long position	Libor + 3.30%	US$	11,848			
Short position	CDI + 1.00%	R$	38,619	30,234	55,120	26,427
Swap (Currency)	18/11/2024					
Long position	USD/BRL + 3.00%	US$	33,135			
Short position	CDI + 1.47%	R$	108,010	(15,021)	(1,582)	-
Swap (Currency)	18/11/2024					
Long position	USD/BRL + 3.00%	US$	38,640			
Short position	CDI + 1.62%	R$	125,956	(20,830)	(3,097)	-
Swap (Currency)	18/11/2024					
Long position	USD/BRL + 3.00%	US$	94,671			
Short position	CDI + 1.47%	R$	308,600	(43,160)	(4,518)	-
Swap (Currency)	16/11/2022					
Long position	USD/BRL + 2.70%	US$	13,108			
Short position	CDI + 1.00%	R$	42,729	(6,063)	(289)	-
Swap (Currency)	16/11/2022					
Long position	USD/BRL + 2.70%	US$	3,318			
Short position	CDI + 1.23%	R$	10,816	(1,848)	(155)	-
Swap (Currency)	16/11/2027					
Long position	USD/BRL + 6.00%	US$	17,751			
Short position	CDI - 1.71%	R$	57,863	(1,776)	(2,447)	-
Swap (Currency)	18/11/2024					
Long position	USD/BRL + 3.00%	US$	24,851			
Short position	CDI + 1.47%	R$	81,008	(11,329)	(1,186)	-
Swap (Currency)	18/11/2024					
Long position	EUR/BRL + 3.00%	EUR	40,000			
Short position	CDI + 2.30%	R$	169,900	(32,237)	(7,410)	-
Swap (Currency)	18/11/2024					
Long position	EUR/BRL + 3.00%	US$	12,396			
Short position	CDI + 2.46%	R$	42,321	(8,007)	(1,370)	-
Swap (Currency)	18/11/2024					
Long position	3.94% + Tax	US$	92,033			
Short position	115% of CDI	R$	300,000	(27,552)	-	-
Long (short) position				(137,808)	35,956	28,861
Effect on profit or loss for the year				(295,026)	47,271	5,211

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

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

f) Derivatives (Continued)

In compliance with CVM Ruling No. 475/08, for derivative financial instruments, the Company and its subsidiaries consider as probable scenario (Scenario I) future exchange rates of real in relation to the US dollar, obtained from BM&FBOVESPA to instrument maturity, calculated on the nominal amount of the agreement.

The Company and its subsidiaries adopted, as determined by CVM Ruling No. 475/08, scenarios equivalent to -25% (Scenario II), -50% (Scenario III), 25% (Scenario IV) and 50% (Scenario V) on the respective exchange rates used in determining the probable scenario.

Event	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Depreciation of US$ (rate in R$)	-	2.5670	1.7114	-	-
Appreciation of US$ (rate in R$)	3.4227	-	-	4.2784	5.1341

	Scenario I (loss)/gain	Scenario II (loss)/gain	Scenario III (loss)/gain	Scenario IV (loss)/gain	Scenario V (loss)/gain
Effect on liabilities in US$					
IFC - International Finance Corporation	5,233	(8,216)	(21,665)	18,681	32,130
Effect on derivatives					
Swap	2,221	(653)	1,102	(4,950)	(9,868)
Net effect	3,011	(8,869)	(20,563)	13,731	22,262

Event	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Depreciation of US$ (rate in R$)	-	2.6886	1.7924	-	-
Appreciation of US$ (rate in R$)	3.5848	-	-	4.4810	5.3772

	Scenario I (loss)/gain	Scenario II (loss)/gain	Scenario III (loss)/gain	Scenario IV (loss)/gain	Scenario V (loss)/gain
Effect on liabilities in US$					
Loan 4131 - JP Morgan	(10,135)	34,532	89,332	(46,435)	(75,806)
Effect on derivatives					
Swap	10,135	(34,532)	(89,332)	46,435	75,806
Net effect	-	-	-	-	-

28. Insurance

The Company maintains insurance coverage at amounts deemed sufficient by management to cover any risks on its assets and/or liabilities:

Type of coverage	Insured amount
Property risk	1,914,956
Civil liability - D&O	50,000
Engineering risks	333,704
Civil liability - construction works	12,500
General civil liability	2,250