Financial Statements

Rede D'Or São Luiz S.A.

December 31, 2017, 2016 and 2015
with Independent Auditor's Report

Rede D'Or São Luiz S.A.

Financial statements

December 31, 2017, 2016 and 2015

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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

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, 2017 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, 2017, its individual and consolidated financial performance and its respective individual and consolidated 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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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole, and in forming our opinion thereon and, therefore, we do not provide a separate opinion on these matters. For each matter below, the description of how our audit addressed this matter, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the section of our report referenced as “Auditor’s Responsibilities for the audit of the individual and consolidated financial statements” including those relating to these key audit matters.

Accordingly, our audit included the conduction of procedures designed to respond to our risk assessment of material misstatement in the financial statements. The results of our procedures, including those performed to address the matters below, provide a basis for our audit opinion on the Company’s financial statements.

1. Revenue recognition and realization of receivables

The Company’s revenues are derived from hospital services, including the use of medicines and medical supplies, and they are recognized based on the services provided up to the balance sheet date, for which it is necessary to determine the amount of revenue appropriately to be recognized, billed or unbilled, and the estimate of the expected losses from the procedures, supplies and medicines used but not approved by health insurance companies (“disallowance”).
These processes involve complex controls and analyses to ensure that service revenues are accounted for within the correct accrual period and at the fair value of the consideration received or to be received, and to ensure that the corresponding balances receivable are recognized at realizable value. The Company periodically reviews its historical losses from disallowances, as well as its current position of trade accounts receivable and invoices, in order to fairly estimate the recoverable amounts of the receivables associated with the revenues incurred.

Due to the significance of amounts involved and the characteristics inherent to the revenue process, including unbilled revenues and estimates related to the measurement of disallowances, as well as the impact that any changes in assumptions and estimates used would cause on the individual and consolidated financial statements, we considered this issue a key audit matter.

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Key audit matters (Continued)

How our audit addressed this matter

Our audit procedures included, among others (i) the understanding and evaluation of the internal control environment specifically related to the processes of revenue recognition and recoverability analysis of receivables; (ii) confirmation procedures with third parties, for a sample of the balance of trade accounts receivable by sending confirmation letters; (iii) evaluation of revenue recognition according to the progress of the service provided, through documental tests for a selected sample; (iv) monthly analysis of revenues using aggregated and disaggregated data to identify differences to our expectations based on our knowledge of the Company and the industry in which it operates, in addition to other changes that could indicate inconsistencies as to the conformity of revenue recognition in the appropriate accrual period; (v) analysis of assumptions used to determine the percentages of loss from disallowances; (vi) recalculation of provisions for disallowances, based on the position of trade accounts receivable at December 31, 2017 and percentage obtained of losses from disallowances; and (vii) evaluation of the adequacy of disclosures made by the Company on this matter in the financial statements. We identified an audit adjustment indicating the need to increase the provision for disallowances, which was not adjusted by the Company due to its immateriality to the financial statements taken as a whole.

Based on the results of audit procedures performed, which is consistent with management's assessment, we considered acceptable the Company's policies for revenue recognition and estimates of losses from disallowances, as well as the respective disclosures made in the context of the financial statements taken as a whole.

2. Impairment of nonfinancial assets

As mentioned in Notes 9 and 10, as at December 31, 2017, the Company has significant nonfinancial assets, mainly represented by property and equipment and intangible assets, including goodwill generated in business combinations. These assets are annually tested for the purpose of evaluating events or changes in economic and operating circumstances that may indicate deterioration or impairment. Indefinite-lived intangible assets, including goodwill, must be annually tested for impairment, regardless of indications of deterioration. The impairment test of these assets, including the definition of Cash-Generating Units (CGUs), has a high degree of subjectivity, and is based on various assumptions and their realization is impacted by market projections and uncertain economic scenarios.

Due to the significance of the balances, the level of uncertainty and the high degree of judgment inherent to determining the corresponding recoverable amounts, we considered this issue a key audit matter.

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Key audit matters (Continued)

How our audit addressed this matter

Our audit procedures included, among others: (i) the evaluation of the criteria for determining and identifying Cash-Generating Units (CGUs); (ii) the involvement of specialists to assist us in evaluating the projections prepared by management for the recoverability of these assets; (iii) evaluation of the adequacy and consistency of assumptions used in the estimates and projections of future cash flows comparing them, when available, with data from external sources, such as projected economic growth and cost inflation; (iv) evaluation of the calculation methodology and sensitivity analysis of assumptions; and (v) review of the disclosures made by the Company in the financial statements.

Based on the results of audit procedures performed on impairment of nonfinancial assets, which is consistent with management's assessment, we considered that the criteria and assumptions related to recoverable amount adopted by management are acceptable, as well as the respective disclosures made in the context of the financial statements taken as a whole.

3. Contingent liabilities

As mentioned in Note 16, the Company is party to tax, social security, civil and labor lawsuits arising from the ordinary course of its activities. The most significant legal proceeding refers to the engagement of physicians that provides services to hospitals through legal entities. After an inspection, the Brazilian Internal Revenue Service (RFB) considered that certain physicians are effectively employees of the Company and, therefore, challenges the non-payment of Social Security Tax (INSS). The measurement and accounting recognition of a provision, when applicable, and the respective disclosures require a high judgment by the Company's professionals and its legal advisors.

Due to the significance, complexity and judgment involved, we considered this issue a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others: (i) the confirmation from the Company's outside legal advisors of the existing lawsuits, amounts and probabilities of loss determined; (ii) evaluation, with the support from our specialists, of the analyses of probabilities of loss, of existing documentation and information related to the significant proceedings, especially the contingency related to the alleged non-payment of Social Security Tax (INSS) on probabilities engaged as legal entities, including comparison, where applicable, with existing jurisprudence; (iii) assessment of the adequacy of provisions recognized, when applicable, based on the position of the Company's internal and outside legal advisors; and (iv) evaluation of the adequacy of the Company's disclosures regarding these issues.



Key audit matters (Continued)

Based on the results of the audit procedures performed on the Company's contingent liabilities, which is consistent with management's assessment, we considered acceptable the corresponding provisions and disclosures in the context of the financial statements taken as a whole.

Other matters - Statements of value added

The individual and consolidated Statements of Value Added (SVA) for the year ended December 31, 2017, 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 accounting practices adopted in Brazil and 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, unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are those responsible for overseeing the Company's and its subsidiaries' 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 an audit in accordance with the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the 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 subsidiaries' 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.

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- 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.

- 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 others matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We are required to describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 31, 2018

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

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

Rede D'Or São Luiz S.A.

Balance sheets
December 31, 2017, 2016 and 2015
(In thousands of reais)

		Parent Company			Consolidated		
	Note	2017	2016	2015	2017	2016	2015
Assets							
Current assets							
Cash and cash equivalents	4	**32,559**	20,306	93,365	**140,383**	121,016	144,497
Marketable securities	4	**1,006,117**	1,968,899	679,032	**3,120,454**	2,620,387	897,237
Accounts receivable	5	**1,886,908**	1,446,998	1,321,647	**2,836,744**	2,142,744	1,911,681
Inventories	6	**151,838**	121,497	97,340	**229,235**	184,906	133,538
Taxes recoverable		**60,886**	146,113	83,689	**116,095**	178,468	104,449
Financial instrument - promissory note	18	**-**	-	944,435	**-**	-	944,435
Derivative financial instruments	27	**9,350**	7,145	-	**9,350**	7,145	-
Related parties	7	**7,066**	9,075	40,072	**-**	-	-
Dividends receivable		**41,195**	-	27,977	**-**	-	-
Receivables from disposal of properties	11	**-**	-	73,926	**-**	-	73,926
Other		**109,889**	136,973	60,743	**161,438**	163,284	111,716
Total current assets		**3,305,808**	3,857,006	3,422,226	**6,613,699**	5,417,950	4,321,479
Noncurrent assets							
Related parties	7	**535,143**	1,149,864	1,183,564	**23,483**	21,621	25,129
Deposit for acquisition of building		**-**	-	-	**89,823**	84,102	76,869
Judicial deposits	16	**92,807**	72,115	62,239	**119,472**	89,759	78,439
Deferred income and social contribution taxes	19	**-**	-	-	**113,043**	70,668	80,607
Derivative financial instruments	27	**90,618**	23,130	35,956	**90,618**	23,130	35,956
Investments in subsidiaries, affiliates and jointly-controlled entities	8	**2,702,604**	1,892,449	1,215,909	**89,971**	78,164	110,450
Property and equipment	9	**2,709,178**	2,145,569	1,617,610	**3,955,640**	3,112,345	2,657,113
Intangible assets	10	**2,225,688**	2,209,365	1,853,274	**3,557,352**	3,332,183	2,711,517
Other		**30,560**	29,325	71,342	**59,477**	67,910	71,394
Total noncurrent assets		**8,386,598**	7,521,817	6,039,894	**8,098,879**	6,879,882	5,847,474
Total assets		11,692,406	11,378,823	9,462,120	14,712,578	12,297,832	10,168,953

	Note	Parent Company			Consolidated		
		2017	2016	2015	2017	2016	2015
Liabilities and equity							
Current liabilities							
Trade accounts payable		**278,647**	265,787	197,627	**475,546**	423,941	248,247
Derivative financial instruments	27	**68,512**	113,923	-	**68,512**	113,923	-
Loans and financing	12	**192,733**	91,982	40,815	**198,345**	95,683	50,964
Debentures payable	13	**282,628**	787,028	495,159	**389,692**	863,620	521,483
Salaries, provisions and social charges		**281,994**	282,584	260,357	**370,030**	385,023	341,689
Tax liabilities	14	**99,900**	61,453	108,676	**232,309**	190,655	174,502
Taxes paid for acquisitions	14	**19,663**	21,407	18,123	**39,950**	26,384	29,802
Accounts payable for acquisitions	15	**18,904**	122,067	93,335	**26,249**	143,619	98,918
Dividends and interest on equity payable	18	**268,282**	419,089	309,051	**275,496**	427,259	316,004
Deferred gain on property disposal	11	**3,920**	3,920	3,920	**3,920**	3,920	3,920
Other		**37,818**	31,151	53,756	**54,858**	39,022	63,872
Total current liabilities		**1,553,001**	2,200,391	1,580,819	**2,134,907**	2,713,049	1,849,401
Noncurrent liabilities							
Derivative financial instruments	27	**44,830**	54,160	-	**44,830**	54,160	-
Loans and financing	12	**2,174,125**	1,195,514	1,113,852	**2,184,182**	1,199,120	1,124,550
Debentures payable	13	**2,854,070**	2,929,456	2,262,139	**4,952,332**	3,114,103	2,539,505
Related parties	7	**54,881**	54,684	74,398	**60**	111	953
Taxes paid in installments	14	**132,778**	148,141	121,827	**282,481**	178,427	151,035
Accounts payable for acquisitions	15	**72,892**	71,610	53,093	**112,255**	106,699	80,219
Deferred income and social contribution taxes	19	**178,249**	122,332	165,888	**218,096**	150,515	216,247
Provision for contingencies	16	**128,189**	135,425	103,480	**177,979**	190,109	179,569
Provision for losses on investments	8	**77,803**	58,873	52,780	**-**	-	-
Deferred gain on property disposal	11	**76,200**	80,120	84,040	**76,200**	80,120	84,040
Other		**29,546**	41,838	39,775	**48,112**	44,687	43,351
Total noncurrent liabilities		**5,823,563**	4,892,153	4,071,272	**8,096,527**	5,118,051	4,419,469
Equity	18						
Capital stock		**867,776**	867,776	867,776	**867,776**	867,776	867,776
Capital reserves		**2,333,532**	2,399,142	2,381,552	**2,333,532**	2,399,142	2,381,552
Treasury shares		**(339,468)**	(331,525)	(257,597)	**(339,468)**	(331,525)	(257,597)
Income reserves		**1,449,778**	1,346,662	814,074	**1,449,778**	1,346,662	814,074
Advance for future capital increase		**4,224**	4,224	4,224	**4,224**	4,224	4,224
Total equity attributable to Company shareholders		**4,315,842**	4,286,279	3,810,029	**4,315,842**	4,286,279	3,810,029
Noncontrolling interests		**-**	-	-	**165,302**	180,453	90,054
Total equity		**4,315,842**	4,286,279	3,810,029	**4,481,144**	4,466,732	3,900,083
Total liabilities and equity		**11,692,406**	11,378,823	9,462,120	**14,712,578**	12,297,832	10,168,953

See accompanying notes.

Rede D'Or São Luiz S.A.

Income statements
Years ended December 31, 2017, 2016 and 2015
(In thousands of reais)

	Note	Parent Company			Consolidated		
		2017	2016	2015	2017	2016	2015
Net revenue	20	**6,500,130**	5,669,414	4,648,932	**9,417,407**	7,912,468	6,452,068
Costs of services provided	21	**(4,504,518)**	(4,090,352)	(3,298,248)	**(6,880,952)**	(5,872,422)	(4,732,162)
Gross profit		**1,995,612**	1,579,062	1,350,684	**2,536,455**	2,040,046	1,719,906
General and administrative expenses	22	**(317,688)**	(253,781)	(260,823)	**(323,652)**	(261,722)	(259,706)
Selling expenses	23	**(53,248)**	(98,232)	(32,834)	**(58,171)**	(131,038)	(27,835)
Equity pickup	8	**266,611**	229,014	251,447	**18,838**	19,352	39,348
Other operating income (expenses)	24	**(89,098)**	(1,422)	29,723	**(165,730)**	(51,241)	7,738
Income before financial income (expenses) and income and social contribution taxes		**1,802,189**	1,454,641	1,338,197	**2,007,740**	1,615,397	1,479,451
Financial income	25	**105,576**	432,532	144,959	**181,070**	491,340	169,632
Financial expenses	25	**(681,472)**	(920,769)	(583,290)	**(763,876)**	(991,664)	(639,472)
Income before income taxes		**1,226,293**	966,404	899,866	**1,424,934**	1,115,073	1,009,611
Income taxes	19	**(272,269)**	(164,533)	(175,133)	**(446,337)**	(299,115)	(259,460)
Net income for the year		**954,024**	801,871	724,733	**978,597**	815,958	750,151
Net income attributable to controlling shareholders		**954,024**	801,871	724,733	**954,024**	801,871	724,733
Net income attributable to noncontrolling shareholders		**-**	-	-	**24,573**	14,087	25,418
Basic earnings per share	26	**2.15**	1.83	1.83			
Diluted earnings per share	26	**2.14**	1.81	1.68			

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of comprehensive income
Years ended December 31, 2017, 2016 and 2015
(In thousands of reais)

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Net income for the year	**954,024**	801,871	724,733	**978,597**	815,958	750,151
Other comprehensive income	**-**	-	-	**-**	-	-
Total comprehensive income	**954,024**	801,871	724,733	**978,597**	815,958	750,151
Attributable to:						
Controlling shareholders	**-**	-	-	**954,024**	801,871	724,733
Noncontrolling shareholders	**-**	-	-	**24,573**	14,087	25,418

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of changes in equity
Years ended December 31, 2017, 2016 and 2015
(In thousands of reais)

	Attributable to shareholders of the Parent Company													
		Capital reserves				Income reserve								
Description	Capital stock	Goodwill reserve (issue of shares)	Goodwill on capital increase	Share-based payment reserve	Treasury shares	Legal reserve	Investment reserve	Additional dividends in excess of mandatory minimum dividends	Other reserves (Note 18 d)	Advances for future capital increase	Retained earnings (accumulated losses)	Total equity	Noncontrolling shareholders	Total
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 noncontrolling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(842)	(842)
Net income for the year	-	-	-	-	-	-	-	-	-	-	724,733	724,733	25,418	750,151
Share-based payment (Note 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 control in jointly-controlled entity	-	-	-	-	-	-	-	-	-	-	-	-	83,529	83,529
Acquisition of noncontrolling 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 (Note 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)	730,717	-	-	(532,588)	-	-	-
Balances at December 31, 2016	867,776	2,335,941	(85,322)	148,523	(331,525)	8,666	607,279	730,717	-	4,224	-	4,286,279	180,453	4,466,732
Acquisition of control in jointly-controlled entity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,004)**	**(4,004)**
Acquisition of noncontrolling interest (Note 18)	**-**	**-**	**(98,209)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(98,209)**	**(22,729)**	**(120,938)**
Treasury shares (Note 18)	**-**	**-**	**-**	**-**	**(7,943)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,943)**	**-**	**(7,943)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**954,024**	**954,024**	**24,573**	**978,597**
Share-based payment (Note 18)	**-**	**-**	**-**	**32,599**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,599**	**-**	**32,599**
Proposed dividends and interest on equity (Note 18)	**-**	**-**	**-**	**-**	**-**	**-**	**(305,151)**	**(730,717)**	**-**	**-**	**-**	**(1,035,868)**	**(12,991)**	**(1,048,859)**
Reinvested dividends (Note 18)	**-**	**-**	**-**	**-**	**-**	**-**	**184,960**	**-**	**-**	**-**	**-**	**184,960**	**-**	**184,960**
Recognition of investment reserve (Note 18)	**-**	**-**	**-**	**-**	**-**	**-**	**954,024**	**-**	**-**	**-**	**(954,024)**	**-**	**-**	**-**
Balances at December 31, 2017	**867,776**	**2,335,941**	**(183,531)**	**181,122**	**(339,468)**	**8,666**	**1,441,112**	**-**	**-**	**4,224**	**-**	**4,315,842**	**165,302**	**4,481,144**

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of cash flows
Years ended December 31, 2017, 2016 and 2015
(In thousands of reais)

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Cash flows from operating activities						
Income before income and social contribution taxes	**1,226,293**	966,404	899,866	**1,424,934**	1,115,073	1,009,611
Adjustments to reconcile net income to cash provided by operating activities						
Depreciation and amortization	**236,804**	231,100	119,167	**307,976**	271,613	151,226
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	**22,448**	24,768	-	**22,448**	24,768	-
Interest, and monetary and foreign exchange differences, net	**460,397**	443,859	424,800	**450,459**	451,482	487,528
Share-based payment	**32,599**	30,864	51,949	**32,599**	30,864	51,949
Provision for contingencies	**2,522**	-	3,590	**2,789**	4,040	(993)
Equity pickup	**(266,611)**	(229,014)	(251,447)	**(18,838)**	(19,352)	(39,348)
Allowance for doubtful accounts	**325,910**	315,334	199,669	**513,377**	498,171	295,610
(Increase) decrease in assets and liabilities						
Accounts receivable	**(765,820)**	(397,406)	(525,293)	**(1,182,828)**	(656,183)	(773,006)
Inventories	**(30,341)**	(24,150)	(14,179)	**(40,897)**	(35,260)	(11,113)
Taxes recoverable	**85,227**	(60,901)	(46,245)	**70,752**	(67,709)	(29,154)
Judicial deposits	**(19,372)**	(9,559)	(8,949)	**(3,612)**	(2,210)	(12,645)
Other assets	**29,176**	(52,693)	(38,369)	**66,332**	(37,510)	(40,477)
Trade accounts payable	**12,860**	53,782	11,800	**41,316**	143,401	(39,775)
Salaries and social charges	**17,379**	7,202	6,677	**(6,837)**	27,245	15,151
Tax obligations	**(26,573)**	(41,315)	11,622	**(83,120)**	(51,915)	(30,694)
Taxes liabilities	**(17,107)**	21,302	(2,803)	**8,733**	23,278	(4,515)
Related parties	**75,449**	(165,184)	(637,922)	**(1,915)**	(24,341)	(81,289)
Provision for contingencies	**(9,758)**	(15,742)	(41,076)	**(23,921)**	(35,098)	(88,733)
Other liabilities	**(4,883)**	(29,893)	(6,403)	**28,318**	(28,368)	(10,433)
	1,382,679	987,673	86,212	**1,604,145**	1,565,209	778,658
Payment of interest	**(484,748)**	(486,149)	(466,337)	**(526,539)**	(551,110)	(503,071)
Payment of income and social contribution taxes	**(182,926)**	(203,256)	(41,030)	**(339,570)**	(322,456)	(77,690)
Net cash provided by (used in) operating activities	**715,005**	298,268	(421,155)	**738,036**	691,643	197,897
Cash flow from investing activities						
Payment in business acquisition, net of cash acquired	**(138,063)**	(338,218)	(673,582)	**(138,063)**	(441,894)	(943,358)
Capital increase in affiliates	**(118,190)**	(82,079)	(56,978)	**-**	-	-
Acquisitions of property and equipment	**(746,967)**	(698,435)	(535,513)	**(1,023,879)**	(883,958)	(874,926)
Property and equipment write-offs	**-**	3,628	514	**21**	311,420	661
Acquisitions of intangible assets	**(61,365)**	(27,606)	(12,425)	**(88,743)**	(29,077)	(13,925)
Cash from merger of subsidiary	**-**	10,865	9,552	**-**	-	-
Receivables from disposal of properties	**-**	83,179	-	**-**	83,179	-
Acquisitions of marketable securities	**(11,793,924)**	(7,108,431)	(7,678,798)	**(24,893,387)**	(8,807,086)	(8,595,580)
Redemptions of marketable securities	**12,821,971**	6,027,175	7,712,866	**24,523,535**	7,349,244	8,690,362
Dividends and interest on equity received	**250,120**	24,284	18,385	**11,192**	19,911	16,027
Net cash provided by (used in) investing activities	**213,582**	(2,105,638)	(1,215,979)	**(1,609,324)**	(2,398,261)	(1,720,739)
Cash flows from financing activities						
Promissory note received- financial instrument	**-**	944,435	927,025	**-**	944,435	927,025
Treasury shares	**(7,943)**	(73,928)	(95,678)	**(7,943)**	(73,928)	(95,678)
Acquisition of noncontrolling interests	**(81,701)**	(15,448)	-	**(123,523)**	(15,448)	-
Payment of dividends and interest on equity	**(965,562)**	(125,210)	(8,723)	**(976,176)**	(125,210)	(8,723)
Loans and financing raised	**1,053,269**	338,874	1,238,692	**1,053,269**	346,539	1,269,894
Debentures payable	**1,400,000**	1,364,723	-	**3,400,000**	1,364,723	-
Swap settlement	**(118,291)**	(121,262)	-	**(118,291)**	(121,262)	-
Payment of debentures	**(1,983,023)**	(470,680)	-	**(2,067,299)**	(507,788)	(7,304)
Accounts payable for acquisition	**(112,956)**	(86,067)	(140,384)	**(169,255)**	(88,767)	(103,770)
Repayments of loans and financing	**(100,127)**	(21,126)	(228,475)	**(100,127)**	(40,157)	(369,287)
Net cash provided by (used in) financing activities	**(916,334)**	1,734,311	1,692,457	**890,655**	1,683,137	1,612,157
Increase (decrease) in cash and cash equivalents	**12,253**	(73,059)	55,323	**19,367**	(23,481)	89,315
Cash and cash equivalents at beginning of year	**20,306**	93,365	38,042	**121,016**	144,497	55,182
Cash and cash equivalents at end of year	**32,559**	20,306	93,365	**140,383**	121,016	144,497

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of value added
Years ended December 31, 2017, 2016 and 2015
(In thousands of Brazilian reais, unless otherwise stated)

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Revenue	**6,845,558**	6,028,484	4,931,355	**9,963,025**	8,407,614	6,866,733
Sales of goods, products and services	**7,167,548**	6,262,733	5,127,104	**10,472,482**	8,816,530	7,158,423
Allowance for disallowances and Allowance for doubtful accounts	**(325,910)**	(315,334)	(199,669)	**(513,377)**	(498,171)	(295,610)
Other income	**3,920**	81,085	3,920	**3,920**	89,255	3,920
Inputs acquired from third parties	**(2,109,039)**	(1,966,117)	(1,661,431)	**(3,529,484)**	(3,062,261)	(2,478,749)
Cost of services sold	**(1,946,834)**	(1,816,295)	(1,595,667)	**(3,285,699)**	(2,871,031)	(2,407,849)
Materials, energy, third-party services and other expenses	**(159,683)**	(149,822)	(62,175)	**(240,996)**	(187,190)	(71,893)
Loss/recovery of assets	**(2,522)**	-	(3,589)	**(2,789)**	(4,040)	993
Gross value added	**4,736,519**	4,062,367	3,269,924	**6,433,541**	5,345,353	4,387,984
Depreciation and amortization	**(236,804)**	(231,100)	(119,167)	**(307,976)**	(271,613)	(151,226)
Value added, net	**4,499,715**	3,831,267	3,150,757	**6,125,565**	5,073,740	4,236,758
Value added received in transfer	**372,187**	661,546	396,406	**199,908**	510,692	208,980
Equity pickup	**266,611**	229,014	251,447	**18,838**	19,352	39,348
Financial income	**105,576**	432,532	144,959	**181,070**	491,340	169,632
Total value added	**4,871,902**	4,492,813	3,547,163	**6,325,473**	5,584,432	4,445,738
Distribution of value added	**(4,871,902)**	(4,492,813)	(3,547,163)	**(6,325,473)**	(5,584,432)	(4,445,738)
Personnel and charges	**(2,168,340)**	(1,880,813)	(1,482,904)	**(3,021,177)**	(2,509,772)	(2,013,613)
Taxes, charges and contributions	**(650,835)**	(526,926)	(476,313)	**(1,025,335)**	(819,257)	(686,196)
Interest, rents and other operating expenses	**(1,073,157)**	(1,283,203)	(863,213)	**(1,274,818)**	(1,439,445)	(995,778)
Dividends and interest on equity	**(305,151)**	(269,283)	(181,183)	**(305,151)**	(269,283)	(181,183)
Retained profits	**(674,419)**	(532,588)	(543,550)	**(698,992)**	(546,675)	(568,968)

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 care plans.

Rede D'Or operates in the States of Rio de Janeiro, São Paulo, Pernambuco and Brasília, with 35 own hospitals and 2 under construction, as well as oncology and radiotherapy clinics. Currently, the Group has 5,224 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 André, SP	2010
Hospital Assunção	São Bernardo, SP	2010
Hospital São Luiz	São Paulo, SP	2010
Hospital Rio de Janeiro	Rio de Janeiro, RJ	2010
Hospital Prontolinda	Rio de Janeiro, RJ	2010
Vivalle Serviços de Saúde	São José dos Campos, SP	2011
Centro Hospitalar São Marcos	Recife, PE	2011
Nossa Senhora de Lourdes	São Paulo, SP	2012
Hospital da Criança	São Paulo, SP	2012
Santa Luzia	Brasília, DF	2012
Hospital do Coração	Brasília, DF	2012
Hospital Norte D'Or	Rio de Janeiro, RJ	2013
Hospital IFOR 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
Hospital São Vicente	Rio de Janeiro, RJ	2017

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. Both these funds and other fundraising made by the Company have been used in acquisitions, constructions of new units and/or expansion of hospitals.

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 31, 2018.

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).

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 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 (%)					
	2017		2016		2015	
Parent Company - Rede D'Or São Luiz S.A. (a)	Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully consolidated entities						
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. (company divested in 2017)	**-**	**-**	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.	**98.90**	**-**	98.90	-	100.00	-
Osby RJ Participações Ltda. (company merged in 2016)	**-**	**-**	-	-	-	100.00
Cidreira RJ Participações Ltda. (company merged in 2016)	**-**	**-**	-	-	-	100.00
Estância Velha RJ Participações Ltda. (company merged in 2016)	**-**	**-**	-	-	-	100.00
Onco D'Or PE S.A. (company acquired in 2016)	**-**	**67.03**	-	67.03	-	-
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**-**	**67.02**	-	67.02	99.00	1.00
Núcleo Especializado em Oncologia e Hemato (NEOH) (company acquired in 2016)	**-**	**67.02**	-	67.02	-	-
Onco Star SP Oncologia Ltda. (company organized in 2017)	**-**	**75.00**	-	-	-	-
Jenner S.A.	**50.00**	**37.50**	50.00	37.50	-	75.00
Oncobrasilia - Inst. Bras Onco Clinica Ltda. (b)	**-**	**98.90**	-	40.00	-	-
Acreditar Oncologia S.A. (control acquired in 2016) (b)	**-**	**98.90**	60.00	-	50.00	-
Oncoholding Participações S.A. (company merged in 2016)	**-**	**-**	-	-	50.00	37.50
Oncologia D'Or S.A.	**7.39**	**78.36**	7.39	78.36	5.34	78.36
Instituto Onco e Radio São Pellegrino Ltda. (company divested in 2016)	**-**	**-**	-	-	-	83.70
Centro de Oncologia do RJ Ltda. ("Salus") (company merged in 2016)	**-**	**89.55**	-	89.55	-	-
Onco D'Or Oncologia BA Ltda. (antiga Centro de Hematologia e Oncologia - CEHON)	**-**	**98.57**	-	98.57	-	-
Centro Médico Jabaquara S.A. (antiga Centro Diagnóstico NSL S.A.)	**97.58**	**-**	97.58	-	97.58	-
Maxclínicas Clínicas e Diagnósticos Ltda.	**99.99**	**0.01**	99.99	0.01	99.99	0.01
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") (company divested in 2017)	**-**	**-**	100.00	-	100.00	-
Hospital IFOR S.A. ("IFOR") (company merged in 2016)	**-**	**-**	-	-	100.00	-
Hospital Fluminense S.A.	**100.00**	**-**	100.00	-	100.00	-
Onco ABC Serviços Médicos Ltda. (company merged in 2016)	**-**	**-**	-	-	73.50	-
JLD Borducchi Ltda. (company merged in 2016)	**-**	**-**	-	-	73.50	-
Cardial Serviços Médicos Ltda.	**84.00**	**-**	84.00	-	73.50	-
ONCORAD - Serviços de Radioterapia Ltda.	**0.01**	**83.99**	0.01	83.99	0.01	73.49
Hospital Villa-Lobos Ltda. (company merged in 2016)	**-**	**-**	-	-	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.	**50.10**	**-**	50.10	-	50.10	-
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**	**98.31**	1.69	98.31	1.69	98.31
Hospital e Maternidade Bartira S.A. (company merged in 2016)	**-**	**-**	-	-	100.00	-
Café Verde da Quinta Ltda.	**99.99**	**0.01**	99.99	0.01	100.00	-
Campinas Empreendimentos Imobiliários Ltda. (former D'Or Trading Importação Ltda.)	**99.99**	**0.01**	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	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	87.82	10.18
Assunção Emp. Imobiliários Ltda.	**99.99**	**0.01**	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	99.99	0.01
Santa Luzia II Emp. Imobiliários Ltda. (former JM02 Emp. Imobiliários S.A)	**99.99**	**0.01**	99.99	0.01	99.99	0.01
RDSL Empreendimentos Imobiliários S.A.	**100.00**	**-**	100.00	-	100.00	-
Rede D'Or São Luiz Soluções Saúde e Segurança	**65.00**	**-**	65.00	-	65.00	-
JTO Holding S.A.(c)	**92.00**	**-**	50.01	-	50.01	-
JTO-Fundadores Participações Ltda.	**11.40**	**73.60**	10.00	40.01	10.00	40.01
D'Or Consultoria Corretagem, Seguros e Benefícios	**-**	**50.01**	-	50.01	-	50.01
Hospital Santa Helena S.A.	**100.00**	**-**	100.00	-	14.79	83.78
Hospital Memorial São José Ltda. ("MSJ") (company acquired in 2016)	**100.00**	**-**	100.00	-	-	-
Prontimagem Serviços Médicos Ltda. (d)	**100.00**	**-**	60.10	-	55.10	-
GNI01 Empreendimentos Imobiliários Ltda.	**99.99**	**0.01**	99.99	0.01	-	-
GNI02 Empreendimentos Imobiliários Ltda.	**99.99**	**0.01**	99.99	0.01	-	-
GNI05 Empreendimentos Imobiliários Ltda.	**99.99**	**0.01**	99.99	0.01	-	-
GNI06 Empreendimentos Imobiliários Ltda.	**99.99**	**0.01**	99.99	0.01	-	-
GNI04 Empreendimentos Imobiliários Ltda. (company organized in 2017)	**99.99**	**0.01**	-	-	-	-
GNI07 Empreendimentos Imobiliários Ltda. (company organized in 2017)	**99.99**	**0.01**	-	-	-	-
Maximagem com Diag. por imagem Ltda. (company acquired in 2016)	**100.00**	**-**	100.00	-	-	-
Noventa e Nove Participações S.A. (company acquired in 2016)	**100.00**	**-**	100.00	-	-	-
Hospital Ribeirão Pires Ltda. (company acquired in 2016)	**-**	**100.00**	-	100.00	-	-
Hospital Alpha Med Ltda. (company acquired in 2016)	**65.99**	**34.01**	65.99	34.01	-	-
Centro de Diagnóstico por Imagem Bartira (CEDIB) (company merged in 2017)	**-**	**-**	100.00	-	-	-
Atenção Total e Gestão de Saúde Ltda. (company acquired in 2016)	**99.99**	**0.01**	99.99	0.01	-	-
Sator Empreendimentos e Participações Ltda (company acquired in 2017)	**100.00**	**-**	-	-	-	-
Svgávea Empreendimentos e Participações S.A (company acquired in 2017)	**-**	**100.00**	-	-	-	-
Hospitais Integrados da Gávea S.A. – Clínica São Vicente (company acquired in 2017)	**-**	**100.00**	-	-	-	-
Keiki Empreendimentos e Partipições S.A. (company acquired in 2017)	**100.00**	**-**	-	-	-	-
Gapa Emp. Imobiliários Ltda. (company organized in 2017)	**99.99**	**0.01**	-	-	-	-
Rede D'Or Finance S.A (company organized in 2017)	**100.00**	**-**	-	-	-	-

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

	Interest held (%)					
	2017		2016		2015	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Companies consolidated by the equity method						
Fujidayclinic Ltda. (c)	**-**	**49.45**	-	30.00	-	25.00
IPEC – Instituto de Pesquisa e Ensino CEON Ltda. (e)	**-**	**59.99**	-	59.99	-	99.99
Em Frente Distribuição, Manipulação E Nutrição Ltda. (e)	**-**	**59.99**	-	59.99	-	50.00
Acreditar Tocantins Oncologia S.A. (e)	**-**	**49.45**	-	30.00	-	25.00
Centro Oncológico do Vale Ltda.	**-**	**50.00**	-	50.00	-	50.00
Instituto de Radioterapia do Vale do Paraíba Ltda. ("Onco São José dos Campos")	**-**	**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") (interest acquired in 2016)	**15.00**	**-**	15.00	-	-	-
GGSH Part. S.A. (interest acquired in 2016)	**23.88**	**-**	23.88	-	-	-
G2D Serviços Tecnológicos S.A. ("Boa Consulta") (interest acquired in 2017)	**15.00**	**-**	-	-	-	-

(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, Santa Luzia, Hospital do Coração, Sinisgalli, Nossa Senhora de Lourdes, Hospital da Criança, Sino Brasileiro, Villa Lobos, Hospital e Maternidade Bartira, Ifor, Copa Star and Hospital São Caetano.

(b) On November 30, 2017 Rede D'Or increased the capital of Onco D'Or with its 60% interest in Acreditar. In addition, through its wholly-owned subsidiary Onco D'Or, Rede D'Or acquired additional interest of 40% in Acreditar and additional interest of 30% in Oncobrasilia.

(c) On July 31, 2017, Rede D'Or acquired additional interest of 42% in JTO Holding and additional interest of 1.4% in JTO Fundadores.

(d) On November 31, 2017, Rede D'Or acquired additional interest of 39.90% in Prontimagem.

(e) 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 the balance sheet and profit or 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;
- Noncontrolling interests are segregated from consolidated equity and profit or loss.

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 noncontrolling interests in the acquiree. For each business combination, the acquirer should measure noncontrolling interests 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 acquiree.

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

b) Business combinations (Continued)

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.

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 or 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:

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

c) Financial instruments (Continued)

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.

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.

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 the fair value of a hedging instrument is recognized in financial income (expense) in the income statement; and (ii) gain or loss resulting from the hedged item attributable to the hedged risk is recorded as an accounting adjustment of the hedged item and recognized in financial income (expense) in the income statement.

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

c) Financial instruments (Continued)

Derivative financial instruments (Continued)

Upon initial recognition of a hedging transaction, the Company classifies and formally documents the hedging relationship to which the Company wants to apply hedge accounting, 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.

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.

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

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 the 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.

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 a straight-line and 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.

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

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.

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.

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

j) Provisions (Continued)

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.

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).

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

k) Taxes (Continued)

Deferred taxes (Continued)

· 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.

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 the 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 the 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 shares), recognized at cost, less equity. No gains or losses are recognized in the profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

o) Statements of cash flows

The statements of cash flow 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 an integral 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 profit or loss 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), 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 provision for disallowances and allowance for doubtful accounts are presented reducing the balance of accounts receivable and are set up at an amount considered by management to be sufficient to cover any losses on the realization of amounts billed, considering the history of receipts by health insurance company, as well as individual analysis of receivables to capture specific risks of the counterparty, 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 nonfinancial 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 nonfinancial 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 contribution 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 ordinary 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) Standards issued, but not yet effective

The standards and interpretations issued, but not yet effective up to the issue date of the individual and consolidated financial statements, which may impact the Company, are disclosed below: The Company will adopt such standards when they become effective.

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

t) Standards issued, but not yet effective (Continued)

IFRS 9 / CPC 48 - Financial Instruments

This standard addresses the classification, measurement and recognition of financial assets and liabilities. Significant amendments to IFRS 9 are the new criteria for classifying financial assets into three categories: measured at fair value through profit or loss; measured at fair value through other comprehensive income; and measured at amortized cost, depending on the characteristics of each instrument, which may be classified under financial income (expense) or comprehensive income (loss), the new impairment model for financial assets is a hybrid instrument of losses expected and incurred, replacing the current model of losses incurred, and flexibility of the requirements for adoption of hedge accounting. This standard will become effective for annual periods beginning on or after January 1, 2018.

Management evaluated the new standard and, considering its current transactions, did not identify changes that could have a material impact on the Company's financial statements. In view of the Company's business model, the measurements of financial instruments will not be impacted and the consideration of expected future losses will not generate a material impact in relation to the criterion currently adopted, which already takes into consideration such future losses.

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

Financial assets/liabilities	Current classification	IFRS 9 classification
Cash and cash equivalents	Measured at fair value	Fair value through profit or loss
Marketable securities	Measured at fair value	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Financial instrument - promissory note	Loans and receivables	Amortized cost
Receivables from disposal of properties	Loans and receivables	Amortized cost
Judicial deposits	Loans and receivables	Amortized cost
Trade accounts payable	Loans and receivables	Amortized cost
Loans and financing	Loans and receivables (a)	Amortized cost
Debentures	Loans and receivables (a)	Amortized cost
Salaries, provisions and social charges	Loans and receivables	Amortized cost
Accounts payable for acquisitions	Loans and receivables	Amortized cost
Derivatives	Fair value through Profit or Loss	Fair value through Profit or Loss

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

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

t) Standards issued, but not yet effective (Continued)

IFRS 15/CPC 47 - Revenue from contracts with customers

IFRS 15/CPC 47 was issued in May 2014, amended in April 2016 and establishes a five-step new model for accounting of revenues from contracts with customers. Pursuant to IFRS 15, revenue is recognized at an amount that reflects the consideration that an entity expects to be entitled in exchange for assets or services to a customer. Full or modified retrospective application will be required for annual periods beginning on or after January 1, 2018.

Management evaluated the principles and amendments introduced by the new standard and concluded that its adoption will have no significant impacts on the Company in relation to the time for recognition of revenue from contracts with customers, as well as its measurement and presentation, since revenues from contracts with customers are already recorded deducted from estimates of rebates, discounts and disallowances, and given that the control and all rights and benefits arising from the provision of the Company's services flow to the customer when the hospital services are rendered.

The impacts observed are related to the greater extent of disclosure in notes to financial statements and the creation and/or formalization of procedures, with the purpose of ensuring that new contracts with customers are properly evaluated and recorded in accordance with IFRS 15 concepts.

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 and liabilities. The agreements with termination expected within twelve months or whose amount is immaterial may be left out of the scope. This standard will become effective for annual periods beginning on or after January 1, 2019. Management is assessing the impact of applying this standard.

3. Business combination

Business combinations disclosed in the financial statements as at December 31, 2016 and 2015, did not change significantly. The fair value of assets acquired and liabilities assumed as well as goodwill determined on acquisitions are as follows:

	2017	2016				2015			
	Sator	Memorial	Alpha-Med	Ribeirão Pires	Neoh	Villa-Lobos	Sino Brasileiro	Bartira	Santa Helena
Acquisition date	**04/19/2017**	**04/25/2016**	**10/24/2016**	**12/16/2016**	**12/28/2016**	**02/12/2015**	**02/13/2015**	**05/15/2015**	**12/22/2015**
Location	**RJ**	**PE**	**SP**	**SP**	**PE**	**SP**	**SP**	**SP**	**DF**
Interest acquired (%)	**100.00**	**100.00**	**100.00**	**100.00**	**99.99**	**100.00**	**100.00**	**100.00**	**98.57**
Total consideration	**125,244**	**141,315**	**53,577**	**197,662**	**37,466**	**123,471**	**345,915**	**118,365**	**331,204**
Payment on acquisition date	110,244	141,315	47,577	127,852	37,466	123,471	345,915	89,073	331,204
Accounts payable for acquisition (Note 15)	15,000	-	6,000	69,810	-	-	-	29,292	-
Assets									
Cash and cash equivalents	2,361	7,081	2,603	2,460	2,585	11,613	58,515	-	753
Accounts receivable	24,003	19,725	3,346	18,253	2,715	10,554	24,006	21,718	66,959
Inventories	3,589	2,891	659	866	2,565	2,482	-	-	3,896
Taxes recoverable	12,119	1,560	-	248	-	-	-	-	2,279
Related parties	18,087	258	-	-	-	7,445	-	-	-
Judicial deposits	16,546	1,196	-	28	-	-	-	-	2,466
Deferred income and social contribution taxes	22,001	4,219	5,223	3,905	-	7,231	13,302	17,323	36,256
Investments	-	50	-	-	-	-	-	-	-
Property and equipment	75,619	18,305	11,623	58,448	398	9,184	16,755	25,042	323,128
Asset subject to indemnification	8,777	3,975	6,000	7,000	-	-	-	29,292	-
Other	3,351	1,940	6	464	214	1,289	3,609	2,312	460
	186,453	**61,200**	**29,460**	**91,672**	**8,477**	**49,798**	**116,187**	**95,687**	**436,197**
Liabilities									
Trade accounts payable	(10,257)	(6,981)	(1,215)	(3,611)	(3,910)	(4,446)	(3,589)	(9,829)	(10,907)
Loans and financing	(12,283)	(81)	(56)	(926)	(239)	(48,790)	-	(6,794)	(8,088)
Salaries, provisions and social charges	(27,887)	(5,636)	(1,915)	(4,884	(284)	(4,239)	(2,589)	(16,284)	(7,115)
Tax liabilities	(16,721)	(14,013)	(980)	(1,362)	-	-	-	-	(22,877)
Taxes paid for acquisitions	(108,887)	(447)	-	-	-	-	-	-	-
Related parties	(18,089)	-	-	(5,436)	-	-	-	-	(163,691)
Provision for contingencies	(8,777)	(3,975)	(15,410)	(7,196)	-	(1,865)	(5,201)	(43,542)	(14,206)
Other	(21,397)	(1,280)	(122)	(334)	-	(3,061)	(840)	(6,457)	(3,911)
	(224,298)	**(32,413)**	**(19,698)**	**(23,749)**	**(4,433)**	**(62,401)**	**(12,219)**	**(82,906)**	**(230,795)**
Total assets subject to indemnification, net	**(37,845)**	**28,787**	**9,762**	**67,923**	**4,044**	**(12,603)**	**103,968**	**12,781**	**205,402**
Total consideration	**125,244**	**141,315**	**53,577**	**197,662**	**37,466**	**123,471**	**345,915**	**118,365**	**331,204**
Goodwill on acquisition (Note 10)	**163,089**	**112,528**	**43,815**	**129,739**	**33,422**	**136,074**	**241,947**	**105,584**	**125,802**
Contribution for the Group of revenues since the acquisition date	109,742	106,078	9,986	-	-	148,634	152,754	72,579	-
Contribution for the Group with income (loss) before taxes since the acquisition date	8,368	3,286	(2,754)	-	-	32,499	38,486	10,298	-
Revenues acquired since the beginning of year	153,353	183,022	52,808	137,270	38,334	162,146	166,641	108,869	140,435
Income (loss) from acquiree before taxes since the beginning of year	2,991	28,349	9,961	(17,886)	12,824	35,453	41,985	15,447	21,738

3. **Business combinations** (Continued)

In addition, the Company performed certain acquisitions in steps (acquisition of control of investees in which the Company already held noncontrolling interest). As provided for in CPC 15, the Company evaluated its prior equity interest at fair value and recorded the corresponding gain on the acquisition date of control, as follows:

	2016			2015		
	Acreditar	**Cehon**	**Maximagem**	**Niterói D'Or**	**Cardial**	**Oncologia D'Or**
Acquisition date	**04/19/2016**	**12/29/2016**	**12/27/2016**	**02/01/2015**	**03/31/2015**	**05/07/2015**
Location	**DF**	**BA**	**PE**	**RJ**	**SP**	**RJ**
Additional interest acquired (%)	**5.00**	**67.44**	**50.00**	**50.00**	**23.50**	**37.50**
Total consideration	**10,229**	**54,817**	**29,068**	**700**	**16,939**	**64,500**
Consideration transferred on acquisition date	5,115	45,291	15,022	700	16,939	36,000
Accounts payable for acquisition (Note 15)	5,114	9,526	14,046	-	-	28,500
Prior equity interest at fair value	112,519	26,466	28,092	700	36,040	86,000
Prior equity interest at carrying amount	41,116	18,296	25,757	(4,715)	17,209	43,751
Gain on business combination performed in stages (Note 24)	**71,403**	**8,170**	**2,335**	**5,415**	**18,831**	**42,249**
Deferred income and social contribution taxes (Note 19)	**(24,277)**	**(2,778)**	**(794)**	**(1,841)**	**(6,403)**	**(14,365)**
Net gain on business combination performed in stages	**47,126**	**5,392**	**1,541**	**3,574**	**12,428**	**27,884**
Assets						
Cash and cash equivalents	10,798	6,202	877	2,616	14,848	8,169
Accounts receivable	19,229	6,162	390	6,148	4,783	42,510
Inventories	1,536	2,843	4,224	-	-	3,779
Taxes recoverable	3,458	4	489	-	-	4,867
Deferred income and social contribution taxes	-	79	-	-	-	-
Investments	6,717	-	-	-	-	-
Property and equipment	4,857	4,470	11,610	12,205	107	14,262
Other	14,890	299	171	4,599	6,948	7,354
	61,485	**20,059**	**17,761**	**25,568**	**26,686**	**80,941**
Liabilities						
Trade accounts payable	(5,347)	(5,566)	(3,165)	-	(2,499)	(11,749)
Loans and financing	-	(390)	(2,249)	-	-	-
Salaries, provisions and social charges	(810)	(499)	(1,032)	(2,304)	(38)	(3,664)
Tax liabilities	(3,781)	(701)	(469)	-	-	(5,160)
Taxes paid for acquisitions	-	(248)	-	-	-	(5,216)
Related parties	-	-	-	(21,100)	-	(13,507)
Deferred income and social contribution taxes	-	-	-	-	-	(16,865)
Other	(2,686)	(129)	(428)	(11,422)	(4,243)	(2,225)
	(12,624)	**(7,533)**	**(7,343)**	**(34,826)**	**(6,780)**	**(68,386)**
Total assets subject to indemnification, net	**48,861**	**12,526**	**10,418**	**(9,258)**	**19,906**	**12,555**
Total consideration	**10,229**	**54,817**	**29,068**	**700**	**16,939**	**64,500**
Fair value of prior equity interest	**112,519**	**26,466**	**28,092**	**700**	**36,040**	**86,000**
Noncontrolling interests at fair value	**81,833**	**-**	**-**	**-**	**19,101**	**21,500**
Goodwill on acquisition (Note 10)	**155,720**	**68,757**	**46,742**	**10,658**	**52,174**	**159,445**
Contribution for the Group of revenues since the acquisition date	70,595	-	-	61,163	38,375	148,511
Contribution for the Group with income before taxes since the acquisition date	22,581	-	-	3,734	8,411	35,260
Revenues acquired since the beginning of year	88,536	47,803	29,610	73,396	51,166	214,055
Income from acquiree before taxes since the beginning of year	27,807	10,528	5,947	4,481	11,215	46,487

4. Cash and cash equivalents and marketable securities

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Cash and cash equivalents						
Cash and banks	**30,235**	19,397	76,149	**48,511**	40,493	94,763
Short-term investments	**2,324**	909	17,216	**91,872**	80,523	49,734
Cash and cash equivalents	**32,559**	20,306	93,365	**140,383**	121,016	144,497
Marketable securities						
Non-boutique investment funds	**419,191**	1,048,966	646,720	**1,476,716**	1,383,317	822,157
Repurchase agreements	**457,187**	316,656	19,057	**1,202,868**	427,394	41,935
Financial Treasury Bills (LFT)	**-**	422,833	-	**-**	569,194	-
Bank Deposit Certificates (CDBs)	**129,739**	180,444	13,255	**440,870**	240,482	33,145
Marketable securities	**1,006,117**	1,968,899	679,032	**3,120,454**	2,620,387	897,237

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

Short-term investments classified as marketable securities particularly refer to Bank Deposit Certificates (CDBs) and repurchase agreements backed by debentures, which are part of the boutique "FIM CP Plataforma" fund portfolio, issued by first-tier financial institutions, and with average yield of 102% of the Interbank Deposit Certificate (CDI).

5. Accounts receivable

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

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Accounts receivable from health insurance and health plans	**2,267,263**	2,013,274	1,572,170	**3,501,612**	3,040,912	2,436,851
Accounts receivable from individuals	**36,985**	51,142	66,776	**41,112**	74,296	79,951
Allowances for doubtful accounts and for disallowances	**(417,340)**	(617,418)	(317,299)	**(705,980)**	(972,464)	(605,121)
	1,886,908	1,446,998	1,321,647	**2,836,744**	2,142,744	1,911,681

5. Accounts receivable (Continued)

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

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Balance at beginning of year	**(617,418)**	(317,299)	(300,455)	**(972,464)**	(605,121)	(401,283)
Set up (reversal) of allowance for disallowances	**(288,852)**	(230,925)	(176,992)	**(476,077)**	(383,920)	(279,619)
Write-off of uncollectible amounts	**525,988**	51,445	211,921	**797,019**	151,918	256,829
Set up (reversal) of allowance for doubtful accounts	**(37,058)**	(84,409)	(22,677)	**(37,300)**	(114,251)	(15,991)
Provision arising from company acquisitions	**-**	(36,230)	(29,096)	**(17,158)**	(21,090)	(165,057)
Balance at end of year	**(417,340)**	(617,418)	(317,299)	**(705,980)**	(972,464)	(605,121)

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**	**360 - 720 days**
2017	2,304,248	1,463,931	69,177	52,109	49,618	45,560	89,509	222,514	311,830
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

	Consolidated								
			Overdue						
	Total	**Falling due**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 180 days**	**181 - 360 days**	**360 - 720 days**
2017	3,542,724	2,171,336	115,694	83,487	79,410	70,963	141,715	343,135	536,984
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

6. Inventories

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Medicine	**46,944**	35,523	29,615	**85,633**	67,075	37,655
Special materials	**38,918**	34,789	27,011	**49,410**	42,408	41,367
Disposable materials	**38,606**	28,369	23,690	**48,359**	34,035	28,727
Bracing and prosthetic	**1,496**	643	582	**1,794**	927	718
Materials for use and consumption	**8,971**	9,730	7,508	**14,348**	18,953	9,762
Food items	**2,627**	2,137	1,250	**3,079**	3,712	1,542
Dressing room materials	**1,370**	1,323	2,237	**2,366**	1,994	4,889
Surgical sutures	**3,108**	2,440	1,761	**3,888**	3,066	2,237
Other	**9,798**	6,543	3,686	**20,358**	12,736	6,641
	151,838	121,497	97,340	**229,235**	184,906	133,538

7. Transactions with related parties

Significant related-party transactions

The nature of significant related-party transactions 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 the property of the administrative unit. They are leased at market value and generated an impact on profit or loss for 2017 in the amount of R$21,172 (R$16,555 and R$15,654 in 2016 and 2015, respectively). Leases are annually restated by reference to the Extended Consumer Price Index (IPCA).

(ii) *Transfers of funds between companies* - in order to boosting the operations of certain investees and providing funds for expansion and/or acquisition, management makes transfers of funds among Group companies, and significant balances are eliminated in the consolidated financial statements. These balances are not restated, do not have a defined maturity, and receipt is substantially expected for the subsequent fiscal year. The remaining consolidated balances refer to the transfer of funds to investees under shared control.

(iii) *Shared services* - these 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.

7. Transactions with related parties (Continued)

Related-party balances

	Parent Company											
	2017				2016				2015			
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)	**7,066**	**11,364**	**-**	**3,027**	9,075	19,681	-	3,991	33,701	5,385	-	2,428
Debentures Oncotech Oncologia S.A.	**-**	**-**	**-**	**-**	-	-	-	-	6,371	-	-	1,568
Shared services	**-**											
Medise Medicina Diagnóstico e Serviços Ltda.	**-**	**13,343**	**-**	**9,122**	-	14,024	-	7,237	-	22,351	-	7,546
Hospital Esperança S.A.	**-**	**7,449**	**-**	**29,224**	-	2,182	-	23,254	-	23,000	-	23,403
Hospital São Marcos S.A.	**-**	**1,668**	**-**	**4,930**	-	16,405	-	3,683	-	12,723	-	3,023
Hospital Norte D'Or de Cascadura S.A.	**-**	**-**	**-**	**5,456**	-	-	-	3,228	-	-	-	5,723
Rede D'Or São Luiz Serviços Médicos S.A.	**-**	**142,060**	**-**	**13,742**	-	128,211	-	29,182	-	148,786	-	41,370
J. Badim S.A.	**-**	**3,214**	**-**	**2,052**	-	1,120	-	1,812	-	324	-	776
Oncologia D'Or S.A.	**-**	**9,627**	**-**	**1,631**	-	9,627	-	1,533	-	8,096	-	504
Hospital Fluminense S.A.	**-**	**1,472**	**-**	**4,066**	-	6,712	-	2,803	-	11,476	-	3,463
Hospital Ribeirão Pires LTDA		**5,426**	**-**	**5,383**	-	-	-	-	-	-	-	-
Clínica São Vicente	**-**	**3,619**	**-**	**3,589**	-	-	-	-	-	-	-	-
Hospital Memorial São José LTDA	**-**	**5,808**	**-**	**5,769**	-	-	-	-	-	-	-	-
Hospital Santa Helena S.A	**-**	**13,066**	**-**	**12,972**	-	-	-	-	-	-	-	-
Hospital Alpha-Med LTDA	**-**	**1,976**	**-**	**1,962**	-	-	-	-	-	-	-	-
Esperança Serviços Médicos e Diagnósticos S.A	**-**	**51**	**-**	**128**	-	-	-	-	-	-	-	-
Centro Médico Jabaquara S.A	**-**	**368**	**-**	**260**	-	-	-	-	-	-	-	-
São Luiz Serviços Médicos S.A. (b)	**-**	**-**	**2,368**	**-**	-	-	6,033	-	-	-	30,408	-
Centro Dignóstico NSL (b)		**2,578**	**-**	**-**	-	3,042	-	-	-	-	-	-
Hospital Norte D'Or de Cascadura S.A.	**-**	**10,093**	**-**	**-**								
Hospital Ribeirao Pires LTDA (b)	**-**	**4,457**	**-**	**-**								
Unidade de Radiologia Clínica Ltda. (b)	**-**	**11,993**	**-**	**-**	-	9,162	-	-	-	6,544	-	-
Medise Medicina Diagnóstico e Serviços Ltda. (b)	**-**	**-**	**9,234**	**-**	-	-	11,814	-	-	-	19,690	-
PMJ Assessoria e Consultoria Financeira S.A. (b)	**-**	**60,894**	**-**	**-**	-	87,540	-	-	-	22,644	-	-
Quinta D'Or Empreendimentos Imobiliários S.A. (b)	**-**	**-**	**-**	**-**	-	16,265	-	-	-	37,725	-	-
Jenner S.A (b)	**-**	**16,688**	**-**	**-**	-	16,688	-	-	-	16,688	-	-
Oncologia D'Or S.A. (b)	**-**	**6,481**	**-**	**-**	-	8,716	-	-	-	48,394	-	-
Hospital Fluminense S.A. (b)	**-**	**2,086**	**-**	**-**	-	16,342	-	-	-	14,204	-	-
Hospital São Marcos Ltda. (b)	**-**	**-**	**-**	**-**	-	-	-	-	-	12,310	-	-
Hospital Esperança S.A. (b)	**-**	**-**	**36,055**	**-**	-	-	17,981	-	-	-	17,401	-
JMJB Diagnósticos e Serviços Hospitalares S.A. (b)	**-**	**7,499**	**-**	**-**	-	7,801	-	-	-	2,624	-	-
Proncordis PA Cardiologico Ltda. (b)	**-**	**10,578**	**-**	**-**	-	10,120	-	-	-	7,037	-	-
Rodin Empreendimentos e Participações S.A. (b)	**-**	**-**	**-**	**-**	-	11,461	-	-	-	625	-	-
Onco D'Or Oncologia S.A. (b)	**-**	**99,009**	**-**	**-**	-	48,096	-	-	-	36,429	-	-
Campinas Empreendimentos Imobiliários Ltda. (b)	**-**	**-**	**-**	**-**	-	45,049	-	-	-	42,157	-	-
Hospital e Maternidade Bartira S.A. (b)	**-**		**-**	**-**	-	-	-	-	-	14,304	-	-
Hospital Santa Helena S.A. (b)	**-**	**12,103**	**-**	**-**	-	64,498	-	-	-	5,600	-	-
Santa Luzia II Emp. Imobiliários Ltda. (b)	**-**	**24,550**	**-**	**-**	-	326,107	-	-	-	434,477	-	-
Villa Lobos Empreendimentos Imobiliários S.A. (antiga JM01 Emp. Imobiliários S.A) (b)	**-**	**-**	**-**	**-**	-	184,523	-	-	-	198,832	-	-
Hospital Memorial São José Ltda. (b)	**-**	**-**	**-**	**-**	-	10,987	-	-	-	-	-	-
GNI01 Emp. Imob. Ltda. (b)	**-**	**-**	**-**	**-**	-	29,654	-	-	-	-	-	-
Opuner do Brasil Ltda. (b)	**-**	**-**	**5,808**	**-**	-	-	5,779	-	-	-	-	-
Assunção Emp. Imobiliários Ltda. (b)	**-**	**-**	**-**	**-**	-	5,082	-	-	-	-	-	-
Instituto D'Or de Pesquisa e Ensino (b)	**-**	**7,454**	**-**	**-**	-	7,404	-	-	-	-	-	-
RDSL Empreendimento Imobiliários (b)	**-**	**-**	**-**	**-**	-	20,559	-	-	-	-	-	-
Tijuca Empreendimentos Imobiliários S.A. (b)	**-**	**-**	**-**	**-**	-	-	-	-	-	20,566	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	**-**	**-**	**-**	**21,172**	-	-	-	16,555	-	-	-	15,654
Other	**-**	**38,169**	**1,416**	**-**	-	22,806	13,077	364	-	30,263	6,899	-
	7,066	**535,143**	**54,881**	**124,485**	9,075	1,149,864	54,684	93,642	40,072	1,183,564	74,398	105,458

7. Transactions with related parties (Continued)

Related-party balances (Continued)

	Consolidated											
	2017				2016				2015			
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
Shared services												
J Badim S.A.	**-**	**3,214**	**-**	**2,052**	-	1,120	-	1,812	-	324	-	776
JMJB Diagnósticos e Serviços Hospitalares S.A.	**-**	**7,499**	**-**	**-**	-	7,801	-	-	-	7,615	-	-
Instituto D'Or de Pesquisa e Ensino	**-**	**7,454**	**-**	**-**	-	7,404	-	-	-	-	-	-
J Badim S.A. (b)	**-**	**1,489**	**-**	**-**	-	1,393	-	-	-	615	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	**-**	**-**	**-**	**21,172**	-	-	-	16,555	-	-	-	15,654
Other	**-**	**3,827**	**60**	**-**	-	3,903	111	-	-	16,575	953	-
	-	**23,483**	**60**	**23,224**	-	21,621	111	18,367	-	25,129	953	16,430

(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 sucessive monthly installments beginning August 2014, subject to interest as defined in the original indenture. On November 10, 2015, nonconvertible, single-series, registered debentures amounting to R$25.000 were issued, with quarterly payments beginning in May 2017 and maturing on November 10, 2019. The debenture holder is Rede D'Or and the other conditions are similar to that of the first issue.

(b) Transfers of funds for 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.

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

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, 2017, 2016 and 2015, key management personnel compensation was as follows:

	2017	2016	2015
Salaries and bonuses	**35,579**	34,952	30,145
Benefits	**160**	176	185
Share-based payment	**32,599**	30,864	51,949
	68,338	65,992	82,279

8. Investments

Breakdown of and changes in investments - Parent Company

Companies	Balances at 2016	Equity pickup	Dividends	Acquisition of interest	Capital increase/Advance for future capital increase	Transfer	Write-off	Other	Merger	Balances at 2017
Medise Medicina Diagnóstico e Serviços S.A.	149,837	**21,497**	**-**	**-**	**1,692**	**-**	**-**	**30**	**-**	**173,056**
Hospital Esperança S.A.	255,888	**82,042**	**(223,190)**	**-**	**(31,562)**	**-**	**-**	**(11,832)**	**-**	**71,346**
Hospital São Marcos (including goodwill)	48,723	**16,982**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65,705**
PMJ Empreendimentos Imobiliários S.A.	73,355	**2,829**	**-**	**-**	**104,222**	**-**	**-**	**(3)**	**-**	**180,403**
Norte D'Or Participações S.A. (including goodwill)	64,889	**10,684**	**(3,878)**	**-**	**-**	**-**	**-**	**-**	**-**	**71,695**
Onco D'Or Oncologia S.A.	117,682	**17,877**	**-**	**102,304**	**40,963**	**-**	**-**	**(2,876)**	**-**	**275,950**
Jenner S.A. (including goodwill)	94,738	**6,495**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101,233**
JMJB Diagnósticos e Serviços Hospitalares	18,179	**5,112**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,291**
Rodin Empreendimentos e Participações S.A.	52,222	**43**	**-**	**-**	**2,020**	**-**	**-**	**-**	**-**	**54,285**
Quinta Empreendimentos Imobiliários Ltda.	31,808	**7,064**	**-**	**-**	**16,265**	**-**	**-**	**-**	**-**	**55,137**
Hospital Fluminense S.A. (including goodwill)	21,390	**10,222**	**-**	**-**	**26,976**	**-**	**-**	**-**	**-**	**58,588**
Acreditar Oncologia S.A. (including goodwill) (a)	130,105	**12,052**	**(15,921)**	**-**	**-**	**-**	**(126,236)**	**-**	**-**	**-**
Cardial Serviços Médicos (including goodwill)	55,947	**9,042**	**(3,242)**	**-**	**-**	**-**	**-**	**561**	**-**	**62,308**
Hospital Santa Helena S.A. (including goodwill)	207,264	**30,232**	**-**	**-**	**100,275**	**-**	**-**	**(4,893)**	**-**	**332,878**
Tijuca Empreendimentos Imobiliários Ltda.	21,464	**452**	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**21,926**
Memorial São José Ltda. (including goodwill)	143,960	**17,480**	**-**	**-**	**11,961**	**-**	**-**	**-**	**-**	**173,401**
Hospital Ribeirão Pires Ltda. (including goodwill)	168,003	**5,689**	**-**	**-**	**-**	**-**	**-**	**115**	**-**	**173,807**
Centro de Diagnóstico por Imagem Bartira (Cedib) (including goodwill)	5,324	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,324)**	**-**
Villa Lobos Empreendimentos Imobiliários Ltda.	11,713	**4,525**	**-**	**-**	**193,580**	**-**	**-**	**-**	**-**	**209,818**
Santa Luzia II Empreendimentos Imobiliários Ltda.	27,036	**6,502**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,538**
Campinas Empreendimentos Imobiliários Ltda.	353	**(2)**	**-**	**-**	**45,531**	**-**	**-**	**-**	**-**	**45,882**
Sator Empreendimentos e Participações Ltda. (b)	-	**2,348**	**-**	**125,244**	**41,227**	**-**	**-**	**-**	**-**	**168,819**
Other	192,569	**32,995**	**(3,889)**	**34,653**	**89,883**	**14**	**(1,742)**	**5,055**	**-**	**349,538**
	1,892,449	**302,162**	**(250,120)**	**262,201**	**643,033**	**14**	**(127,978)**	**(13,833)**	**(5,324)**	**2,702,604**
Rede D'or São Luiz Serviços Médicos S.A.	(31,566)	**(28,064)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(59,630)**
Centro Hospitalar São Marcos S.A.	(25,178)	**(4,595)**	**-**	**-**	**13,652**	**-**	**-**	**-**	**-**	**(16,121)**
Proncordis Pronto Atendimento Cardiológico Ltda.	(14)	**(17)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(31)**
IFOR Empreendimentos imobiliários S.A	(15)	**-**	**-**	**-**	**29**	**(14)**	**-**	**-**	**-**	**-**
Café Verde	(2,100)	**(2,875)**	**-**	**-**	**2,954**	**-**	**-**	**-**	**-**	**(2,021)**
	(58,873)	**(35,551)**	**-**	**-**	**16,635**	**(14)**	**-**	**-**	**-**	**(77,803)**
Equity pickup		**266,611**								

(a) On November 30, 2017, Rede D'Or increased the capital of Onco D'Or with its 60% interest in Acreditar.

(b) Company acquired by the Parent Company on April 19, 2017. See Note 3.

8. Investments (Continued)

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

Companies	Balances at 2015	Equity pickup	Acquisition of interest/control	Dividends	Capital increase/Advance for future capital increase	Write-off	Transfer	Other	Merger	Balances 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)

Companies	Balances 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 - Consolidated

Companies	Balances at 2016	Equity pickup	Acquisition of interest/control	Dividends	Balances at 2017
JMJB Diganósticos e Serviços Hospitalares S.A.	18,179	**5,112**	**-**	**-**	**23,291**
Instituto de Radioterapia do Vale do Paraíba Ltda.	35,721	**5,985**	**-**	**(7,500)**	**34,206**
GGSH Participações S.A	16,030	**5,484**	**-**	**(2,589)**	**18,925**
Other	8,234	**2,257**	**4,161**	**(1,103)**	**13,549**
	78,164	**18,838**	**4,161**	**(11,192)**	**89,971**

Companies	Balances at 2015	Equity pickup	Acquisition of interest/control	Dividends	Capital increase	Write-off	Balances at 2016
JMJB Diganósticos 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)	-	-	-
Instituto de Radioterapia do Vale do Paraíba Ltda.	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

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

8. Investments (Continued)

Breakdown of and changes in investments - Consolidated (Continued)

Companies	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)	-	-	-	-
Instituto de Radioterapia do Vale do Paraíba Ltda.	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 control, as mentioned in Note 3.

8. **Investments** (Continued)

Summary of information on significant subsidiaries

	2017							2016	2015
	% Total	% Voting	Assets	Liabilities	Equity	Operating income (expenses)	Income (loss) for the year	Income (loss) for the year	Income for the year
Direct and indirect subsidiaries (a)									
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	**98.00**	**98.00**	**268,003**	**91,415**	**176,588**	**42,383**	**21,936**	27,145	27,312
Hospital Esperança S.A. ("Esperança")	**100.00**	**100.00**	**2,579,015**	**2,507,078**	**71,937**	**68,096**	**82,633**	96,848	69,532
Mais-Multi Assistência Incorporada a Saúde Ltda. ("Hospital São Marcos")	**100.00**	**100.00**	**98,374**	**43,476**	**54,898**	**18,866**	**16,982**	18,341	17,215
PMJ Empreendimentos Imobiliários S.A.	**100.00**	**100.00**	**246,829**	**66,426**	**180,403**	**509**	**2,829**	(1,148)	5,897
Norte D'Or Participações S.A.	**100.00**	**100.00**	**45,101**	**1,856**	**43,245**	**(36)**	**10,684**	1,909	6,478
Onco D'Or Oncologia S.A.	**98.90**	**98.90**	**451,229**	**164,406**	**286,823**	**(2,057)**	**18,835**	11,282	8,626
Jenner S.A.	**87.50**	**87.50**	**132,738**	**16,689**	**116,049**	**(19,699)**	**12,990**	(2,664)	-
Rodin Empreendimentos e Participações S.A.	**100.00**	**100.00**	**54,285**	**-**	**54,285**	**61**	**43**	(5,551)	1,118
Quinta Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**56,912**	**1,775**	**55,137**	**13,162**	**7,064**	11,473	10,734
Hospital Fluminense S.A.	**100.00**	**100.00**	**60,882**	**15,074**	**45,808**	**16,369**	**10,222**	8,926	2,719
Acreditar Oncologia S.A.	**98.90**	**98.90**	**98,833**	**41,809**	**57,024**	**35,405**	**24,697**	15,204	32,354
Cardial Serviços Médicos Ltda.	**84.00**	**84.00**	**34,996**	**6,570**	**28,426**	**12,106**	**10,764**	8,557	7,614
Hospital Santa Helena S.A.	**100.00**	**100.00**	**314,532**	**102,563**	**211,969**	**51,846**	**30,232**	27,841	-
Tijuca Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**22,905**	**979**	**21,926**	**1,497**	**452**	1,135	(10)
Hospital Memorial São José Ltda.	**100.00**	**100.00**	**83,881**	**29,627**	**54,254**	**30,466**	**17,480**	2,645	
Hospital Ribeirão Pires Ltda.	**100.00**	**100.00**	**51,973**	**48,111**	**3,862**	**3,862**	**5,689**	-	-
Centro de Diagnóstico por Imagem Bartira (Cedib)	**100.00**	**100.00**	**201,383**	**71,368**	**130,015**	**69,075**	**65,226**	-	-
Villa Lobos Empreendimentos Imobiliários S.A.	**100.00**	**100.00**	**211638**	**1,820**	**209,818**	**19,741**	-	-	-
Santa Luzia II Emp. Imobiliários Ltda.	**100.00**	**100.00**	**63814**	**30,276**	**33,538**	-	-	-	-
Campinas Empreendimentos Imob.	**100.00**	**100.00**	**46,045**	**163**	**45,882**	**1**	**(2)**	29	-
Sator Empreendimentos e Participações Ltda.	**100.00**	**100.00**	**33,287**	**56,637**	**(23,350)**	**2,257**	**2,348**	-	-

Summary of information on affiliates and jointly-controlled entities

	2017							2016	2015
	% Total	% Voting	Assets	Liabilities	Equity	Operating income	Income (loss) for the year	Income (loss) for the year	Income (loss) for the year
Companies consolidated by the equity method									
JMJB Diagnósticos e Serviços Hospitalares S.A.	**50.00**	**50.00**	**54783**	**8,201**	**46,582**	-	**10,225**	**4,348**	20,832
Instituto de Radioterapia do Vale do Paraíba Ltda.	**50.00**	**50.00**	**17,380**	**10,902**	**6,478**	**15,424**	**11,969**	**11,705**	11,859
GGSH Participações S.A.	**23.88**	**23.88**	**69,429**	**1,311**	**68,118**	**21,674**	**22,964**	**(848)**	-

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

9. Property and equipment

Breakdown of balances

		Parent Company								
		2017			2016			2015		
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%	**784,172**	**(430,982)**	**353,190**	**647,982**	(363,138)	284,844	463,548	(254,233)	209,315
Surgical instruments	20%	**39,749**	**(18,224)**	**21,525**	**33,257**	(12,231)	21,026	14,810	(10,085)	4,725
Machinery and equipment	7% to 10%	**227,864**	**(144,110)**	**83,754**	**193,711**	(111,621)	82,090	144,594	(85,544)	59,050
Real estate	2.5% to 4%	**848,716**	**(77,508)**	**771,208**	**442,851**	(64,383)	378,468	221,295	(68,869)	152,426
Improvements in own properties	4%	**99,610**	**(22,738)**	**76,872**	**94,452**	(15,951)	78,501	82,004	(6,228)	75,776
Leasehold improvements	3% to 4%	**816,341**	**(244,250)**	**572,091**	**793,676**	(176,333)	617,343	518,867	(116,581)	402,286
Furniture and fixtures	10%	**115,418**	**(60,013)**	**55,405**	**96,030**	(49,205)	46,825	67,446	(41,030)	26,416
Vehicles	20%	**3,939**	**(2,690)**	**1,249**	**3,631**	(2,306)	1,325	2,659	(1,926)	733
Facilities	10%	**85,242**	**(30,804)**	**54,438**	**70,417**	(24,487)	45,930	55,578	(19,980)	35,598
Land	-	**130,020**	**-**	**130,020**	**122,684**	-	122,684	91,595	-	91,595
Construction in progress	-	**582,239**	**-**	**582,239**	**459,643**	-	459,643	553,565	-	553,565
Other	5% to 10%	**11,799**	**(4,612)**	**7,187**	**11,349**	(4,459)	6,890	10,442	(4,317)	6,125
		3,745,109	**(1,035,931)**	**2,709,178**	**2,969,683**	(824,114)	2,145,569	2,226,403	(608,793)	1,617,610

		Consolidated								
		2017			2016			2015		
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%	**992,902**	**(511,585)**	**481,317**	**819,559**	(424,606)	394,953	578,814	(306,352)	272,462
Surgical instruments	20%	**48,636**	**(21,655)**	**26,981**	**39,483**	(14,334)	25,149	24,498	(11,697)	12,801
Machinery and equipment	7% to 10%	**291,036**	**(196,134)**	**94,902**	**249,915**	(150,724)	99,191	187,369	(114,644)	72,725
Real estate	2.5% to 4%	**1,258,561**	**(99,842)**	**1,158,719**	**786,820**	(70,601)	716,219	650,547	(73,271)	577,276
Improvements in own properties	4%	**104,053**	**(24,517)**	**79,536**	**97,780**	(16,920)	80,860	85,333	(6,533)	78,800
Leasehold improvements	3% to 4%	**1,032,436**	**(331,362)**	**701,074**	**996,741**	(253,862)	742,879	689,641	(184,791)	504,850
Furniture and fixtures	10%	**157,720**	**(81,750)**	**75,970**	**131,514**	(66,952)	64,562	96,448	(56,323)	40,125
Vehicles	20%	**4,495**	**(3,054)**	**1,441**	**4,081**	(2,584)	1,497	3,403	(2,234)	1,169
Facilities	10%	**139,140**	**(52,972)**	**86,168**	**118,912**	(42,190)	76,722	97,363	(34,093)	63,270
Land	-	**463,442**	**-**	**463,442**	**391,074**	-	391,074	448,482	-	448,482
Construction in progress	-	**743,591**	**-**	**743,591**	**508,275**	-	508,275	574,732	-	574,732
Other	5% to 10%	**48,645**	**(6,146)**	**42,499**	**17,012**	(6,048)	10,964	16,314	(5,893)	10,421
		5,284,657	**(1,329,017)**	**3,955,640**	**4,161,166**	(1,048,821)	3,112,345	3,452,944	(795,831)	2,657,113

9. Property and equipment (Continued)

Changes in the Parent Company

	2016	Additions	Transfers	Additions from mergers	2017
Cost					
Hospital machinery and equipment	647,982	**131,755**	**-**	**4,435**	**784,172**
Surgical instruments	33,257	**6,492**	**-**	**-**	**39,749**
Machinery and equipment	193,711	**34,146**	**-**	**7**	**227,864**
Real estate	442,851	**265,515**	**140,350**	**-**	**848,716**
Improvements in own properties	94,452	**5,158**	**-**	**-**	**99,610**
Leasehold improvements	793,676	**22,665**	**-**	**-**	**816,341**
Furniture and fixtures	96,030	**19,385**	**-**	**3**	**115,418**
Vehicles	3,631	**308**	**-**	**-**	**3,939**
Facilities	70,417	**14,825**	**-**	**-**	**85,242**
Land	122,684	**7,336**	**-**	**-**	**130,020**
Construction in progress	459,643	**262,946**	**(140,350)**	**-**	**582,239**
Other	11,349	**450**	**-**	**-**	**11,799**
	2,969,683	**770,981**	**-**	**4,445**	**3,745,109**
Depreciation					
Hospital machinery and equipment	(363,138)	**(67,844)**	**-**	**-**	**(430,982)**
Surgical instruments	(12,231)	**(5,993)**	**-**	**-**	**(18,224)**
Machinery and equipment	(111,621)	**(32,489)**	**-**	**-**	**(144,110)**
Real estate	(64,383)	**(13,125)**	**-**	**-**	**(77,508)**
Improvements in own properties	(15,951)	**(6,787)**	**-**	**-**	**(22,738)**
Leasehold improvements	(176,333)	**(67,917)**	**-**	**-**	**(244,250)**
Furniture and fixtures	(49,205)	**(10,808)**	**-**	**-**	**(60,013)**
Vehicles	(2,306)	**(384)**	**-**	**-**	**(2,690)**
Facilities	(24,487)	**(6,317)**	**-**	**-**	**(30,804)**
Other	(4,459)	**(153)**	**-**	**-**	**(4,612)**
	(824,114)	**(211,817)**	**-**	**-**	**(1,035,931)**
Property and equipment, net	2,145,569	**559,164**	**-**	**4,445**	**2,709,178**

9. Property and equipment (Continued)

Changes in Parent Company (Continued)

	2015	Additions	Write-offs	Transfers	Additions from mergers	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 mergers	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 Consolidated

	2016	Additions	Write-offs	Transfers	Business combinations	2017
Cost						
Hospital machinery and equipment	819,559	**164,692**	**(8)**	**-**	**8,659**	**992,902**
Surgical instruments	39,483	**9,153**	**-**	**-**	**-**	**48,636**
Machinery and equipment	249,915	**39,572**	**(9)**	**-**	**1,558**	**291,036**
Real estate	786,820	**271,897**	**-**	**158,641**	**41,203**	**1,258,561**
Improvements in own properties	97,780	**6,273**	**-**	**-**	**-**	**104,053**
Leasehold improvements	996,741	**35,695**	**-**	**-**	**-**	**1,032,436**
Furniture and fixtures	131,514	**25,236**	**(4)**	**-**	**974**	**157,720**
Vehicles	4,081	**414**	**-**	**-**	**-**	**4,495**
Facilities	118,912	**19,799**	**-**	**-**	**429**	**139,140**
Land	391,074	**49,960**	**-**	**-**	**22,408**	**463,442**
Construction in progress	508,275	**393,569**	**-**	**(158,641)**	**388**	**743,591**
Other	17,012	**31,633**	**-**	**-**	**-**	**48,645**
	4,161,166	**1,047,893**	**(21)**	**-**	**75,619**	**5,284,657**
Depreciation						
Hospital machinery and equipment	(424,606)	**(86,979)**	**-**	**-**	**-**	**(511,585)**
Surgical instruments	(14,334)	**(7,321)**	**-**	**-**	**-**	**(21,655)**
Machinery and equipment	(150,724)	**(45,410)**	**-**	**-**	**-**	**(196,134)**
Real estate	(70,601)	**(29,241)**	**-**	**-**	**-**	**(99,842)**
Improvements in own properties	(16,920)	**(7,597)**	**-**	**-**	**-**	**(24,517)**
Leasehold improvements	(253,862)	**(77,500)**	**-**	**-**	**-**	**(331,362)**
Furniture and fixtures	(66,952)	**(14,798)**	**-**	**-**	**-**	**(81,750)**
Vehicles	(2,584)	**(470)**	**-**	**-**	**-**	**(3,054)**
Facilities	(42,190)	**(10,782)**	**-**	**-**	**-**	**(52,972)**
Other	(6,048)	**(98)**	**-**	**-**	**-**	**(6,146)**
	(1,048,821)	**(280,196)**	**-**	**-**	**-**	**(1,329,017)**
Property and equipment, net	3,112,345	**767,697**	**(21)**	**-**	**75,619**	**3,955,640**

9. Property and equipment (Continued)

Changes in Consolidated (Continued)

	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
Real estate	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)
Real estate	(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
Real estate	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)
Real estate	(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)

Significant changes for the years were:

2017

(i) Acquisition of a plot of land in the city of Brasília for the amount of R$36,000 for construction of a Hospital.

(ii) Acquisition of the building of Hospital São Luiz Morumbi, located in the city of São Paulo, for the amount of R$250,000; and

(iii) Expenses with construction of São Caetano Hospital, remodeling of Niterói D'Or Hospital and expansion works in various Group hospitals.

2016

(i) Acquisition of two plots of land, one for expansion of Niterói D'Or Hospital, 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 Copa Star Hospital, 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.

9. Property and equipment (Continued)

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 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.

Capitalized interest

The Company capitalizes borrowings costs attributable to qualifying assets. Throughout 2017, the amount of R$24,014 referring to interest on equity and debentures was capitalized to property and equipment, net of financial income arising from fundraising.

Impairment analysis of property and equipment

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

10. Intangible assets

	Annual interest	Parent Company			Consolidated		
		2017	**2016**	**2015**	**2017**	**2016**	**2015**
Finite useful life (a)							
Software	20%	**110,242**	73,450	61,169	**120,173**	78,521	64,070
Exclusive agreement	20%	**11,597**	12,011	12,425	**47,679**	13,302	13,925
Indefinite useful life							
Goodwill (b)							
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	85,724
Acquisition of Sino Brasileiro		**241,947**	251,930	245,160	**241,947**	251,930	245,160
Acquisition of Villa-Lobos		**136,074**	136,074	-	**136,074**	136,074	129,218
Acquisition of Bartira		**105,584**	115,656	-	**105,584**	115,656	107,225
Acquisition of Onco ABC/Cardeal/JLD		**-**	-	-	**52,174**	52,174	52,174
Acquisition of Oncoholding (c)		**-**	-	-	**159,445**	157,619	180,264
Acquisition of Hospital Fluminense		**-**	-	-	**10,658**	10,658	10,658
Acquisition of Hospital Santa Helena		**-**	-	-	**125,802**	125,802	123,523
Acquisition of Acreditar		**-**	-	-	**155,720**	155,720	-
Acquisition of Memorial São Jose		**-**	-	-	**112,528**	112,528	-
Acquisition of Alpha-Med		**-**	-	-	**43,815**	42,738	-
Acquisition of CEHON		**-**	-	-	**68,757**	68,757	-
Acquisition of Maximagem		**-**	-	-	**46,742**	45,539	-
Acquisition of Ribeirão Pires		**-**	-	-	**129,739**	129,739	-
Aquisição NEOH		**-**	-	-	**33,422**	31,422	-
Acquisition of JTO		**-**	-	-	**12,567**	12,567	5,001
Acquisition of Salus		**-**	-	-	**8,956**	8,956	-
Acquisition of Prontimagem		**-**	-	-	**6,220**	6,220	-
Acquisition of Sator		**-**	-	-	**163,089**	-	-
Other goodwill		**48,649**	48,649	48,649	**57,001**	57,001	61,039
Trademarks and patents (d)		**190,810**	190,810	190,810	**190,810**	190,810	190,810
		2,225,688	2,209,365	1,853,274	**3,557,352**	3,332,183	2,711,517

(a) Goodwill was generated on business combinations performed. See Note 3 for additional information on acquisitions performed in 2017, 2016 and 2015.

(b) Change in 2016 referring to divestiture in São Pellegrino. See Note 24.

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

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 and social contribution 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 cost. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing financing the Company is obliged to honor. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. At December 31, 2017, the discount rate used for determining the value in use of the CGU was 7% (9.08% in 2016 and 8.09% in 2015) and perpetuity of 2%.

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, 2017, 2016 and 2015, through comparison of their book balances with their respective value in use. No need to recognize a provision for loss was identified, in addition to the write-off of goodwill of IOPE in the amount of R$6,022 in 2016.

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, 2017, breakdown of deferred gains was as follows:

	Parent Company and Consolidated		
	2017	**2016**	**2015**
Caxias D'Or	**36,120**	37,840	39,560
Hospital Brasil	**44,000**	46,200	48,400
	80,120	84,040	87,960
Current	**3,920**	3,920	3,920
Noncurrent	**76,200**	80,120	84,040

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

Banks	Index	Spread	Currency	Principal (R$)	Inception date	Maturity	Amortization	Guarantees	Parent Company 2017	Parent Company 2016	Parent Company 2015	Consolidated 2017	Consolidated 2016	Consolidated 2015
BNDES/FINEP	TJLP	0.60%	R$	315,042	Aug/2012	Feb/2025	Monthly	N/A	**307,498**	138,252	86,252	**315,968**	142,312	97,403
IFC-I (*)	LIBOR	3.30%	US$	93,790	Sept/2011	Apr/2020	Half-yearly	Shares and receivables	**48,283**	73,802	104,208	**48,283**	73,802	104,208
IFC-II-A Loan (*)	LIBOR	3.00%	US$	135,349	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**112,576**	111,353	137,221	**112,576**	111,353	137,221
IFC-II-B1 Loan (*)	LIBOR	3.00%	US$	386,712	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**321,607**	326,200	392,059	**321,607**	326,200	392,059
IFC II B2 Loan (*)	LIBOR	2.70%	US$	58,007	Dec/2014	Nov/2022	Half-yearly	Shares and receivables	**39,102**	45,192	58,790	**39,102**	45,192	58,790
IFC II C Loan (*)	LIBOR	6.00%	US$	57,863	Dec/2014	Nov/2027	Half-yearly	N/A	**51,365**	45,804	59,012	**51,365**	45,804	59,012
IFC II MCPP Loan (*)	LIBOR	3.00%	US$	101,512	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**84,421**	82,432	102,915	**84,421**	82,432	102,915
IFC III A1 Loan (*)	LIBOR	3.30%	US$	157,685	May/2017	Apr/2025	Half-yearly	N/A	**166,693**	-	-	**166,693**	-	-
IFC III A2 Loan (*)	LIBOR	3.30%	US$	157,685	May/2017	Apr/2026	Half-yearly	Shares and receivables	**158,037**	-	-	**158,037**	-	-
IFC III B Loan (*)	LIBOR	3.00%	US$	252,296	May/2017	Apr/2024	Half-yearly	N/A	**266,100**	-	-	**266,100**	-	-
IFC III C Loan (*)	LIBOR	5.50%	US$	94,611	May/2017	Apr/2026	N/A	N/A	**108,013**	-	-	**108,013**	-	-
Proparco Loan (*)	EURIBOR	3.00%	EUR	212,221	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**193,390**	180,678	213,314	**193,390**	180,678	213,314
JP Morgan (*)	Fixed rate	3.35%	US$	300,000	Apr/2016	Apr/2020	Quarterly	N/A	**288,692**	282,730	-	**288,692**	282,730	-
Citibank (*)	LIBOR	0.99%	US$	203,190	Aug/2017	Aug/2022	N/A	N/A	**221,041**	-	-	**221,041**	-	-
Bank Credit Notes (CCB)	Fixed rate	11.10%	R$	17,813	N/A	N/A	N/A	N/A	**40**	1,053	896	**7,239**	4,300	10,592
									2,366,858	1,287,496	1,154,667	**2,382,527**	1,294,803	1,175,514
								Current	**192,733**	91,982	40,815	**198,345**	95,683	50,964
								Noncurrent	**2,174,125**	1,195,514	1,113,852	**2,184,182**	1,199,120	1,124,550

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

Significant financing was obtained for general corporate purposes, to perform acquisitions of companies, to expand the size of hospitals and for construction of new units.

After the last appraisal report prepared by independent appraisers and issued in December 2017, shares given in guarantee accounted for 7.6% of the Company's capital stock.

In addition to the guarantees given, the maintenance of covenants is provided for by certain loan and financing agreements with International Finance Corporation ("IFC"), Citibank and JP Morgan Chase Bank, especially those related to contractually determined indicators based on net debt, EBITDA and financial income. Management understands that these covenants have always been complied with.

12. Loans and financing (Continued)

Total capitalized costs related to the issue of loans and financing, in the amount of R$29,326, was recorded as a reduction of the balances and have been amortized over the term of the agreements.

At December 31, 2017, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2019	**420,969**	2019	**427,402**
2020	**378,231**	2020	**380,442**
2021	**256,347**	2021	**257,616**
2022	**475,341**	2022	**475,485**
2023 to 2027	**643,237**	2023 to 2027	**643,237**
	2,174,125		**2,184,182**

13. Debentures payable

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Rede D'Or São Luiz						
1st issue (a)	**-**	662,362	873,314	**-**	662,362	873,314
2nd issue (b)	**-**	73,558	78,408	**-**	73,558	78,408
3rd issue (c)	**388,255**	516,370	644,446	**388,255**	516,370	644,446
4th issue (d)	**-**	741,497	804,082	**-**	741,497	804,082
5th issue (e)	**49,691**	99,696	98,545	**49,691**	99,696	98,545
6th issue (f)	**-**	149,281	196,733	**-**	149,281	196,733
7th issue (g)	**1,242,987**	1,275,740	-	**1,242,987**	1,275,740	-
8th issue (h)	**-**	152,758	-	**-**	152,758	-
9th issue (i)	**1,434,170**	-	-	**1,434,170**	-	-
Medise						
1st issue (j)	**21,595**	45,222	61,770	**21,595**	45,222	61,770
Hospital Esperança						
1st issue (k)	**-**	-	-	**150,525**	188,757	204,161
2nd issue (l)	**-**	-	-	**36,335**	72,482	99,529
3rd issue (m)	**-**	-	-	**1,025,161**	-	-
4th issue (n)	**-**	-	-	**993,305**	-	-
	3,136,698	3,716,484	2,757,298	**5,342,024**	3,977,723	3,060,988
Current	**282,628**	787,028	495,159	**389,692**	863,620	521,483
Noncurrent	**2,854,070**	2,929,456	2,262,139	**4,952,332**	3,114,103	2,539,505

13. Debentures payable (Continued)

(a) On April 20, 2011, the Company issued nonconvertible debentures in a single series of 100 (one hundred) debentures for public distribution, totaling R$1,000,000, maturing on April 20, 2020 (as per the amendment of December 2013) and monthly amortization charges referring to principal as from 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 stock and fiduciary transfer of credit rights were offered. In August 2017, the Company fully settled the debt balance related to these debentures.

(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 amortization charges referring to principal as from July 15, 2012. The debentures are remunerated on a *pro rata temporis* basis 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. In January 2017, the Company fully settled the debt balance related to these debentures.

(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 on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a. There are no expected guarantees or rescheduling clause. 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 amortization charges referring to principal as from September 10, 2016. The debentures are remunerated on a *pro rata temporis* basis 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 fiduciary transfer of credit rights were offered. In August 2017, the Company fully settled the debt balance related to these debentures.

(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 on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees or rescheduling clause.

(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 amortization charges referring to principal as from December 15, 2016. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees. In August 2017, the Company fully settled the debt balance related to these debentures.

(g) 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% p.a. The second series amounted to R$300,000, million maturing on July 12, 2020 with remuneration at 100% of the CDI plus 2.0% 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. Principal will be amortized in a lump-sum payment on the respective debentures' maturity dates. Fiduciary transfer of credit rights was given in guarantee. No rescheduling clause has been provided for.

(h) 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 monthly amortization charges referring to principal as from 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. In August 2017, the Company fully settled the debt balance related to these debentures.

(i) On August 7, 2017, Rede D'Or issued debentures in the total amount of R$1,400,000. The first series amounted to R$800,000, maturing on August 7, 2020, and bearing interest equivalent to 110% of DI (Interbank Deposits). The second series amounted to R$600,000, maturing on August 7, 2024, and bearing interest equivalent to 100% of the DI plus 1.75%. There are no expected guarantees or rescheduling clause.

13. Debentures payable (Continued)

(j) 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, 2018, and quarterly principal repayment beginning June 10, 2016. The debentures are remunerated on a *pro rata* temporis basis 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, fiduciary transfer 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 assumed Medise's debts in connection with the Offer, pursuant to Article 299 et seq. of the 2002 Brazilian Civil Code. As a result, the status of Rede D'Or changed from Collateral to Issuer, in view of the capital reduction of the Issuer. No rescheduling clause has been provided for.

(k) On October 15, 2012, subsidiary, LE Participações Societárias S.A. (subsequently 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 per the amendment of February 2013) and monthly amortization charges referring to principal as from October 15, 2016. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. There are no expected guarantees or rescheduling clause.

(l) 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 amortization charges referring to principal as from June 10, 2016. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 1.9% p.a. There are no expected guarantees or rescheduling clause.

(m) On August 28, 2017, subsidiary Hospital Esperança S.A. carried out the third issue of nonconvertible, single-series debentures for public distribution, totaling R$1,000,000, maturing on August 28, 2024 and half-yearly amortization charges referring to principal as from February 28, 2021. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 1.55% p.a. There are no expected guarantees or rescheduling clause.

(n) On December 27, 2017, subsidiary Hospital Esperança S.A. carried out the fourth issue of nonconvertible, single-series debentures for public distribution, totaling R$1,000,000, maturing on February 26, 2025. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 1.27% p.a. in the first 4 years. From the 5th to 8th year, debentures may be remunerated on a *pro rata temporis* basis with a maximum interest rate equivalent to 100% of DI plus 1.75% p.a. There are no expected guarantees.

In addition to the guarantees given, the maintenance of covenants is provided for by certain loan and financing agreements, especially those related to contractually determined indicators based on net debt, EBITDA and financial income. Management understands that these covenants have always been complied with.

Total capitalized costs related to the issues of debentures, in the amount of R$45,154, was recorded as a reduction of the balances and has been amortized over the term of the agreements.

At December 31, 2017, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2019	**721,690**	2019	**760,662**
2020	**1,242,895**	2020	**1,281,737**
2021	**355,772**	2021	**637,067**
2022	**118,603**	2022	**615,582**
2023 to 2024	**415,110**	2023 to 2025	**1,657,284**
	2,854,070		**4,952,332**

14. Tax liabilities and taxes paid for acquisitions

a) Tax liabilities

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**2,785**	2,330	1,991	**3,341**	1,822	2,841
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**18,405**	25,211	25,490	**27,249**	37,267	34,690
Service Tax (ISS)	**40,181**	21,099	50,415	**65,023**	57,166	78,913
Withholding Income Tax (IRRF)	**15,186**	12,813	27,652	**19,052**	17,599	31,574
Income tax	**-**	-	-	**49,902**	54,712	19,593
Social contribution tax	**-**	-	-	**15,180**	20,981	2,168
Other	**23,343**	-	3,128	**52,562**	1,108	4,723
	99,900	61,453	108,676	**232,309**	190,655	174,502

b) Taxes paid for acquisitions

	Parent Company			Consolidated		
Taxes paid for acquisitions	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Service Tax (ISS)	**17,505**	22,259	24,140	**43,457**	23,482	25,411
Installment payment - Law No. 11941/09	**63,642**	68,135	68,784	**80,053**	79,009	89,654
Social security installment payment (a)	**70,965**	78,749	46,113	**178,322**	98,217	61,512
Other	**329**	405	913	**20,599**	4,103	4,260
	152,441	169,548	139,950	**322,431**	204,811	180,837
Current	**19,663**	21,407	18,123	**39,950**	26,384	29,802
Noncurrent	**132,778**	148,141	121,827	**282,481**	178,427	151,035

(a) Increase in the consolidated amounts arising from acquisition of Hospital São Vicente.

Special Tax Settlement Program (PERT) - Provisional Executive Order (MP) No. 783/2017/Law No. 13496/2017

In October 2017, after an economic analysis jointly with the opinion of outside legal advisors, the Company formalized the enrollment of certain tax proceedings with the Special Tax Settlement Program (PERT), established by Provisional Executive Order (MP) No. 783 of May 31, 2017, which is regulated by Revenue Procedure No. 1711/17 of June 16, 2017, issued by the Brazilian Internal Revenue Service (RFB). The main purpose was to pay tax liabilities under default, then not enrolled with any type of installment payment program, derived from Hospital São Vicente in the amount of R$39,799. Conveniently, the Company also migrated R$66,000 of debts enrolled with the special installment payment program set forth by Law No. 11941/09 to PERT, in order to benefit from reductions in late-payment fines introduced by the new program.

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

14. Tax liabilities and taxes paid for acquisitions (Continued)

b) Taxes paid for acquisitions (Continued)

At December 31, 2017, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2019	**19,326**	2019	**41,115**
2020	**18,367**	2020	**39,075**
2021	**17,391**	2021	**36,999**
2022	**15,277**	2022	**32,501**
2023 to 2030	**62,417**	2023 to 2030	**132,791**
	132,778		**282,481**

15. Accounts payable for acquisitions

	Restatement	Parent Company			Consolidated		
Acquisitions	**index**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
São Luiz	CDI	**-**	-	40,288	**-**	-	40,288
Ribeirão Pires	CDI	**19,510**	69,810	-	**19,510**	69,810	-
Bartira	CDI	**-**	36,256	31,803	**-**	36,256	31,803
IFOR	CDI	**11,630**	10,577	9,278	**11,630**	10,577	9,278
Norte	CDI	**-**	7,477	16,757	**-**	7,477	16,757
Acreditar	CDI	**13,827**	12,575	-	**13,827**	12,575	-
São Marcos	CDI	**-**	6,872	6,028	**-**	6,872	6,028
Alphamed	CDI	**6,758**	6,146	-	**6,758**	6,146	-
Vivalle	CDI	**-**	5,395	4,732	**-**	5,395	4,732
Oncologia RJ	CDI	**-**	-	-	**39,364**	35,801	31,404
CEHON	CDI	**-**	-	-	**-**	9,526	-
Salus	IPCA	**-**	-	-	**6,862**	6,589	-
Sator	SELIC	**15,923**	-	-	**15,923**	-	-
Other acquisitions	CDI	**24,148**	38,569	37,542	**24,630**	43,294	38,847
		91,796	193,677	146,428	**138,504**	250,318	179,137
Current		**18,904**	122,067	93,335	**26,249**	143,619	98,918
Noncurrent		**72,892**	71,610	53,093	**112,255**	106,699	80,219

Accounts payable for acquisition of companies refer to the remaining balance of the considerations for acquisitions made. At December 31, 2017, noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2019	**18,511**	2019	**18,511**
2020	**15,388**	2020	**54,751**
2021	**6,923**	2021	**6,923**
2022	**23,070**	2022	**23,070**
2023	**9,000**	2023	**9,000**
	72,892		**112,255**

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					
	2017		2016		2015	
	Provision for contingencies	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**
Tax and social security	**24,198**	**(76,755)**	58,944	(44,235)	16,220	(36,309)
Labor	**53,219**	**(5,240)**	50,170	(5,212)	60,196	(5,213)
Civil	**50,772**	**(10,812)**	26,311	(22,668)	27,064	(20,717)
	128,189	**(92,807)**	135,425	(72,115)	103,480	(62,239)

	Consolidated					
	2017		2016		2015	
	Provision for contingencies	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**
Tax and social security	**49,424**	**(99,169)**	79,811	(54,794)	59,132	(48,987)
Labor	**63,136**	**(7,718)**	60,014	(7,702)	71,859	(5,784)
Civil	**65,419**	**(12,585)**	50,284	(27,263)	48,578	(23,668)
	177,979	**(119,472)**	190,109	(89,759)	179,569	(78,439)

16. Provision for contingencies and judicial deposits (Continued)

16.1. Contingencies assessed as probable loss

Changes in provisions for contingencies for 2017, 2016 and 2015 were as follows:

	Parent Company			
	Tax and social security	**Labor**	**Civil**	**Total**
Balances at January 1, 2015	42,751	48,463	25,563	116,777
Additions, net of reversals	(16,367)	13,985	5,972	3,590
Monetary restatement	2,306	807	748	3,861
Payments	(17,671)	(3,059)	(5,219)	(25,949)
Additions from acquisitions (*)	5,201	-	-	5,201
Balances at December 31, 2015	16,220	60,196	27,064	103,480
Additions, net of reversals	(6,765)	(1,350)	8,115	-
Monetary restatement	2,043	715	2,239	4,997
Payments	-	(11,145)	(11,219)	(22,364)
Additions from acquisitions (*)	47,446	1,754	112	49,312
Balances at December 31, 2016	58,944	50,170	26,311	135,425
Additions, net of reversals	**(34,126)**	**9,872**	**26,776**	**2,522**
Monetary restatement	**3,676**	**3,129**	**1,641**	**8,446**
Payments	**(4,296)**	**(9,952)**	**(3,956)**	**(18,204)**
Balances at December 31, 2017	**24,198**	**53,219**	**50,772**	**128,189**

(*) Additions related to the subsidiaries merged in the years (Sino Brasileiro in 2015, Hospital e Maternidade Bartira, Hospital IFOR and Hospital Villa-Lobos in 2016).

16. Provision for contingencies and judicial deposits (Continued)

16.1 Contingencies assessed as probable loss (Continued)

	Consolidated			
	Tax and social security	Labor	Civil	Total
Balances at January 1, 2015	45,662	51,932	38,153	135,747
Additions, net of reversals	(14,561)	7,254	6,314	(993)
Monetary restatement	9,317	7,881	1,311	18,509
Payments	(19,925)	(4,574)	(9,655)	(34,154)
Additions from acquisitions (*)	38,639	9,366	12,455	60,460
Balances at December 31, 2015	59,132	71,859	48,578	179,569
Additions, net of reversals	(5,004)	3,166	5,878	4,040
Monetary restatement	5,842	2,874	2,915	11,631
Payments	(4)	(19,961)	(11,747)	(31,712)
Additions from acquisitions (*)	19,845	2,076	4,660	26,581
Balances at December 31, 2016	79,811	60,014	50,284	190,109
Additions, net of reversals	**(26,662)**	**15,423**	**14,028**	**2,789**
Monetary restatement	**4,234**	**3,184**	**2,668**	**10,086**
Payments	**(9,410)**	**(15,485)**	**(1,561)**	**(26,456)**
Enrollment with REFIS (Note 14.b)	**(7,519)**	**-**	**-**	**(7,519)**
Additions from acquisitions (*)	**8,970**	**-**	**-**	**8,970**
Balances at December 31, 2017	**49,424**	**63,136**	**65,419**	**177,979**

(*) Additions related to acquisitions performed in the respective years (Bartira, Villa-Lobos, Sino Brasileiro, Santa Helena and Hospital Fluminense in 2015, Hospital Memorial, Alpha-Med and Ribeirão Pires in 2016, and Hospital São Vicente in 2017).

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

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

Civil and administrative proceedings particularly refer to compensation for property damages and pain and suffering.

16. Provision for contingencies and judicial deposits (Continued)

16.2. Contingencies assessed as possible loss

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

	Parent Company			Consolidated		
	2017	2016	2015	2017	2016	2015
Tax and social security (a)	**381,909**	**82,860**	**74,829**	**459,095**	**153,654**	**86,253**
Labor (b)	**263,482**	**138,337**	**78,958**	**325,258**	**169,596**	**95,466**
Civil (c)	**114,004**	**120,110**	**71,691**	**204,031**	**191,702**	**132,648**
	759,395	**341,307**	**225,478**	**988,384**	**514,952**	**314,367**

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

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

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

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

17. Commitments

At December 31, 2017, 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 values)	
2018	**270,236**	**340,201**
2019	**270,368**	**340,332**
2020	**262,764**	**332,729**
2021	**247,673**	**317,638**
2022 to 2050	**3,198,467**	**4,152,279**
	4,249,508	**5,483,179**

Lease expenses recognized in the year amounted R$286,867 (R$265,183 in 2016 and R$219,766 in 2015) in the Parent Company, and R$352,483 (R$283,994 in 2016 and R$256,720 in 2015) in the Consolidated, referring to all hospitals of Rede D'Or, except for owned buildings of Hospital e Maternidade Assunção, Hospital e Maternidade Nossa Senhora de Lourdes, Hospital Vivalle, Hospital Copa Star and Hospital Morumbi.

18. Equity

a) Capital stock

Breakdown of Company's capital stock is as follows:

	2017		2016		2015	
Shareholders	Number of shares	Equity interest	Number of shares	Equity interest	Number of shares	Equity interest
Controlling family (a)	**263,849,784**	57.03%	263,849,784	57.03%	263,227,301	56.90%
Pacific RDSL Participações (b)	**119,269,748**	25.78%	119,269,748	25.78%	118,988,362	25.72%
Carlyle Group (c)	**54,625,943**	11.81%	54,625,943	11.81%	54,497,067	11.78%
Other	**22,166,942**	4.79%	22,166,942	4.79%	23,199,687	5.01%
Total common shares	**459,912,417**	99.41%	459,912,417	99.41%	459,912,417	99.41%
Preferred shares	**2,734,600**	0.59%	2,734,600	0.59%	2,734,600	0.59%
Total shares	**462,647,017**	100.00%	462,647,017	100.00%	462,647,017	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 controlling shareholders and from BTG Pactual Saúde Fundo de Investimento em Participações in 2015.

(c) Represented by funds HPT Participações S.A. and RDSL Investimento Secundário FIP.

Subscribed and paid-in capital at December 31, 2017, 2016 and 2015, amounts to R$867,776, represented by 459,912,417 registered common shares and 2,734,600 registered class A preferred shares, with no par value. As approved in the Company's Articles of Incorporation, the limit of authorized capital is up to 2 billion of shares (units).

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

At the Special General Meeting (SGM) 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 that same date, R$33,613 was allocated from income reserve (investment reserve) to capital increase, without issue of new shares.

18. Equity (Continued)

a) Capital (Continued)

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, through issue of 91,633,457 new common registered shares, with no par value, accounting for 21.53% of the Company's capital, 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 under 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 premium on subscription of shares, through issue of 37,051,337 new common shares, representing 8.38% of the capital stock of Rede D'Or. The 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.

b) Allocation of income

The legal reserve is set up at 5% of net income for the year, limited to 20% of capital stock or until its balance plus capital reserves exceeds 30% of the amount of capital stock (Law No. 6404/76, article 193).

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.

18. Equity (Continued)

b) Allocation of income (Continued)

The calculation of dividends and interest on equity are as follows:

	2017	2016	2015
Net income for the year	**979,570**	801,871	724,733
Legal reserve (article 193 of Law no. 6404) (*)	**-**	-	-
Mandatory minimum dividend calculation base	**979,570**	801,871	724,733
Mandatory minimum dividend (including interest on equity)	**244,893**	200,468	181,183
Dividends and interest on equity in addition to mandatory minimum dividend approved at the General Meeting	**60,259**	68,815	-
Dividends per thousand shares - in reais	**0.6635**	0.5855	0.4285

(*) The Company did not set up a legal reserve based on Law No. 6404, article 193 paragraph 1, since the legal reserve plus the capital reserves exceeds 30% of capital stock.

Changes in dividends and Interest on Equity (IOE) payable were as follows:

Balance at January 1, 2015	159,578
Allocation of dividends and interest on equity	181,183
Payment of dividends and interest on equity	(8,723)
Withholding Income Tax (IRRF)	(16,034)
Balance payable at December 31, 2015	316,004
Allocation of additional dividends in excess of mandatory minimum dividend	68,815
Allocation of dividends and interest on equity	200,468
Payment of dividends and interest on equity	(125,210)
Withholding Income Tax (IRRF)	(33,818)
Balance payable at December 31, 2016	427,259
Allocation of additional dividends in excess of mandatory minimum dividend (*)	**730,717**
Allocation of dividends and interest on equity	**318,142**
Payment of dividends and interest on equity	**(976,176)**
Reinvested dividends	**(184,960)**
Withholding Income Tax (IRRF)	**(39,486)**
Balance payable at December 31, 2017	**275,496**

(*) On December 21, 2016, the Board of Directors proposed the allocation of additional dividends in excess of mandatory minimum dividend in the amount of R$730,717, which was recorded in equity at December 31, 2016, paid on January 5, 2017 and duly approved thereafter at the General Meeting.

The distribution, payment and reinvestment of dividends and interest on equity were approved at the General Meeting. On February 16, 2018, Rede D'Or distributed interest on equity referring to 2017, in the amount of R$305,151.

18. Equity (Continued)

b) Allocation of income (Continued)

At the Annual General Meeting, the Company will allocate the existing balance to income reserve, as determined in its Articles of Incorporation and Law No. 6404.

c) Treasury shares

At December 31, 2017, the Company held 19,222,619 registered common shares, with no par value, of Rede D'Or, in the amount of R$339,468, 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, 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
Acquisitions made	**1,482,639**	**33.20**	**49,225**
Sales made	**(1,994,419)**	**20.70**	**(41,282)**
Balance at December 31, 2017	**19,222,619**	**17.66**	**339,468**

Shares purchased and sold in 2015,2016 and 2017 substantially refer to the share-based payment option plan, as follows.

d) Share-based payment (stock options)

First Stock Option Plan

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

18. Equity (Continued)

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

First Stock Option Plan (Continued)

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

The strike price of options granted was R$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.

The strike price of options granted is R$9.24 per share for the Second Plan and R$9.34 per share for the Third Plan. Strike prices are increased by 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

Fourth Stock Option Plan

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

The Company granted to beneficiaries of the first series of the Four 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 have to work for the Company for at least three years (vesting period). Company managing officers and employees participating in this stock option plan will be fully entitled to such options as follows: 10% after 12 months from June 2, 2015; 10% 24 months thereafter; 20% 36 months thereafter; 20% 48 months thereafter; 20% 60 months thereafter; 10% 72 months thereafter; and 10% 84 months thereafter. The participants have a maximum forty-eight months from the end of the vesting period to exercise the options.

The strike price of options granted in the first series is R$13.99 per share and for the second series is R$9.00 per shares, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

Fifth Stock Option Plan

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.

18. Equity (Continued)

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

Fifth Stock Option Plan (Continued)

In order to be entitled to the right to stock options, beneficiaries have to work for the Company for at least three years (vesting period). Company managing officers and employees participating in this stock option plan will be fully entitled to such options as from March 31, 2016. The participants have a maximum forty-eight months from the end of the vesting period to exercise the options.

For the beneficiaries of the second series, the stock option is composed of five lots of 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 strike price of options granted in the first series is R$9.00 per share and for the second series is R$12.68 per shares, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

Sixth Stock Option Plan

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 strike price of 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.

18. Equity (Continued)

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

Seventh Stock Option Plan

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

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

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

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

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

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

The strike price of options granted in the fourth series is R$53.69 per share, increased by the IPCA 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 the 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	Expired
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
03/31/2014	786,960	31.74%	9.11%	14.26	Expired
03/31/2015	786,960	31.74%	10.23%	14.21	Expired
03/31/2016	786,960	31.74%	10.89%	14.16	Expired
03/31/2017	786,960	31.74%	11.34%	14.15	Expired
03/31/2018	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	Expired
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	Expired
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
03/30/2016	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

Fifth Stock Option Plan (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	Expired
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	Expired
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	Expired
Total	460,000	Average risk-free rate	11.98%		

18. Equity (Continued)

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

Seventh Stock Option Plan (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	Expired
Total	80,000	Average risk-free rate	11.87%		

Fourth series

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
01/01/2021	513,251	25.65%	10.73%	69.01	Unexpired
01/01/2022	186,502	25.65%	10.73%	69.01	Unexpired
01/01/2023	70,000	25.65%	10.73%	69.01	Unexpired
Total	769,753	Average risk-free rate	10.73%		

The effects of share-based payment (stock option plan), covering all granted and outstanding options, in equity and Profit or 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	**27,363**	**27,363**	**65,710**
2015	**51,949**	**51,949**	**117,659**
2016	**30,864**	**30,864**	**148,523**
2017	**32,599**	**32,599**	**181,122**
2018	**5,713**		
2019	**3,614**		
2020	**2,977**		
2021	**1,216**		
2022	**257**		
2023	**64**		
	194,963		

18. Equity (Continued)

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

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. In 2017, second plan executives exercised their put options of all expired shares against the Company, which purchased 881,788 in shares and recorded them as treasury shares.

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

e) Acquisition of noncontrolling interest

On July 31, 2017, Rede D'Or acquired additional interest of 42% in JTO Holding. The consideration transferred for the additional interest of 42% totaled R$77,702. Since the Company already held control over this investee, the excess amount of R$72,022 paid on equity was recorded as goodwill on capital transactions directly in equity.

On November 22, 2017, subsidiary Onco D'Or acquired an additional interest of 40% in Acreditar and additional interest of 30% in Oncobrasilia. The consideration transferred for the additional interests totaled R$41,823. As the Company already held control over these investee, the excess amount of R$20,001 paid on equity was recorded as goodwill on capital transactions directly in equity.

In addition, in 2017 the Company also acquired other additional interests in subsidiaries, whose excess amounts totaling R$6,186 paid on equity were recorded as goodwill on capital transactions directly in equity.

19. Income and social contribution taxes

Income and social contribution tax expenses for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Deferred taxes						
Income tax	**(41,116)**	4,797	(100,489)	**(34,746)**	29,475	(92,130)
Social contribution tax	**(14,801)**	1,727	(36,182)	**(12,544)**	10,580	(33,208)
	(55,917)	6,524	(136,671)	**(47,290)**	40,055	(125,338)
Current taxes						
Income tax	**(156,051)**	(124,957)	(28,809)	**(288,665)**	(247,732)	(98,647)
Social contribution tax	**(60,301)**	(46,100)	(9,653)	**(110,382)**	(91,438)	(35,475)
	(216,352)	(171,057)	(38,462)	**(399,047)**	(339,170)	(134,122)
Income and social contribution tax expense	**(272,269)**	(164,533)	(175,133)	**(446,337)**	(299,115)	(259,460)

Changes in deferred income and social contribution tax assets and liabilities at December 31, 2017, 2016 and 2015 were as follows:

	Parent Company								
	2014	**Additional benefits (expenses) recorded**	**Additions from business combinations**	**2015**	**Additional benefits (expenses) recorded**	**Additions from business combinations**	**2016**	**Additional benefits (expenses) recorded**	**2017**
Assets									
Tax losses	25,148	(11,765)	-	13,383	(11,000)	-	2,383	**(2,383)**	**-**
Social contribution tax loss	9,053	(4,236)	-	4,817	(3,960)	-	857	**(857)**	**-**
Allowance for doubtful accounts	49,049	7,710	9,707	66,466	28,699	8,780	103,945	**12,600**	**116,545**
Allowance for disallowances	53,006	(11,882)	472	41,596	18,344	5,851	65,791	**31,001**	**96,792**
Contingencies	39,704	(7,602)	6,911	39,013	(5,837)	17,457	50,633	**(2,460)**	**48,173**
Provision for inventories	1,159	-	-	1,159	-	-	1,159	**(1,159)**	**-**
Provision for bonus	19,144	(250)	-	18,894	(3,384)	-	15,510	**3,661**	**19,171**
Foreign exchange variation	-	-	-	-	-	-	-	**25,129**	**25,129**
Provision for losses	9,088	1,149	1,354	11,591	-	4,937	16,528	**(16,528)**	**-**
Deferred gain on property disposals	19,022	(1,333)	-	17,689	13,287	-	30,976	**(3,735)**	**27,241**
Taxes - Judicial deposits	1,964	2,690	-	4,654	1,719	7	6,380	**(1,410)**	**4,970**
Provision for overtime	4,953	(3,691)	-	1,262	2,594	-	3,856	**(2,237)**	**1,619**
Swap variation	-	-	-	-	54,211	-	54,211	**(27,146)**	**27,065**
Total deferred tax assets	231,290	(29,210)	18,444	220,524	94,673	37,032	352,229	**14,476**	**366,705**
Liabilities									
Differences between accounting and tax base of goodwill	(269,132)	(82,498)	-	(351,630)	(74,058)	-	(425,688)	**(70,393)**	**(496,081)**
Gain on acquisition in steps	-	(22,550)	-	(22,550)	(26,323)	-	(48,873)	**-**	**(48,873)**
Swap variation	(9,819)	(2,413)	-	(12,232)	12,232	-	-	**-**	**-**
Total deferred tax liabilities	(278,951)	(107,461)	-	(386,412)	(88,149)	-	(474,561)	**(70,393)**	**(544,954)**
Net effect - asset (liability)	(47,661)	(136,671)	18,444	(165,888)	6,524	37,032	(122,332)	**(55,917)**	**(178,249)**

19. Income and social contribution taxes (Continued)

	Consolidated									
	2014	Additional benefits (expenses) recorded	Additions from business combinations	2015	Additional benefits (expenses) recorded	Additions from business combinations	2016	Additional benefits (expenses) recorded	Additions from business combinations	2017
Assets										
Tax losses	25,148	(11,250)	-	13,898	(10,167)	-	3,731	**1,020**	**9,962**	**14,713**
Social contribution tax loss	9,053	(4,052)	-	5,001	(3,660)	-	1,341	**368**	**3,586**	**5,295**
Allowance for loan losses	57,660	5,437	34,501	97,598	38,584	3,021	139,203	**12,682**	**2,682**	**154,567**
Allowance for disallowances	58,446	7,624	16,653	82,723	47,616	3,189	133,528	**44,379**	**2,773**	**180,680**
Contingencies	41,024	(5,353)	42,281	77,952	(7,650)	9,528	79,830	**(7,174)**	**3,081**	**75,737**
Provision for inventories	1,159	-	-	1,159	-	-	1,159	**(1,159)**	**-**	**-**
Provision for bonus	19,144	(250)	-	18,894	(2,953)	-	15,941	**4,710**	**-**	**20,651**
Foreign exchange differences	-	-	-		-	-	-	**25,129**	**-**	**25,129**
Provision for losses	9,088	4,846	1,353	15,287	-	-	15,287	**(15,287)**	**-**	**-**
Deferred gain on property disposals	19,022	(1,333)	-	17,689	13,287	-	30,976	**(3,735)**	**-**	**27,241**
Provision for overtime	6,870	(5,023)	-	1,847	4,078	-	5,925	**(1,838)**	**-**	**4,087**
Swap variation	-	-	-	-	54,211	-	54,211	**(27,146)**	**-**	**27,065**
Other	2,127	3,841	-	5,968	1,818	-	7,786	**(6,817)**	**-**	**969**
Total deferred tax assets	248,741	(5,513)	94,788	338,016	135,164	15,738	488,918	**25,132**	**22,084**	**536,134**
Liabilities										
Differences between accounting and tax base of goodwill	(287,949)	(94,748)	(14,906)	(397,603)	(78,240)	-	(475,843)	**(74,496)**	**-**	**(550,339)**
Gain on acquisition in steps	(17,848)	(22,550)	-	(40,398)	(29,101)	-	(69,499)	**-**	**-**	**(69,499)**
Swap variation	(9,819)	(2,413)	-	(12,232)	12,232	-	-	**-**	**-**	**-**
Deferred revenue	-	(114)	(23,309)	(23,423)	-	-	(23,423)	**2,074**	**-**	**(21,349)**
Total deferred tax liabilities	(315,616)	(119,825)	(38,215)	(473,656)	(95,109)	-	(568,765)	**(72,422)**	**-**	**(641,187)**
Net effect - asset (liability)	(66,875)	(125,338)	56,573	(135,640)	40,055	15,738	(79,847)	**(47,290)**	**22,084**	**(105,053)**
Assets as per balance sheet	8,864			80,607			70,668			**113,043**
Liabilities as per balance sheet	(75,739)			(216,247)			(150,515)			**(218,096)**

The reconciliation of income and social contribution taxes to the amount determined at the statutory rate for 2017, 2016 and 2015 is as follows:

	Parent Company			Consolidated		
	2017	2016	2015	2017	2016	2015
Income before income and social contribution taxes	**1,226,293**	966,404	899,866	**1,424,934**	1,115,073	1,009,611
Income and social contribution tax expense at the statutory rate of 34%	**416,940**	328,577	305,954	**484,478**	379,125	343,268
Adjustments to determine the effective tax rate						
Interest on debentures recorded as equity instrument	**-**	-	(19,755)	**-**	-	(19,755)
Equity pickup	**(90,648)**	(77,865)	(89,492)	**(6,405)**	(6,580)	(13,378)
Stock option expenses	**11,084**	10,494	17,663	**11,084**	10,494	17,663
Expenses with interest and fines	**-**	-	1,366	**-**	-	1,371
Interest on equity	**(103,733)**	(91,541)	(46,459)	**(103,733)**	(91,541)	(46,459)
Unrecognized tax credit	**32,475**	-	-	**36,883**	5,389	(10,111)
Effects of companies taxed under the regime whereby profit is computed as a percentage of their gross revenue	**-**	-	-	**15,648**	9,136	(5,457)
Other	**6,151**	(5,132)	5,856	**8,382**	(6,908)	(7,682)
Expense (benefit) in the income statement	**272,269**	164,533	175,133	**446,337**	299,115	259,460
Effective rate	**22%**	17%	19%	**31%**	27%	26%

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

20. Net revenue

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Gross revenue	**7,167,548**	6,262,733	5,127,104	**10,472,482**	8,816,530	7,158,423
Deductions from revenue						
Cancellations and rebates	**(288,852)**	(230,925)	(176,992)	**(476,077)**	(383,920)	(279,619)
Taxes on revenues	**(378,566)**	(362,394)	(301,180)	**(578,998)**	(520,142)	(426,736)
	6,500,130	5,669,414	4,648,932	**9,417,407**	7,912,468	6,452,068

The Company has no revenues arising from customers outside Brazil.

21. Costs of services provided

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Personnel	**(1,946,255)**	(1,698,432)	(1,297,563)	**(2,799,092)**	(2,327,391)	(1,828,272)
Materials and medicines	**(1,148,334)**	(1,075,610)	(883,700)	**(1,779,388)**	(1,525,510)	(1,205,523)
Third-party services	**(798,500)**	(740,685)	(711,967)	**(1,506,311)**	(1,345,521)	(1,202,326)
Utilities and services	**(113,190)**	(97,251)	(82,833)	**(161,134)**	(136,302)	(115,577)
Rentals	**(286,867)**	(265,183)	(219,766)	**(352,483)**	(283,994)	(245,986)
Depreciation and amortization	**(211,372)**	(213,191)	(102,419)	**(282,544)**	(253,704)	(134,478)
	(4,504,518)	(4,090,352)	(3,298,248)	**(6,880,952)**	(5,872,422)	(4,732,162)

22. General and administrative expenses

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Personnel	**(222,085)**	(182,381)	(185,341)	**(222,085)**	(182,381)	(185,341)
Third-party services	**(50,475)**	(38,526)	(43,105)	**(50,475)**	(38,526)	(43,105)
Trips and lodging	**(17,174)**	(14,965)	(12,039)	**(22,871)**	(18,866)	(15,505)
Depreciation and amortization	**(25,432)**	(17,909)	(16,748)	**(25,432)**	(17,909)	(16,748)
Provision for contingencies	**(2,522)**	-	(3,590)	**(2,789)**	(4,040)	993
	(317,688)	(253,781)	(260,823)	**(323,652)**	(261,722)	(259,706)

23. Selling expenses

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Allowance for doubtful accounts	**(37,058)**	(84,409)	(22,677)	**(37,300)**	(114,251)	(15,991)
Marketing	**(16,190)**	(13,823)	(10,157)	**(20,871)**	(16,787)	(11,844)
	(53,248)	(98,232)	(32,834)	**(58,171)**	(131,038)	(27,835)

24. Other operating expenses, net

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Taxes, charges and fines (a)	**(28,228)**	(24,976)	(17,795)	**(58,846)**	(34,215)	(22,965)
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 (b)	**(1,974)**	-	-	**(1,974)**	(22,475)	-
Machinery and equipment	**(12,321)**	(11,451)	(5,394)	**(17,624)**	(14,902)	(6,947)
Disposal of property and equipment	**(2,000)**	(4,671)	-	**(2,086)**	(4,669)	-
Freight expenses	**(16,990)**	(4,036)	(1,753)	**(19,007)**	(4,600)	(2,164)
Legal fees	**(6,537)**	(2,728)	(6,744)	**(9,764)**	(3,853)	(9,480)
Insurance	**(2,101)**	(2,180)	(1,292)	**(3,120)**	(2,773)	(1,564)
Other expenses and revenues	**(22,867)**	(32,465)	(7,541)	**(57,229)**	(53,009)	(19,384)
	(89,098)	(1,422)	29,723	**(165,730)**	(51,241)	7,738

(a) In 2017, the expense includes the amount of the fine from Infraero referring to the lease of Hospital Esperança, in the amount of R$16,272.

(b) In 2016, the amount of loss 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 (expenses) for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Short-term investment yield	**87,794**	208,611	93,397	**162,013**	258,293	121,641
Foreign exchange differences on financing, net	**(76,136)**	205,288	(76,107)	**(76,180)**	205,792	(77,789)
Fair value of debt	**(22,448)**	(24,768)	-	**(22,448)**	(24,768)	-
Derivatives' fair value (swaps)	**(16,205)**	(295,026)	47,271	(16,205)	(295,026)	47,271
Interest and monetary variation on financing	**(60,975)**	(76,924)	(67,297)	**(64,418)**	(77,070)	(67,297)
Interest payable on debentures	**(394,875)**	(480,601)	(413,625)	**(455,669)**	(538,585)	(463,528)
Taxes on financial income (expenses)	**(12,184)**	(15,355)	(7,133)	**(17,436)**	(18,422)	(8,762)
Other financial income (expenses)	**(80,867)**	(9,462)	(14,837)	**(92,463)**	(10,538)	(21,376)
	(575,896)	(488,237)	(438,331)	**(582,806)**	(500,324)	(469,840)
Total financial income	**105,576**	432,532	144,959	**181,070**	491,340	169,632
Total financial expenses	**(681,472)**	(920,769)	(583,290)	**(763,876)**	(991,664)	(639,472)
	(575,896)	(488,237)	(438,331)	**(582,806)**	(500,324)	(469,840)

26. Earnings per share

a) Basic earnings per share

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

	2017	**2016**	**2015**
Profit attributable to Company shareholders	**954,024**	801,871	724,733
Weighted average number of issued common and preferred shares (thousands)	**442,769**	439,297	396,753
Basic earnings per share in reais (R$)	**2.1547**	1.8254	1.8267

b) Diluted earnings per share

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

26. Earnings per share (Continued)

b) Diluted earnings per share (Continued)

	2017	2016	2015
Income attributable to the Company's controlling shareholders	**954,024**	801,871	724,733
Weighted average number of issued common and preferred shares (thousands)	**442,769**	439,297	396,753
Dilution instruments - weighted average number of shares (thousands)			
Stock options	**2,972**	4,514	3,954
Convertible debentures	**-**	-	30,126
Total dilution instruments	**2,972**	4,514	34,080
Diluted earnings per share - in reais (R$)	**2.1403**	1.8068	1.6822

27. Financial instruments and financial risk management

27.1. Classification of 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, 2017, 2016 and 2015, the Company or 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 and liabilities.

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

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

27. Financial instruments and financial risk management (Continued)

27.1. Classification of financial instruments by category (Continued)

The following tables present breakdown of financial assets and liabilities at December 31, 2017, 2016 and 2015:

		Parent Company			
		Fair value	Book balance		
Financial assets	**Classification by category**	**hierarchy**	**2017**	**2016**	**2015**
Cash and cash equivalents	Measured at fair value	Level 2	**32,559**	20,306	93,365
Marketable securities	Measured at fair value	Level 2	**1,006,117**	1,968,899	679,032
Accounts receivable	Loans and receivables		**1,886,908**	1,446,998	1,321,647
Dividends receivable	Loans and receivables		**41,195**	-	27,977
Financial instrument - promissory note	Loans and receivables		**-**	-	944,435
Receivables from disposal of properties	Loans and receivables		**-**	-	73,926
Judicial deposits	Loans and receivables		**92,807**	72,115	62,239
Derivatives	Fair value through profit or loss	Level 2	**99,968**	30,275	35,956
			3,159,554	3,538,593	3,238,577

		Fair value	Book balance		
Financial liabilities	**Classification by category**	**hierarchy**	**2017**	**2016**	**2015**
Trade accounts payable	Loans and receivables		**278,647**	265,787	197,627
Loans and financing	Loans and receivables and fair value through profit or loss (a)	Level 2	**2,366,858**	1,287,496	1,154,667
Debentures	Loans and receivables		**3,136,698**	3,716,484	2,757,298
Salaries, provisions and social charges	Loans and receivables		**281,994**	282,584	260,357
Accounts payable for acquisitions	Loans and receivables		**91,796**	193,677	146,428
Derivatives	Fair value through profit or loss	Level 2	**113,342**	168,083	-
			6,269,335	5,914,111	4,516,377

27. Financial instruments and financial risk management (Continued)

27.1. Classification of financial instruments by category (Continued)

Consolidated					
		Fair value	Book balance		
Financial assets	**Classification by category**	**hierarchy**	**2017**	**2016**	**2015**
Cash and cash equivalents	Measured at fair value	Level 2	**140,383**	121,016	144,497
Marketable securities	Measured at fair value	Level 2	**3,120,454**	2,620,387	897,237
Accounts receivable	Loans and receivables		**2,836,744**	2,142,744	1,911,681
Financial instrument - promissory note	Loans and receivables		**-**	-	944,435
Receivables from disposal of properties	Loans and receivables		**-**	-	73,926
Judicial deposits	Loans and receivables		**119,472**	89,759	78,439
Derivatives	Fair value through profit or loss	Level 2	**99,968**	30,275	35,956
			6,317,021	5,004,181	4,086,171

		Fair value	Book balance		
Financial liabilities	**Classification by category**	**hierarchy**	**2017**	**2016**	**2015**
Trade accounts payable	Loans and receivables		**475,546**	423,941	248,247
Loans and financing	Loans and receivables and fair value through profit or loss (a)	Level 2	**2,382,527**	1,294,803	1,175,514
Debentures	Loans and receivables (a)		**5,342,024**	3,977,723	3,060,988
Salaries, provisions and social charges	Loans and receivables		**370,030**	385,023	341,689
Accounts payable for acquisitions	Loans and receivables		**138,504**	250,318	179,137
Derivatives	Fair value through profit or loss	Level 2	**113,342**	168,083	-
			8,821,973	6,499,891	5,005,575

(a) The fair value is measured by the discount to present value of the future flow of the operation. The debt portion 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 + 1.5% and the discount is the CDI + credit risk, which is approximately 1.5% for the reporting date, the book value approximates the fair value of debt notes.

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 capital management objective is to ensure business continuity and maximize return to shareholders.

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

a) Capital management (Continued)

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

	Parent Company			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Cash and cash equivalents	**32,559**	20,306	93,365	**140,383**	121,016	144,497
Marketable securities	**1,006,117**	1,968,899	679,032	**3,120,454**	2,620,387	897,237
	1,038,676	1,989,205	772,397	**3,260,837**	2,741,403	1,041,734
Loans and financing	**(2,366,858)**	(1,287,496)	(1,154,667)	**(2,382,527)**	(1,294,803)	(1,175,514)
Debentures	**(3,136,698)**	(3,716,484)	(2,757,298)	**(5,342,024)**	(3,977,723)	(3,060,988)
Net debt	**(4,464,880)**	(3,014,775)	(3,139,568)	**(4,463,714)**	(2,531,123)	(3,194,768)
Total equity	**4,315,842**	4,286,279	3,810,029	**4,481,144**	4,466,732	3,900,083
Total net debt and equity	**(149,038)**	1,271,504	670,461	**17,430**	1,935,609	705,315
Financial leverage ratio	**1.03**	0.70	0.82	**1.00**	0.57	0.82

b) Interest rate risk

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

The sensitivity analysis of interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at December 31, 2017, and Scenarios II and III take into consideration rate increase by 25% and 50%, respectively. The results, in nominal values, are as follows:

Scenarios	Scenario I current	Scenario II +25%	Scenario III +50%
CDI rate (p.a.)	6.89%	8.61%	10.33%
Projected interest expenses (*)	2,708	3,385	4,062

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

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

c) Credit risk

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

d) Liquidity risk

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

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

	Parent Company					
	2017					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	278,647	-	-	-	-	278,647
Loans and financing	104,278	94,861	468,382	1,420,797	914,860	3,003,178
Debentures	157,234	134,559	802,253	2,198,261	590,696	3,883,003
Salaries, provisions and social charges	281,994	-	-	-	-	281,994
Accounts payable for acquisitions	15,891	3,234	20,577	58,091	12,807	110,600
Derivatives	(38,283)	(35,342)	(79,788)	4,952	175,313	26,852
	799,761	197,312	1,211,424	3,682,101	1,693,676	7,584,274

	Consolidated					
	2017					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	475,546	-	-	-	-	475,546
Loans and financing	107,059	97,899	475,533	1,425,436	914,860	3,020,787
Debentures	226,653	174,957	845,575	3,244,245	2,358,292	6,849,722
Salaries, provisions and social charges	370,030	-	-	-	-	370,030
Accounts payable for acquisition	16,599	10,355	20,577	108,481	12,805	168,817
Derivatives	(38,283)	(35,342)	(79,788)	4,952	175,313	26,852
	1,157,604	247,869	1,261,897	4,783,114	3,461,270	10,911,754

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

d) Liquidity risk (Continued)

	Parent Company					
	2016					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	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
Derivatives	(62,929)	(58,128)	(91,673)	(70,808)	107,365	(176,173)
	985,255	480,926	772,411	3,816,189	652,136	6,706,917

	Consolidated					
	2016					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	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 acquisitions	59,886	89,854	22,633	106,040	5,094	283,507
Derivatives	(62,929)	(58,128)	(91,673)	(70,808)	107,365	(176,173)
	1,305,071	525,652	864,318	3,996,249	652,150	7,343,440

	Parent Company					
	2015					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	197,627	-	-	-	-	197,627
Loans and financing	18,011	18,405	99,265	530,268	712,273	1,378,222
Debentures	223,900	289,241	718,425	1,725,905	130,359	3,087,830
Salaries, provisions and social charges	260,357	-	-	-	-	260,357
Accounts payable for acquisition	78,409	5,763	25,633	10,142	37,156	157,103
Derivatives	(46,040)	(54,919)	(96,574)	(35,809)	430,385	197,043
	732,264	258,490	746,749	2,230,506	1,310,173	5,278,182

	Consolidated					
	2015					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	248,247	-	-	-	-	248,247
Loans and financing	21,925	22,024	102,685	531,310	723,957	1,401,901
Debentures	240,383	318,132	798,224	1,903,607	170,895	3,431,241
Salaries, provisions and social charges	341,689	-	-	-	-	341,689
Accounts payable for acquisition	96,118	5,763	25,633	43,389	20,330	191,233
Derivative	(46,040)	(54,919)	(96,574)	(35,809)	430,385	197,043
	902,322	291,000	829,968	2,442,497	1,345,567	5,811,354

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 13.85% of total consolidated liabilities at December 31, 2017. The Company took out financial instruments to hedge against exchange rate fluctuation (see the following topic). Management understands that the risk of exposure to foreign currency is not significant in relation to its financial position.

f) Derivatives

At December 31, 2017, the Company has swaps recorded based on hedge accounting of fair value for swaps acquired in order hedge the Company against financing in foreign currency. 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.

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

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

f) Derivatives (Continued)

Description	Range of maturity month/year	Reference value (notional)		2017 Reference value Fair value	2016 Reference value Fair value	2015 Reference value Fair value
Swap (CDI vs TJLP)	01/16/2017					
Long position	CDI + 2.0%			-		
Short position	TJLP + 7.07%	R$	-		42	1,852
Swap (CDI vs TJLP)	12/10/2018					
Long position	CDI + 2.30%					
Short position	TJLP + 7.46%	R$	18,750	**(422)**	(261)	1,038
Swap (currency)	04/15/2020					
Long position	LIBOR + 3.30%	US$	14,850			
Short position	CDI + 1.00%	R$	49,124	**22,587**	30,234	55,120
Swap (currency)	11/18/2024					
Long position	USD/BRL + 3.00%	US$	26,274			
Short position	CDI + 1.47%	R$	86,915	**(9,817)**	(15,021)	(1,582)
Swap (currency)	11/18/2024					
Long position	USD/BRL + 3.00%	US$	30,262			
Short position	CDI + 1.62%	R$	100,108	**(14,124)**	(20,830)	(3,097)
Swap (currency)	11/18/2024					
Long position	USD/BRL + 3.00%	US$	75,069			
Short position	CDI + 1.47%	R$	248,330	**(28,216)**	(43,160)	(4,518)
Swap (currency)	11/16/2022					
Long position	USD/BRL + 2.70%	US$	9,277			
Short position	CDI + 1.00%	R$	30,689	**(3,909)**	(6,063)	(289)
Swap (currency)	11/16/2022					
Long position	USD/BRL + 2.70%	US$	2,319			
Short position	CDI + 1.23%	R$	7,672	**(1,205)**	(1,848)	(155)
Swap (currency)	11/16/2027					
Long position	USD/BRL + 6.00%	US$	15,133			
Short position	CDI - 1.71%	R$	50,061	**2,157**	(1,776)	(2,447)
Swap (currency)	11/18/2024					
Long position	USD/BRL + 3.00%	US$	19,706			
Short position	CDI + 1.47%	R$	65,186	**(7,406)**	(11,329)	(1,186)
Swap (currency)	11/18/2024					
Long position	EUR/BRL + 3.00%	EUR	37,452			
Short position	CDI + 2.30%	R$	148,658	**(3,888)**	(32,237)	(7,410)
Swap (currency)	11/18/2024					
Long position	EUR/BRL + 3.00%	US$	9,363			
Short position	CDI + 2.46%	R$	37,165	**(911)**	(8,007)	(1,370)
Swap (currency)	04/20/2020					
Long position	USD/BRL + 3.35%	US$	85,544			
Short position	115% CDI	R$	282,978	**(15,872)**	(27,552)	-
Swap (currency)	08/09/2022					
Long position	USD/BRL + 0.99%	US$	65,212			
Short position	CDI + 1.00%	R$	215,720	**15,673**	-	-
Swap (currency)	04/15/2025					
Long position	USD/BRL + 3.30%	US$	50,490			
Short position	CDI + 2.084%	R$	167,021	**8,944**	-	-
Swap (currency)	04/15/2024					
Long position	USD/BRL + 3.00%	US$	80,735			
Short position	CDI + 1.68%	R$	267,072	**13,905**	-	-
Swap (currency)	04/15/2026					
Long position	USD/BRL + 5.50%	US$	30,428			
Short position	CDI + 0.25%	R$	100,655	**9,130**	-	-
Current assets position				**9,350**	7,145	-
Noncurrent assets position				**90,618**	23,130	35,956
Current liabilities position				**(68,512)**	(113,923)	-
Noncurrent liabilities position				**(44,830)**	(54,160)	-
Effect on profit or loss for the year (fair value of derivatives - swaps)				**(16,205)**	(295,026)	47,271

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

f) Derivatives (Continued)

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

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

Debt - International Finance Corporation (IFC)	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Devaluation of US$ (rate in R$)	-	2.6051	1.7367	-	-
Appreciation of US$ (rate in R$)	3.4734	-	-	4.3418	5.2101
Effect on liabilities in US$					
International Finance Corporation (IFC)	6,993	(34,964)	(69,929)	34,964	69,929
Effect on derivatives					
Swap	564	(2,822)	(5,643)	2,822	5,643
Net effect	7,557	(37,786)	(75,572)	37,786	75,572

Debt - JP Morgan and Citibank	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Devaluation of US$ (rate in R$)	-	2.6051	1.7367	-	-
Appreciation of US$ (rate in R$)	3.4734	-	-	4.3418	5.2101
Effect on liabilities in US$					
Loan 4131 - JP Morgan and Citibank	25,487	(127,433)	(254,867)	127,433	254,867
Effect on derivatives					
Swap	(25,487)	127,433	254,867	(127,433)	(254,867)
Net effect	-	-	-	-	-

28. Insurance coverage

At December 31, 2017, the Company maintains insurance coverage at amounts deemed sufficient by management to cover risks, if any, on its assets and/or liabilities.

Type of coverage	Insured amount
Property risk	**2,114,101**
Directors and Officers Liability (D&O)	**60,000**
Engineering risks	**204,467**
General civil liability	**1,500**

29. Subsequent events

On January 17, 2018, through its wholly-owned subsidiary Rede D'Or Finance, a privately-held corporation located in Luxembourg, Rede D'Or issued Senior Notes, in the total amount of US$500 million, restated by interest of 4.95% p.a., maturing on January 17, 2028, with semiannual interest payments from July 17, 2018 onwards and principal on a lump-sum payment on January 17, 2028. At the same time, through subsidiary Rede D'Or Finance, the Company took out a hedging transaction for exchange hedge and interest rate by reference to the CDI + 2.01% p.a.

On February 7, 2018, through its wholly-owned subsidiary Hospital Esperança S.A., Rede D'Or acquired all of the shares of UDI Hospital - Empreendimentos Médico-Hospitalares do Maranhão Ltda. ("UDI Hospital"), a limited liability company that operates a hospital located in the city of São Luiz (Maranhão State). The consideration transferred totaled R$441,480, of which R$411,480 were paid on the contract execution date and the remaining amount was withheld as collateral for indemnifications by the sellers, and will be paid in six years after the contract date, restated by reference to the CDI.

On March 16, 2018, through a securitization company, Rede D'Or issued registered book-entry Mortgage-backed Securities ("CRIs") in the amount of R$662 million, maturing on March 9, 2023 in a lump-sum payment. The CRI will be remunerated semiannually on a *pro rata temporis* basis, with interest equivalent to 99% of the DI (Interbank Deposit). There are no expected guarantees.