Condensed Interim Financial Information (Unaudited)

Rede D'Or São Luiz S.A.

March 31, 2017
with Independent Auditor's Review Report

Rede D'Or São Luiz S.A.

Condensed interim financial information (unaudited)

March 31, 2017

Contents

Independent Auditor's Review Report 1

Condensed interim financial information

Condensed balance sheets 3
Condensed income statements 5
Condensed statements of comprehensive income 6
Condensed statements of changes in equity 7
Condensed statements of cash flows 8
Condensed statements of value added 9
Notes to condensed interim financial information 10

Building a better working world

Centro Empresarial PB 370
Praia de Botafogo, 370
5º ao 10º andar - Botafogo
22250-040 - Rio de Janeiro - RJ - Brasil
Fax: +55 21 3263 7003
Tel: +55 21 3263-7000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Review Report on Individual and Consolidated Condensed Interim Financial Information prepared in Brazilian currency.

Independent auditor's review report

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

Introduction

We have reviewed the accompanying individual and consolidated condensed interim financial information of Rede D'Or São Luiz S.A. ("Company") for the quarter ended March 31, 2017, which comprises the balance sheet as at March 31, 2017, and the related condensed statements of income, comprehensive income, of changes in equity and of cash flows for the three month period then ended, including the explanatory notes.

Management's responsibility for the interim financial information

Management is responsible for the preparation and fair presentation of the individual and consolidated condensed interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting and with IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated condensed interim financial information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 (R1) and IAS 34.

Building a better working world

Other matters – Statements of value added

We have also reviewed the individual and consolidated statements of value added for the three-month period ended March 31, 2017, prepared under management`s responsibility, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies, however, not required for privately-held entities. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not fairly prepared, in all material respects, in relation to the overall accompanying individual and consolidated condensed interim financial information.

Rio de Janeiro, May 15, 2017

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

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

Rede D'Or São Luiz S.A.

Condensed balance sheets
March 31, 2017 (unaudited) and December 31, 2016
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**3/31/2017**	**12/31/2016**	**3/31/2017**	**12/31/2016**
Assets					
Current assets					
Cash and cash equivalents	**4**	**44,071**	20,306	**146,873**	121,016
Marketable securities	**4**	**820,368**	1,968,899	**1,390,300**	2,620,387
Trade accounts receivable	**5**	**1,569,870**	1,446,998	**2,322,252**	2,142,744
Inventories	**6**	**106,777**	121,497	**166,679**	184,906
Taxes recoverable		**74,694**	146,113	**98,324**	178,468
Derivative financial instruments	**27**	**6,186**	7,145	**6,186**	7,145
Related parties	**7**	**6,440**	9,075	**-**	-
Other		**108,163**	136,973	**142,778**	163,284
Total current assets		**2,736,569**	3,857,006	**4,273,392**	5,417,950
Noncurrent assets					
Related parties	**7**	**1,155,705**	1,149,864	**21,795**	21,621
Deposit for acquisition of property		**-**	-	**85,908**	84,102
Judicial deposits	**16**	**73,996**	72,115	**91,488**	89,759
Deferred income and social contribution taxes	**19**	**-**	-	**85,586**	70,668
Derivative financial instruments	**27**	**21,026**	23,130	**21,026**	23,130
Investments in subsidiaries, affiliates and jointly-controlled subsidiaries	**8**	**1,964,868**	1,892,449	**80,894**	78,164
Property and equipment	**9**	**2,199,246**	2,145,569	**3,181,316**	3,112,345
Intangible assets	**10**	**2,210,605**	2,209,365	**3,330,987**	3,332,183
Other		**29,325**	29,325	**86,630**	67,910
Total noncurrent assets		**7,654,771**	7,521,817	**6,985,630**	6,879,882
Total assets		**10,391,340**	**11,378,823**	**11,259,022**	12,297,832

	Note	Parent Company		Consolidated	
		3/31/2017	12/31/2016	3/31/2017	12/31/2016
Liabilities and equity					
Current liabilities					
Trade accounts payable		**229,324**	265,787	**391,269**	423,941
Derivative financial instruments	**27**	**111,015**	113,923	**111,015**	113,923
Loans and financing	**12**	**108,528**	91,982	**111,294**	95,683
Debentures payable	**13**	**672,829**	787,028	**749,414**	863,620
Salaries, provisions and social charges		**309,565**	264,615	**403,266**	352,096
Tax liabilities	**14**	**74,297**	79,422	**140,031**	223,582
Taxes paid for acquisitions	**14**	**20,641**	21,407	**26,623**	26,384
Accounts payable for acquisitions	**15**	**131,771**	122,067	**149,795**	143,619
Dividends and interest on equity payable	**18**	**248,113**	419,089	**256,538**	427,259
Deferred gain on property disposal	**11**	**3,920**	3,920	**3,920**	3,920
Other		**41,130**	31,151	**50,526**	39,022
Total current liabilities		**1,951,133**	2,200,391	**2,393,691**	2,713,049
Noncurrent liabilities					
Derivative financial instruments	**27**	**106,048**	54,160	**106,048**	54,160
Loans and financing	**12**	**1,220,960**	1,195,514	**1,224,927**	1,199,120
Debentures payable	**13**	**2,797,887**	2,929,456	**2,964,323**	3,114,103
Related parties	**7**	**27,828**	54,684	**60**	111
Taxes paid in installments	**14**	**146,382**	148,141	**176,320**	178,427
Accounts payable for acquisitions	**15**	**51,363**	71,610	**86,163**	106,699
Deferred income and social contribution taxes	**19**	**104,154**	122,332	**134,696**	150,515
Provision for contingencies	**16**	**134,303**	135,425	**186,871**	190,109
Provision for losses on investments	**8**	**58,478**	58,873	**-**	-
Deferred gain on property disposal	**11**	**79,140**	80,120	**79,140**	80,120
Other		**45,821**	41,838	**46,905**	44,687
Total noncurrent liabilities		**4,772,364**	4,892,153	**5,005,453**	5,118,051
Equity	**18**				
Capital		**867,776**	867,776	**867,776**	867,776
Capital reserves		**2,407,292**	2,399,142	**2,407,292**	2,399,142
Treasury shares		**(361,920)**	(331,525)	**(361,920)**	(331,525)
Income reserve		**544,506**	1,346,662	**544,506**	1,346,662
Retained earnings		**205,965**	-	**205,965**	-
Advances for future capital contribution		**4,224**	4,224	**4,224**	4,224
Total equity		**3,667,843**	4,286,279	**3,667,843**	4,286,279
Noncontrolling interests		**-**	-	**192,035**	180,453
Total equity		**3,667,843**	4,286,279	**3,859,878**	4,466,732
Total liabilities and equity		**10,391,340**	11,378,823	**11,259,022**	12,297,832

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed income statements (unaudited)
Three month periods ended March 31, 2017 and 2016
(In thousands of reais)

	Note	Parent Company		Consolidated	
		3/31/2017	3/31/2016	3/31/2017	3/31/2016
Net revenue	20	**1,484,675**	1,291,153	**2,165,378**	1,775,927
Cost of services provided	21	**(1,054,023)**	(917,685)	**(1,598,193)**	(1,307,504)
Gross profit		**430,652**	373,468	**567,185**	468,423
General and administrative expenses	22	**(70,002)**	(58,685)	**(71,111)**	(59,461)
Sales expenses	23	**(9,680)**	(8,775)	**(11,539)**	(9,368)
Equity pickup	8	**80,369**	55,774	**4,109**	3,334
Other operating income (expenses), net	24	**(15,227)**	(13,925)	**(25,398)**	(16,870)
Income before financial income (expenses) and income and social contribution taxes		**416,112**	347,857	**463,246**	386,058
Finance income	25	**58,328**	101,096	**80,393**	109,366
Finance expenses	25	**(229,040)**	(244,145)	**(246,441)**	(259,947)
Income before income taxes		**245,400**	204,808	**297,198**	235,477
Income taxes	19	**(39,435)**	(16,212)	**(84,576)**	(41,943)
Net income for the period		**205,965**	188,596	**212,622**	193,534
Net income attributable to controlling interests		**205,965**	188,596	**205,965**	188,596
Net income attributable to noncontrolling interests		**-**	-	**6,657**	4,938
Basic earnings per share	26	0.4676	0.4285	**-**	-
Diluted earnings per share	26	0.4627	0.4245	**-**	-

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed statements of comprehensive income (unaudited)
Three month periods ended March 31, 2017 and 2016
(In thousands of reais)

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Net income for the period	**205,965**	188,596	**212,622**	193,534
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**205,965**	188,596	**212,622**	193,534
Attributable to				
Controlling shareholders			**205,965**	188,596
Non-controlling shareholders			**6,657**	4,938

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed statements of changes in equity (unaudited)
Three month periods ended March 31, 2017 and 2016
(In thousands of reais)

	Attributable to Company shareholders												
		Capital reserves				Income reserves							
Description	Capital	Goodwill reserve (issue of shares)	Goodwill on capital transactions	Share based payment reserve	Treasury shares	Legal reserve	Investment Reserve	Advance for future capital increase	Retained earnings (accumulated losses)	Additional dividends in excess of mandatory minimum dividends	Total equity	Noncontrolling interests	Total
Balances at December 31, 2015	**867,777**	**2,335,941**	**(72,048)**	**117,658**	**(257,597)**	**8,666**	**805,408**	**4,224**	**-**	**-**	**3,810,029**	**90,054**	**3,900,083**
Acquisition of controlling interest in jointly-controlled subsidiary	-	-	-	-	-	-	-	-	-	-	-	(15,231)	(15,231)
Proposed dividends and interest on equity	-	-	-	-	-	-	(47,512)	-	-	-	(47,512)	(1,498)	(49,010)
Treasury stocks	-	-	-	-	(64,927)	-	-	-	-	-	(64,927)	-	(64,927)
Net income for the period	-	-	-	-	-	-	-	-	188,596	-	188,596	4,938	193,534
Share-based payment reserve	-	-	-	7,525	-	-	-	-	-	-	7,525	-	7,525
Balances at March 31, 2016	**867,777**	**2,335,941**	**(72,048)**	**125,183**	**(322,524)**	**8,666**	**757,896**	**4,224**	**188,596**	**-**	**3,893,711**	**78,263**	**3,971,974**
Balances at December 31, 2016	**867,776**	**2,335,941**	**(85,322)**	**148,523**	**(331,525)**	**8,666**	**607,279**	**4,224**	-	**730,717**	**4,286,279**	**180,453**	**4,466,732**
Acquisition of controlling interest in jointly-controlled subsidiary	-	-	-	-	-	-	-	-	-	**-**	-	5,285	5,285
Proposed dividends and interest on equity (Note 18)	-	-	-	-	-	-	(71,439)	-	-	**(730,717)**	(802,156)	(360)	(802,516)
Treasury stocks (Note 18)	-	-	-	-	(30,395)	-	-	-	-	**-**	(30,395)	-	(30,395)
Net income for the period	-	-	-	-	-	-	-	-	205,965	**-**	205,965	6,657	212,622
Share-based payment reserve	-	-	-	8,150	-	-	-	-	-	**-**	8,150	-	8,150
Balances at March 31, 2017	**867,776**	**2,335,941**	**(85,322)**	**156,673**	**(361,920)**	**8,666**	**535,840**	**4,224**	**205,965**	**-**	**3,667,843**	**192,035**	**3,859,878**

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed statements of cash flows (unaudited)
Three month periods ended March 31, 2017 and 2016
(In thousands of reais, unless otherwise stated)

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Cash flows from operating activities				
Income before income taxes	**245,400**	204,808	**297,198**	235,477
Adjustments to reconcile income with cash from operating activities				
Depreciation and amortization	**51,006**	28,860	**66,722**	36,751
Gain on disposal of properties	**(980)**	(980)	**(980)**	(980)
Fair value of debt	**1,057**	-	**1,057**	-
Interest, monetary and foreign exchange gains (losses), net	**147,841**	171,071	**136,534**	173,211
Share-based payment	**8,150**	7,525	**8,150**	7,525
Provision for contingencies	**2,522**	-	**2,522**	-
Equity pickup	**(80,369)**	(55,774)	**(4,109)**	(3,334)
Allowance for disallowance of claims	**72,458**	52,374	**112,190**	84,139
Allowance for doubtful accounts	**6,707**	4,698	**7,383**	4,698
(Increase) decrease in assets and increase (decrease) in liabilities				
Trade accounts receivable	**(202,037)**	(71,656)	**(299,081)**	(141,151)
Inventories	**14,720**	7,743	**18,227**	13,422
Taxes recoverable	**71,419**	35,829	**80,144**	25,483
Judicial deposits	**(1,881)**	(2,086)	**77**	(2,095)
Other assets	**35,210**	(60,116)	**1,786**	(36,595)
Trade accounts payable	**(36,463)**	(35,557)	**(32,672)**	5,820
Payroll and related charges	**26,981**	37,780	**18,243**	49,323
Tax liabilities	**(47,754)**	(23,120)	**(84,673)**	(31,659)
Taxes paid in installments	**(2,525)**	(821)	**(1,868)**	(2,021)
Related parties	**(30,062)**	6,016	**(225)**	(3,265)
Provision for contingencies	**(3,644)**	(2,095)	**(5,760)**	(5,333)
Other liabilities	**17,783**	(5,021)	**20,496**	(24,362)
	295,539	299,478	**341,361**	385,054
Payment of interests	**(181,337)**	(120,935)	**(190,759)**	(130,454)
Payment of income and social contribution taxes	**(5,452)**	(32,320)	**(89,700)**	(46,650)
Net cash generated by operating activities	**108,750**	146,223	**60,902**	207,950
Cash flows from investing activities				
Payment in business acquisition, net of cash acquired	**-**	(2,549)	**-**	(2,549)
Capital increase in affiliates	**(157)**	-	**-**	-
Additions to property and equipment	**(100,887)**	(135,689)	**(131,572)**	(188,316)
Additions to intangible assets	**(5,036)**	(4,257)	**(2,925)**	(2,302)
Cash from merger of subsidiary	**-**	10,866	**-**	-
Acquisitions of marketable securities	**(4,133,053)**	(1,412,866)	**(4,591,536)**	(1,798,576)
Redemptions of marketable securities	**5,308,770**	1,693,114	**5,866,980**	2,083,903
Net cash used in investing activities	**1,069,637**	148,619	**1,140,947**	92,160
Cash flows from financing activities				
Treasury stock acquired	**(30,395)**	(64,927)	**(30,395)**	(64,927)
Payment of dividends and interest on equity	**(964,718)**	(121,393)	**(964,718)**	(122,891)
Dividends received	**488**	-	**1,379**	2,706
Loans and financing raised	**61,342**	-	**61,342**	-
Swap settlement	**(8,664)**	-	**(8,664)**	-
Payment of debentures	**(202,021)**	(83,951)	**(220,712)**	(89,720)
Accounts payable for acquisitions	**(10,654)**	(75,000)	**(14,224)**	(75,000)
Repayments of loans and financing	**-**	(7,612)	**-**	(1,000)
Cash provided by (used in) financing activities	**(1,154,622)**	(352,883)	**(1,175,992)**	(350,832)
Decrease in cash and cash equivalents	**23,765**	(58,041)	**25,857**	(50,722)
Cash and cash equivalents at beginning of period	**20,306**	93,365	**121,016**	144,497
Cash and cash equivalents at end of period	**44,071**	35,324	**146,873**	93,775

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of value added (unaudited)
Three month periods ended March 31, 2017 and 2016
(In thousands of reais, unless otherwise stated)

	Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Revenue	**1,574,752**	1,369,418	**2,302,140**	1,887,126
Sales of goods, products and services	**1,652,937**	1,425,510	**2,420,733**	1,974,983
Allowance for doubtful accounts and disallowance of claims	**(79,165)**	(57,072)	**(119,573)**	(88,837)
Other revenues	**980**	980	**980**	980
Inputs acquired from third parties	**(494,494)**	(439,662)	**(820,039)**	(667,164)
Cost of services sold	**(462,008)**	(408,459)	**(776,199)**	(631,646)
Materials, energy, third-party services and other	**(29,964)**	(31,203)	**(41,318)**	(35,518)
Loss/recovery of assets	**(2,522)**	-	**(2,522)**	-
Gross value added	**1,080,258**	929,756	**1,482,101**	1,219,962
Depreciation and amortization	**(51,006)**	(28,860)	**(66,722)**	(36,751)
Net value added	**1,029,252**	900,896	**1,415,379**	1,183,211
Value added received in transfer	**138,697**	156,870	**84,502**	112,700
Equity pickup	**80,369**	55,774	**4,109**	3,334
Finance income	**58,328**	101,096	**80,393**	109,366
Total value added	**1,167,949**	1,057,766	**1,499,881**	1,295,911
Distribution of value added	**(1,167,949)**	(1,057,766)	**(1,499,881)**	(1,295,911)
Personnel and related charges	**(497,204)**	(440,232)	**(684,820)**	(579,284)
Taxes, charges and contributions	**(135,239)**	(98,195)	**(227,741)**	(156,860)
Interest, rents and other operating expenses	**(329,541)**	(330,743)	**(374,698)**	(366,233)
Dividends and interest on equity	**802,156**	(47,512)	**802,156**	(47,512)
Retained earnings	**(1,008,121)**	(141,084)	**(1,014,778)**	(146,022)

See accompanying notes.

Rede D'Or São Luiz S.A.

Notes to condensed financial information - unaudited
March 31, 2017
(In thousands, unless otherwise stated)

1. Operations

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

Operating in the states of Rio de Janeiro, São Paulo, Pernambuco and Brasília, the Group operates with 31 own hospitals and 3 under construction, as well as oncology and radiotherapy clinics. Currently, the Group has 4,834 hospital beds in total.

2. Basis of preparation and presentation and significant accounting practices

The accompanying consolidated condensed interim financial information was prepared in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting.

The accounting practices used in this individual and consolidated interim financial information are consistent with those presented in the annual financial statements at December 31, 2016.

P&L for the three-month period ended March 31, 2017, does not necessarily indicate the P&L expected for the entire year ending December 31, 2017. The condensed interim financial information and related notes do not include all the information and disclosures required for the annual financial statements. Therefore, this condensed interim financial information shall be read jointly with the audited annual financial statements as of December 31, 2016.

The preparation of the Company's financial information in accordance with accounting practices adopted in Brazil requires management to use professional judgment and estimates and adopt assumptions that affect the amounts presented in revenues, expenses, assets and liabilities reported in the interim financial information and the corresponding notes. Significant items subject to these estimates and assumptions include the economic useful life and net book value of property and equipment, recoverability of assets, provision for contingencies and fair value of financial instruments, among others. The use of estimates and judgments is complex and considers various future projections and assumptions and, thus, settlement of transactions may result in amounts different from those estimated. The Company reviews its estimates and assumptions at least on an annual basis.

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

Authorization to conclude the preparation of this financial information was provided by Company management on May 15, 2017.

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

	Interest Held (%)			
	3/31/2017		12/31/2016	
	Direct	Indirect	Direct	Indirect
Parent Company - Rede D'Or São Luiz S.A. (a)				
Fully consolidated entities				
Rodin Empreendimentos e Participações S.A.	99.99	0.01	99.99	0.01
Hospital Esperança S.A. ("Esperança")	100.00	-	100.00	-
Diagno São Marcos Ltda.	-	100.00	-	100.00
Mais-Multi Assistência Incorporada a Saúde Ltda. ("Hospital São Marcos")	100.00	-	100.00	-
Rede D'Or São Luiz Serviços Médicos S.A. ("RM")	99.99	0.01	99.99	0.01
Advance Plano de Saúde S.A.	99.99	0.01	99.99	0.01
São Luiz Assistência Médica Ambulatorial Ltda.	0.02	99.98	0.02	99.98
PMJ Empreendimentos Imobiliários S.A.	100.00	-	100.00	-
Quinta Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
Onco D'Or Oncologia S.A.	98.57	-	98.57	-
Onco D'Or PE S.A.	-	67.03	-	67.03
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	-	67.02	-	67.02
Núcleo Especializado em Oncologia e Hemato (NEOH)	-	67.02	-	67.02
Jenner S.A.	50.00	37.50	50.00	37.50
Oncologia D'Or S.A.	7.39	78.36	7.39	78.36
Centro de Oncologia do RJ Ltda. ("Salus")	-	89.55	-	89.55
Centro de Hematologia e Oncologia (CEHON)	-	98.57	-	98.57
Centro Diagnóstico NSL S.A.	98.43	-	98.43	-
Maxclínicas Clínicas e Diagnósticos Ltda.	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
Centro Hospitalar São Marcos S.A.	100.00	-	100.00	-
Esperança Serviços Médicos e de Diagnósticos S.A.	100.00	-	100.00	-
Santa Luzia Assistência Médica S.A. ("SLAM")	100.00	-	100.00	-
Hospital Fluminense S.A.	100.00	-	100.00	-
Cardial Serviços Médicos Ltda.	84.00	-	84.00	-
ONCORAD - Serviços de Radioterapia Ltda.	0.01	83.99	0.01	83.99
Unidade de Radiologia Clínica Ltda. ("URC")	72.00	-	72.00	-
Instituto de Ultrassonografia Médica Ltda. ("IUSM")	72.00	-	72.00	-
Laboratório Análises Clínicas - Labvivalle Ltda.	50.01	-	50.01	-
Norte D'Or Participações S.A.	100.00	-	100.00	-
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	-	70.00	-	70.00
Proncordis Pronto Atendimento Cardiológico Ltda.	1.69	93.95	1.69	93.95
Café Verde da Quinta Ltda.	99.99	0.01	99.99	0.01
Campinas Empreendimentos Imobiliários Ltda. (former D'Or Trading Importação Ltda.)	99.99	0.01	99.99	0.01
IFOR Empreendimentos Imobiliários S.A. (former Park D'Or)	99.99	0.01	99.99	0.01
OPUNER do Brasil Ltda.	99.99	0.01	99.99	0.01
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	87.82	10.18	87.82	10.18
Assunção Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
Villa Lobos Empreendimentos Imobiliários S.A. (former JM01 Emp. Imobiliários S.A.)	99.99	0.01	99.99	0.01
Santa Luzia II Emp. Imobiliários Ltda. (former JM02 Emp. Imobiliários S.A)	99.99	0.01	99.99	0.01
RDSL Empreendimentos Imobiliários S.A.	100.00	-	100.00	-
Rede D'Or São Luiz Soluções Saúde e Segurança	65.00	-	65.00	-
JTO Holding S.A.	50.01	-	50.01	-
JTO-Fundadores Participações Ltda.	10.00	40.01	10.00	40.01
D'Or Consultoria Corretagem, Seguros e Benefícios	-	50.01	-	50.01
Hospital Santa Helena S.A.	100.00	-	100.00	-
Acreditar Oncologia S.A.	60.00	-	60.00	-
Hospital Memorial São José Ltda. ("MSJ")	100.00	-	100.00	-
Prontimagem Serviços Médicos Ltda.	60.10	-	60.10	-
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
Maximagem com Diag. por imagem Ltda.	100.00	-	100.00	-
Noventa e Nove Participações S.A.	100.00	-	100.00	-
Hospital Ribeirão Pires Ltda.	-	100.00	-	100.00
Hospital Alpha Med Ltda.	65.99	34.01	65.99	34.01
Centro de Diagnóstico por Imagem Bartira (CEDIB) (b)	-	-	100.00	-
Atenção Total e Gestão de Saúde Ltda.	99.99	0.01	99.99	0.01

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

	Interest Held (%)			
	3/31/2017		12/31/2016	
	Direct	Indirect	Direct	Indirect
Companies recognized by equity pickup in the consolidated statements				
Instituto Brasiliense de Oncologia Clínica Ltda. (c)	-	40.00	-	40.00
Fujidayclinic Ltda. (c)	-	30.00	-	30.00
IPEC – Instituto de Pesquisa e Ensino CEON Ltda. (c)	-	59.99	-	59.99
Em Frente Distribuição, Manipulação E Nutrição Ltda. (c)	-	59.99	-	59.99
Acreditar Tocantins Oncologia S.A. (c)	-	30.00	-	30.00
Centro Oncológico do Vale Ltda. (c)	-	50.00	-	50.00
Instituto de Radioterapia do Vale do Paraíba Ltda. (c)	-	50.00	-	50.00
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	-	50.00	-
J Badim S.A. ("Hospital Badim")	-	50.00	-	50.00
EAH Administração Hospitalar Ltda.	-	50.00	-	50.00
Memorial Imagem e Diag Ltda. ("Mediax")	15.00	-	15.00	-
GGSH Part. S.A.	21.29	-	21.29	-

(a) This includes hospitals São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or, Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Hospital Santa Luzia, Hospital do Coração, Sinisgalli, Hospital Nossa Senhora de Lourdes, Hospital da Criança, Sino Brasileiro, Villa Lobos, Hospital e Maternidade Bartira, Ifor and Copa Star;.
(b) Company incorporated by the Company on January 1, 2017.
(c) Investees of subsidiary Acreditar Oncologia S.A.

3. Business combination

There were no business combination in the quarter March 31, 2017. The business combinations disclosed in the financial statements as of December 31, 2016, did not change significantly.

4. Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	3/31/2017	**12/31/2016**	**3/31/2017**	**12/31/2016**
Cash and cash equivalents				
Cash and banks	**27,944**	19,397	**49,412**	40,493
Short-term investments	**16,127**	909	**97,461**	80,523
Cash and cash equivalents	**44,071**	20,306	**146,873**	121,016
Marketable securities				
Non-exclusive investment funds	**659,016**	1,048,966	**1,100,252**	1,383,317
Repurchase agreements	**131,920**	316,656	**230,139**	427,394
Financial Treasury Bills (LFT)	**-**	422,833	**-**	569,194
Bank Deposit Certificates (CDBs)	**29,432**	180,444	**59,909**	240,482
Marketable securities	**820,368**	1,968,899	**1,390,300**	2,620,387

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

Short-term investments classified as marketable securities mainly particularly refer to Bank Deposit Certificates (CDBs) and repurchase agreements backed by debentures, which are part of the exclusive "FIM CP Plataforma" fund portfolio, issued by first-tier financial institutions, and with average yield of 72% to 110% of Interbank Deposit Certificate (CDI).

5. Trade accounts receivable

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

	Parent Company		Consolidated	
	3/31/2017	**12/31/2016**	**3/31/2017**	**12/31/2016**
Accounts receivable from health insurance and health plans	**2,236,121**	2,013,274	**3,383,598**	3,040,912
Accounts receivable from individuals	**30,332**	51,142	**30,691**	74,296
Allowances for doubtful accounts and for disallowances	**(696,583)**	(617,418)	**(1,092,037)**	(972,464)
	1,569,870	1,446,998	**2,322,252**	2,142,744

5. Accounts receivable (Continued)

Changes in provision for disallowance of claims and allowance for doubtful accounts

	Parent Company		Consolidated	
	3/31/2017	**12/31/2016**	**3/31/2017**	**12/31/2016**
Balance at the beginning of the year	**(617,418)**	(317,299)	**(972,464)**	(605,121)
Recognition of provision for disallowances of claims	**(72,458)**	(230,925	**(112,190)**	(383,920)
Write-off of uncollectible amounts	**-**	51,445	**-**	151,918
Set up (reversal) of allowance for doubtful accounts	**(6,707)**	(84,409)	**(7,383)**	(114,251)
Provision arising from company acquisitions	**-**	(36,230)	**-**	(21,090)
Balance at end of year	**(696,583)**	(617,418)	**(1,092,037)**	(972,464)

At March 31, 2017 and December 31, 2016, the aging list of trade accounts receivable is as follows:

	Parent Company								
			Overdue						
	Total	**Falling due**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 180 days**	**181 - 360 days**	**Over 360 days**
3/31/2017	**2,266,453**	**1,348,556**	**69,983**	**57,108**	**61,276**	**50,606**	**95,373**	**200,553**	**382,998**
12/31/2016	2,064,416	1,219,060	68,786	63,894	64,129	35,746	66,788	169,722	376,291

	Consolidated								
			Overdue						
	Total	**Falling due**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 180 days**	**181 - 360 days**	**Over 360 days**
3/31/2017	**3,414,289**	**1,933,803**	**120,509**	**87,297**	**87,797**	**76,389**	**171,230**	**362,514**	**574,750**
12/31/2016	3,115,208	1,745,983	95,296	99,364	106,725	74,180	131,497	294,477	567,686

6. Inventories

	Parent Company		Consolidated	
	3/31/2017	**12/31/2016**	**3/31/2017**	**12/31/2016**
Medicine	**29,605**	35,523	**56,426**	67,075
Special materials	**32,331**	34,789	**40,895**	42,408
Disposable materials	**23,430**	28,369	**29,934**	34,035
Bracing and prosthetic	**702**	643	**984**	927
Materials for use and consumption	**7,016**	9,730	**16,210**	18,953
Food items	**1,862**	2,137	**3,319**	3,712
Dressing room materials	**1,322**	1,323	**1,781**	1,994
Surgical sutures	**2,183**	2,440	**2,834**	3,066
Other	**8,326**	6,543	**14,296**	12,736
	106,777	121,497	**166,679**	184,906

7. Transactions with related parties

The nature of the main transactions between related parties are similar to those disclosed in the financial statements corresponding to the year ended December 31, 2017.

Related-party balances

	Parent Company							
	3/31/2017				12/31/2016			
Companies	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	Current assets	Noncurrent assets	Noncurrent liabilities	P&L
Debentures Norte D'Or (a)	6,440	18,200	-	1,034	9,075	19,681	-	3,991
Shared services								
Medise Medicina Diagnóstico e Serviços Ltda.	-	15,701	-	1,677	-	14,024	-	7,237
Hospital Esperança S.A.	-	7,965	-	5,789	-	2,182	-	23,254
Hospital São Marcos S.A	-	17,339	-	934	-	16,405	-	3,683
Hospital Norte D'Or de Cascadura S.A.	-	-	-	-	-	-	-	3,228
Rede D'or São Luiz Serviços Médicos S.A.	-	131,121	-	1,940	-	128,211	-	29,182
J. Badim S.A.	-	1,589	-	469	-	1,120	-	1,812
Oncologia D'Or S.A.	-	10,035	-	408	-	9,627	-	1,533
Hospital Fluminense S.A.	-	7,368	-	656	-	6,712	-	2,803
Esperança Serviços Médicos e de Diagnósticos	-	149	-	29	-			
Centro Diagnóstico NSL	-	303	-	60	-			
São Luiz Serviços Médicos S.A.	-	-	2,582	-	-	-	6,033	-
Centro Dignóstico NSL (b)	-	3,111	-	-	-	3,042	-	-
Hospital Norte D'Or (b)	-	5,423	-	-	-		-	-
Norte D'Or Participações S.A. (b)	-		3,973	-	-		-	-
Hospital De Ribeirão Pires. (b)	-	1,745	-	-	-		-	-
Hospital Alpha Med Ltda. (b)	-	4,640	-	-	-		-	-
Esperança Serviços Médicos e de Diagnósticos (b)	-	867	-	-	-	-	-	-
Unidade de Radiologia Clínica Ltda. (b)	-	10,590	-	-	-	9,162	-	-
Medise Medicina Diagnóstico e Serviços Ltda.	-		11,038	-	-	-	11,814	-
PMJ Assessoria e Consultoria Financeira S.A. (b)	-	100,440	-	-	-	87,540	-	-
Quinta D'Or Empreendimentos Imobiliários S.A. (b)	-	16,265	-	-	-	16,265	-	-
Jenner S.A (b)	-	16,688	-	-	-	16,688	-	-
Oncologia D'Or S.A. (b)	-	7,990	-	-	-	8,716	-	-
Hospital Fluminense S.A. (b)	-	18,353	-	-	-	16,342	-	-
Hospital Esperança S.A. (b)	-	2,542	-	-	-	-	17,981	-
Rede D'Or São Luiz Soluções Saúde e Segurança (b)	-		1,436	-	-	-	-	-
JMJB Diagnósticos e Serviços Hospitalares S.A. (b)	-	7,360	-	-	-	7,801	-	-
Proncordis Pronto Atendimento Cardiologico Ltda. (b)	-	10,228	-	-	-	10,120	-	-
Centro Hospitalar São Marcos Ltda.	-	13,651	-	-	-	11,461	-	-
Cardial Serviços Médicos Ltda.	-	727	-	-	-	-	-	-
Tijuca Empreendimentos Imobiliários Ltda. (former Diagnolab Exames Complementares Ltda.)	-	121	-	-	-	-	-	-
Acreditar Oncologia S.A.	-	1,718	-	-	-	-	-	-
Rodin Empreendimentos e Participações S.A. (b)	-	2,020	-	-	-	-	-	-
Onco D'Or Oncologia S.A. (b)	-	58,900	-	-	-	48,096	-	-
Campinas Empreendimentos Imobiliários Ltda. (b)	-	45,194	-	-	-	45,049	-	-
Hospital Santa Helena S.A. (b)	-	91,165	-	-	-	64,498	-	-
Santa Luzia II Emp. Imobiliários Ltda. (b)	-	246,117	-	-	-	326,107	-	-
IFOR Empreendimentos Imobiliários S.A. (b)	-	193,593	-	-	-	184,523	-	-
Hospital Memorial São José Ltda. (b)	-	12,113	-	-	-	10,987	-	-
GNI01 Emp. Imob. Ltda. (b)	-	29,654	-	-	-	29,654	-	-
Opuner do Brasil Ltda. (b)	-	-	5,809	-	-	-	5,779	-
Assunção Emp. Imobiliários Ltda. (b)	-	4,901	-	-	-	5,082	-	-
Instituto D'Or de Pesquisa e Ensino (b)	-	7,443	-	-	-	7,404	-	-
RDSL Empreendimento Imobiliários (b)	-	10,065	-	-	-	20,559	-	-
Café Verde	-	2,458	-	-	-	-	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	-	-	-	3,950	-	-	-	16,555
Other	-	19,853	2,990	-	-	22,806	13,077	364
	6,440	**1,155,705**	**27,828**	**16,946**	9,075	1,149,864	54,684	93,642

7. Transactions with related parties (Continued)

Related party balances

	Consolidated							
	3/31/2017				12/31/2016			
Companies	Current assets	Noncurent assets	Noncurrent liabilities	P&L	Current assets	Noncurent assets	Noncurrent liabilities	P&L
Shared services								
J. Badim S.A.	-	1,589	-	313	-	1,120	-	1,812
JMJB Diagnósticos e Serviços Hospitalares S.A.	-	7,360	-	-	-	7,801	-	-
Instituto D'Or de Pesquisa e Ensino	-	7,443	-	-	-	7,404	-	-
J. Badim S.A.	-	1,487	-	-	-	1,393	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	-	-	-	3,950	-	-	-	16,555
Outros	-	3,916	60	-	-	3,903	111	-
	-	21,795	60	4,263	-	21,621	111	18,367

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

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

(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 treats as "Key management personnel" only the members of its statutory board and Board of Directors.

At March 31, 2017 and 2016, key management personnel compensation is as follows:

	3/31/2017	3/31/2016
Salaries and bonuses	**3,641**	3,768
Benefits	**41**	46
Share-based payment	**8,150**	7,525
	11,832	11,339

8. Investments

Breakdown of and changes in investments for the period – Parent Company

Parent Company	Balances at 12/31/2016	Equity pickup	Acquisition price adjustment	Dividends	Future capital contributions	Transfer	Other	Merger	Balance at 3/31/2017
Medise Medicina Diagnóstico e Serviços S.A.									
Hospital Esperança S.A.									
Hospital São Marcos (including goodwill)									
PMJ Empreendimentos Imobiliários S.A.									
Norte D'Or Participações S.A. (including goodwill)									
Onco D'Or Oncologia S.A.									
Jenner S.A. (including goodwill)									
JMJB Diagnósticos e Serviços Hospitalares									
Rodin Empreendimentos e Participações S.A.									
Quinta Empreendimentos Imobiliários Ltda.									
Hospital Fluminense S.A. (including goodwill)									
Acreditar Oncologia S.A. (including goodwill)									
Cardial Serviços Médicos (including goodwill)									
Hospital Santa Helena S.A. (including goodwill)									
TJK Empreendimentos Hospitalares									
Memorial São José Ltda. (including goodwill)									
Maximagem - Diagnóstico por Imagem LTDA. (including goodwill)									
GGSH Participações S.A (including goodwill)									
Ribeirão Pires (including goodwill)									
Alpha Med (including goodwill)									
Cedib (including goodwill) (a)									
Outros									
Rede D'or São Luiz Serviços Médicos S.A.									
Centro Hospitalar São Marcos S.A.									
Campinas Empreendimentos Hospitalares									
Proncordis Pronto Atendimento Cardiológico Ltda.									
IFOR Empreendimentos imobiliários S.A (Antiga Park D'Or)									
Café Verde									
Equity pickup									

(a) Company incorporated by the Company on January 1, 2017.

8. Investments (Continued)

Breakdown of and changes in investments for the period – Consolidated (Continued)

Company	Balances at 12/31/2016	Equity pickup	Dividends	Balance in 3/31/2017
JMJB Diganósticos e Serviços Hospitalares S.A.	18,179	1,460	-	19,639
Onco São José dos Campos	35,721	1,557	(1,379)	35,899
GGSH Participações S.A	16,030	283	-	16,313
Other	8,234	809	-	9,043
	78,164	4,109	(1,379)	80,894

8. Investments (Continued)

Breakdown of investments

	3/31/2017							3/31/2016
	% Total	% Voting	Assets	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
Parent Company - Rede D'Or São Luiz S.A. (a)								
Direct and indirect subsidiaries								
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	**98.00**	**98.00**	**231,664**	**77,191**	**154,473**	**8,880**	**1,578**	5,234
Rodin Empreendimentos e Participações S.A.	**100.00**	**100.00**	**54,329**	**2,125**	**52,204**	**(18)**	**(18)**	(13)
Hospital Esperança S.A. ("Esperança")	**100.00**	**100.00**	**878,186**	**648,503**	**229,683**	**46,855**	**23,467**	21,499
Mais-Multi Assistência Incorporada a Saúde Ltda. ("Hospital São Marcos")	**100.00**	**100.00**	**90,130**	**47,155**	**42,975**	**5,417**	**5,059**	6,126
Rede D'Or São Luiz Serviços Médicos S.A.	**100.00**	**100.00**	**196,134**	**178,454**	**17,680**	**1,730**	**2,246**	(5,157)
Advance Plano de Saúde S.A.	**100.00**	**100.00**	**17,795**	**12,429**	**5,366**	**(1,581)**	**(1,399)**	284
São Luiz Assistência Médica Ambulatorial Ltda.	**100.00**	**100.00**	**5,112**	**2,950**	**2,162**	**-**	**-**	-
PMJ Empreendimentos Imobiliários S.A	**100.00**	**100.00**	**175,621**	**103,316**	**72,305**	**(2,028)**	**(1,048)**	(757)
Quinta Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**51,641**	**18,070**	**33,571**	**3,287**	**1,763**	2,818
Onco D'Or Oncologia S.A.	**85.86**	**85.86**	**231,541**	**105,564**	**125,977**	**(575)**	**6,246**	4,406
Jenner S.A.	**82.02**	**82.02**	**127,491**	**16,694**	**110,797**	**(7)**	**7,738**	9,527
Oncologia Rede D'Or S.A.	**81.01**	**81.01**	**212,962**	**95,706**	**117,256**	**12,245**	**8,648**	10,675
Esperança Serviços Médicos e de Diagnósticos S.A.	**100.00**	**100.00**	**6,354**	**2,031**	**4,323**	**447**	**409**	193
Centro Diagnóstico NSL S.A.	**100.00**	**100.00**	**5,466**	**4,039**	**1,427**	**(19)**	**22**	(112)
Maxclínicas Clínicas e Diagnósticos Ltda.	**100.00**	**100.00**	**2,501**	**1,617**	**884**	**(35)**	**(101)**	451
Diagno São Marcos Ltda.	**100.00**	**100.00**	**681**	**4,014**	**(3,333)**	**(376)**	**(404)**	(353)
Diagnolab Exames Complementares Ltda.	**100.00**	**100.00**	**22,314**	**570**	**21,744**	**381**	**279**	(2)
Centro Hospitalar São Marcos S.A.	**100.00**	**100.00**	**1,409**	**26,625**	**(25,216)**	**38**	**(38)**	(46)
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**58.38**	**58.38**	**38,285**	**35**	**38,250**	**305**	**304**	(350)
Santa Luzia Assistência Médica Ltda. ("SLAM")	**100.00**	**100.00**	**5,112**	**2,950**	**2,162**	**(748)**	**(664)**	1,221
Hospital Fluminense S.A.	**100.00**	**100.00**	**51,080**	**39,304**	**11,776**	**5,143**	**3,166**	3,557
Cardial Serviços Médicos Ltda.	**84.00**	**84.00**	**29,534**	**5,327**	**24,207**	**2,901**	**2,689**	1,534
ONCORAD - Serviços de Radioterapia Ltda.	**84.00**	**84.00**	**1,920**	**1,983**	**(63)**	**207**	**112**	(15)
Unidade de Radiologia Clínica Ltda. ("URC")	**72.00**	**72.00**	**21,609**	**15,613**	**5,996**	**961**	**148**	528
Instituto de Ultrasonografia Médica Ltda. ("IUSM")	**72.00**	**72.00**	**1,565**	**299**	**1,266**	**12**	**7**	8
Laboratório Análises Clínicas - Labvivalle Ltda.	**50.01**	**50.01**	**3,675**	**409**	**3,266**	**472**	**461**	444
Norte D'Or Participações S.A.	**100.00**	**100.00**	**39,492**	**1,036**	**38,456**	**(2)**	**1,931**	189
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	**70.00**	**70.00**	**94,997**	**45,427**	**49,570**	**6,289**	**3,064**	497
Hospital Santa Helena S.A	**100.00**	**100.00**	**265,739**	**176,851**	**88,888**	**10,283**	**7,426**	8,923
Acreditar Oncologia S.A	**60.00**	**60.00**	**80,865**	**13,805**	**67,060**	**9,311**	**6,666**	-
Hospital Memorial São Jose Ltda.	**100.00**	**100.00**	**56,089**	**31,860**	**24,229**	**6,231**	**3,433**	-
Centro de Oncologia do RJ ("SALUS")	**100.00**	**100.00**	**8,172**	**5,890**	**2,282**	**1,518**	**1,309**	-
Café Verde da Quinta Ltda.	**100.00**	**100.00**	**59**	**2,748**	**(2,689)**	**(557)**	**(589)**	(15)
Campinas Empreendimentos Imob. (former D'Or Trading)	**100.00**	**100.00**	**44,989**	**45,173**	**(184)**	**(537)**	**(537)**	(32)
IFOR Empreendimentos imobiliários S.A (Antiga Park D'Or)	**100.00**	**100.00**	**41**	**56**	**(15)**	**-**	**-**	-
Proncordis Pronto Atendimento Cardiológico Ltda.	**95.64**	**95.64**	**9,995**	**11,097**	**(1,102)**	**(82)**	**(226)**	(386)
Prontimagem Serviços Médicos Ltda.	**60.10**	**60.10**	**1,734**	**501**	**1,233**	**(417)**	**(545)**	-
GNI01 Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**29,362**	**29,654**	**(292)**	**-**	**(297)**	-
GNI02 Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**22,659**	**3,384**	**19,275**	**1,107**	**821**	-
GNI05 Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**1**	**-**	**1**	**-**	**-**	-
GNI06 Empreendimentos Imobiliários Ltda.	**100.00**	**100.00**	**1**	**-**	**1**	**-**	**-**	-
Maximagem com Diag por Imagem Ltda.	**100.00**	**100.00**	**16,171**	**7,059**	**9,112**	**2,989**	**2,337**	-
Centro de Hematologia e Oncologia (CEHON)	**85.86**	**85.86**	**21,612**	**5,692**	**15,920**	**3,606**	**3,394**	-
Onco D'Or PE S.A.	**58.38**	**58.38**	**44,452**	**1**	**44,451**	**619**	**619**	-
Núcleo Especializado em Oncologia e Hemato (NEOH)	**92.31**	**92.31**	**8,823**	**4,514**	**4,309**	**2,532**	**2,187**	-
Noventa e Nove Participações S.A.	**100.00**	**100.00**	**1,350**	**-**	**1,350**	**3,177**	**3,177**	-
Hospital Ribeirão Pires Ltda.	**100.00**	**100.00**	**38,793**	**37,558**	**1,235**	**5,119**	**3,177**	-
Hospital Alpha Med Ltda.	**100.00**	**100.00**	**19,448**	**21,752**	**(2,304)**	**4,114**	**2,696**	-
Centro de Diagnóstico por Imagem Bartira (CEDIB)	**100.00**	**100.00**	-	-	-	-	-	-
Assunção Empreendimentos Imobiliários S.A.	**100.00**	**100.00**	4,949	4,902	**47**	-	**17**	-
Atenção Total e Gestão de Saúde Ltda.	**100.00**	**100.00**	5	-	**5**	-	**-**	-

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

Breakdown of investments

	3/31/2017							3/31/2016
	% Total	% Voting capital	Asset	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
Companies recognized by equity pickup in the consoldiated financial statements								
Acreditar Tocantis S.A.	**50,00**	**50,00**	9,294	1,227	**8,067**	985	**876**	-
Instituto de Radioterapia do Vale do Paraíba Ltda.	**42,93**	**42,93**	16,435	8,433	**8,002**	3,864	**3,178**	(108)
JMJB Diagnósticos e Serviços Hospitalares S.A.	**50,00**	**50,00**	47,392	8,114	**39,278**	2,745	**1,460**	5,205
GGSH Participações S.A.	**21,29**	**21,29**	65,829	1,687	**64,142**	455	**1,331**	-
Fujidayclinic Ltda.	**50,00**	**50,00**	9,916	1,863	**8,053**	858	**742**	-
HEMATO – Serviços de Hemoterapia Ltda.	**19,16**	**19,16**	-	-	**-**	-	**-**	-
Centro Oncológico do Vale Ltda	**-**	**-**	2,434	1,734	**700**	74	**(93)**	3,557
Clínica de Oncologia Dr. Paulo Emílio Pinto Ltda.	**-**	**-**	1,591	430	**1,161**	91	**29**	-

9. Property and equipment

Breakdown of balances

		Parent Company					
		3/31/2017			12/31/2016		
Description	Depreciation rate	Cost	Accumulated depreciation	Net Amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	**669,020**	**(381,661)**	**287,359**	647,982	(363,138)	284,844
Surgical instruments	20%	**34,459**	**(13,405)**	**21,054**	33,257	(12,231)	21,026
Machinery and equipment	7% to 10%	**197,233**	**(119,022)**	**78,211**	193,711	(111,621)	82,090
Properties	2.5% to 4%	**445,160**	**(60,537)**	**384,623**	442,851	(64,383)	378,468
Improvements in own properties	4%	**94,791**	**(17,165)**	**77,626**	94,452	(15,951)	78,501
Leasehold improvements	3% to 4%	**796,266**	**(195,577)**	**600,689**	793,676	(176,333)	617,343
Furniture and fixtures	10%	**99,298**	**(51,680)**	**47,618**	96,030	(49,205)	46,825
Vehicles	20%	**3,631**	**(2,397)**	**1,234**	3,631	(2,306)	1,325
Facilities	10%	**72,234**	**(25,389)**	**46,845**	70,417	(24,487)	45,930
Land	N/A	**122,684**	**-**	**122,684**	122,684	-	122,684
Construction in progress	N/A	**524,388**	**-**	**524,388**	459,643	-	459,643
Other	5% to 10%	**11,406**	**(4,491)**	**6,915**	11,349	(4,459)	6,890
		3,070,570	**(871,324)**	**2,199,246**	**2,969,683**	**(824,114)**	**2,145,569**

		Consolidated					
		3/31/2017			12/31/2016		
Description	Depreciation rate	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	**12% to 20%**	**843,930**	**(447,187)**	**396,743**	819,559	(424,606)	394,953
Surgical instruments	**20%**	**40,964**	**(15,758)**	**25,206**	39,483	(14,334)	25,149
Machinery and equipment	**7% to 10%**	**254,864**	**(161,258)**	**93,606**	249,915	(150,724)	99,191
Properties	**2.5% to 4%**	**800,764**	**(70,195)**	**730,569**	786,820	(70,601)	716,219
Improvements in own properties	**4%**	**98,129**	**(18,321)**	**79,808**	97,780	(16,920)	80,860
Leasehold improvements	**3% to 4%**	**1,001,557**	**(275,408)**	**726,149**	996,741	(253,862)	742,879
Furniture and fixtures	**10%**	**135,838**	**(70,334)**	**65,504**	131,514	(66,952)	64,562
Vehicles	**20%**	**4,126**	**(2,705)**	**1,421**	4,081	(2,584)	1,497
Facilities	**10%**	**121,360**	**(44,112)**	**77,248**	118,912	(42,190)	76,722
Land	**N/A**	**391,238**	**-**	**391,238**	391,074	-	391,074
Construction in progress	**N/A**	**582,751**	**-**	**582,751**	508,275	-	508,275
Other	**5% to 10%**	**17,217**	**(6,144)**	**11,073**	17,012	(6,048)	10,964
		4,292,738	**(1,111,422)**	**3,181,316**	4,161,166	(1,048,821)	3,112,345

9. Property and equipment (Continued)

Changes in the Parent Company

Cost	12/31/2016	Addition	Additions from mergers	3/31/2017
Hospital machinery and equipment	647,982	**17,219**	**3,819**	**669,020**
Surgical instruments	33,257	**1,202**	**-**	**34,459**
Machinery and equipment	193,711	**3,512**	**10**	**197,233**
Properties	442,851	**2,309**	**-**	**445,160**
Improvements in own properties	94,452	**339**	**-**	**94,791**
Leasehold improvements	793,676	**2,590**	**-**	**796,266**
Furniture and fixtures	96,030	**3,265**	**3**	**99,298**
Vehicles	3,631	**-**	**-**	**3,631**
Facilities	70,417	**1,817**	**-**	**72,234**
Land	122,684	**-**	**-**	**122,684**
Construction in progress	459,643	**64,745**	**-**	**524,388**
Other	11,349	**57**	**-**	**11,406**
	2,969,683	**97,055**	**3,832**	**3,070,570**

Depreciation	12/31/2016	Addition	Additions from mergers	3/31/2017
Hospital machinery and equipment	(363,138)	**(18,523)**	**-**	**(381,661)**
Surgical instruments	(12,231)	**(1,174)**	**-**	**(13,405)**
Machinery and equipment	(111,621)	**(7,401)**	**-**	**(119,022)**
Properties	(64,383)	**3,846**	**-**	**(60,537)**
Improvements in own properties	(15,951)	**(1,214)**	**-**	**(17,165)**
Leasehold improvements	(176,333)	**(19,244)**	**-**	**(195,577)**
Furniture and fixtures	(49,205)	**(2,475)**	**-**	**(51,680)**
Vehicles	(2,306)	**(91)**	**-**	**(2,397)**
Facilities	(24,487)	**(902)**	**-**	**(25,389)**
Other	(4,459)	**(32)**	**-**	**(4,491)**
	(824,114)	**(47,210)**	**-**	**(871,324)**
Property and equipment	2,145,569	**49,845**	**3,832**	**2,199,246**

9. Property and equipment (Continued)

Changes in Consolidated

Cost	12/31/2016	Addition	3/31/2017
Hospital machinery and equipment	819,559	**24,371**	**843,930**
Surgical instruments	39,483	**1,481**	**40,964**
Machinery and equipment	249,915	**4,949**	**254,864**
Properties	786,820	**13,944**	**800,764**
Improvements in own properties	97,780	**349**	**98,129**
Leasehold improvements	996,741	**4,816**	**1,001,557**
Furniture and fixtures	131,514	**4,324**	**135,838**
Vehicles	4,081	**45**	**4,126**
Facilities	118,912	**2,448**	**121,360**
Land	391,074	**164**	**391,238**
Construction in progress	508,275	**74,476**	**582,751**
Other	17,012	**205**	**17,217**
	4,161,166	**131,572**	**4,292,738**

Depreciation	12/31/2016	Addition	3/31/2017
Hospital machinery and equipment	(424,606)	**(22,581)**	**(447,187)**
Surgical instruments	(14,334)	**(1,424)**	**(15,758)**
Machinery and equipment	(150,724)	**(10,534)**	**(161,258)**
Properties	(70,601)	**406**	**(70,195)**
Improvements in own properties	(16,920)	**(1,401)**	**(18,321)**
Leasehold improvements	(253,862)	**(21,546)**	**(275,408)**
Furniture and fixtures	(66,952)	**(3,382)**	**(70,334)**
Vehicles	(2,584)	**(121)**	**(2,705)**
Facilities	(42,190)	**(1,922)**	**(44,112)**
Other	(6,048)	**(96)**	**(6,144)**
	(1,048,821)	**(62,601)**	**(1,111,422)**
Property and equipment	3,112,345	**68,971**	**3,181,316**

The main changes in the quarter were:

(i) Merger of the *Centro de Diagnóstico por Imagem Bartira* by the Parent Company on January 1, 2017.

(ii) Purchase of hospital machinery and equipment, as part of the Company's operational routine;

(iii) Spending on the construction of São Caetano hospitals, reorganization of Niteroi D'or and completion of the works at Hospital Copa Star;

There was no indication of impairment of P&E in the quarter.

10. Intangible assets

Intangible assets are broken down as follows:

		Parent Company		Consolidated	
	Annual rate	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Finite useful lives					
Software	20%	75,104	73,450	**76,871**	78,521
Exclusive agreement	20%	11,597	12,011	**12,679**	13,302
Indefinite useful life					
Goodwill					
Acquisition of Copa D'Or		**80,058**	80,058	**80,058**	80,058
Acquisition of HMSL		**668,339**	668,339	**668,339**	668,339
Acquisition of Hospital Brasil		**121,398**	121,398	**121,398**	121,398
Acquisition of Hospital Prontolinda		**30,595**	30,595	**30,595**	30,595
Acquisition of Vivalle		**38,692**	38,692	**38,692**	38,692
Acquisition of São Marcos		**-**	-	**10,807**	10,807
Acquisition of Santa Luzia		**199,333**	199,333	**199,333**	199,333
Acquisition of Sinisgalli		**156,646**	156,646	**156,646**	156,646
Acquisition of Hospital Esperança		**-**	-	**108,408**	108,408
Acquisition of Norte D'Or		**-**	-	**28,450**	28,450
Acquisition of IFOR		**85,724**	85,724	**85,724**	85,724
Acquisition of Sino Brasileiro		**251,930**	251,930	**251,930**	251,930
Acquisition of Villa-Lobos		**136,074**	136,074	**136,074**	136,074
Acquisition of Bartira		**115,656**	115,656	**115,656**	115,656
Acquisition of Onco ABC/Cardial/JLD		**-**	-	**52,174**	52,174
Acquisition of Oncoholding		**-**	-	**157,619**	157,619
Acquisition of Hospital Fluminense		**-**	-	**10,658**	10,658
Acquisition of Hospital Santa Helena		**-**	-	**125,802**	125,802
Acquisition of Acreditar		**-**	-	**155,720**	155,720
Acquisition of Memorial São Jose		**-**	-	**112,528**	112,528
Acquisition of Alpha-Med		**-**	-	**43,815**	42,738
Acquisition of CEHON		**-**	-	**68,757**	68,757
Acquisition of Maximagem		**-**	-	**45,539**	45,539
Acquisition of Ribeirão Pires		**-**	-	**129,739**	129,739
Acquisition of NEOH		**-**	-	**31,422**	31,422
Acquisition of JTO		**-**	-	**12,567**	12,567
Acquisition of Salus		**-**	-	**8,956**	8,956
Acquisition of Prontimagem		**-**	-	**6,220**	6,220
Other goodwill		**48,649**	48,649	**57,001**	57,001
Trademarks and patents (*)		**190,810**	190,810	**190,810**	190,810
		2,210,605	2,209,365	**3,330,987**	3,332,183

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

Impairment

Goodwill is allocated to the Cash-Generating Units (CGU) identified by management as being each of the hospitals, as set out in the table above. The projections are restated on an annual basis or in a shorter period when necessary. The recoverable amount of a CGU is based on value in use calculations.

There was no indication of impairment of intangible assets in the quarter.

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 March 31, 2017, deferred gains were recorded as follows:

	Parent Company and Consolidated	
	3/31/2017	**12/31/2016**
Caxias D'Or	**37,410**	37,840
Hospital Brasil	**45,650**	46,200
	83,060	84,040
Current	**3,920**	3,920
Noncurrent	**79,140**	80,120

12. Loans and financing

			Parent Company	
Bank	**Indexes**	**Spread**	**3/31/2017**	**12/31/2016**
BNDES/FINAME/FINEP	TJLP	3.35%	**201,109**	138,252
IFC - International Finance Corporation (*)	USD/ LIBOR	3.30%	**855,067**	865,461
Loan 4131 (*)	USD/Fixed	3.35%	**272,510**	282,730
CCB's	Fixed	11.9%	**802**	1,053
			1,329,488	1,287,496
Current			**108,528**	91,982
Noncurrent			**1,220,960**	1,195,514

			Consolidated	
Bank	**Indexe**	**Spread**	**3/31/2017**	**12/31/2016**
BNDES/FINAME/FINEP	TJLP	4.9%	**206,638**	142,312
IFC - International Finance Corporation (*)	LIBOR	3.3%	**855,067**	865,461
Loan 4131 (*)	USD/Fixed	3.35%	**272,510**	282,730
CCB's	Fixed	3.9%	**2,006**	4,300
			1,336,221	1,294,803
Current			**111,294**	95,683
Noncurrent			**1,224,927**	1,199,120

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

Financing was obtained in order to acquire companies, and to expand the size of hospitals. After the last economic valuation report prepared by independent appraisers and issued in December 2016, the guarantee shares started to represent 8.6% of the Company's capital, due to new loans and financing taken out with shares transferred as guarantee.

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

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

12. Loans and financing (Continued)

On December 4, 2014, the Company obtained two credit lines from the International Finance Corporation ("IFC") amounting to US$ 191,250 and from the *Société de Promotion et de Participation Pour La Coopération Economique* ("Proparco") amounting to EUR$50,000.

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

On February 24, 2017, amounts relating to a loan with the Brazilian Development Bank (BNDES) were released amounting to R$61,342.

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

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

(i) Releases of 80% carried out in October 2015 and 20% in December 2015.

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

Parent Company		Consolidated	
Year	Amount	Year	Amount
2018	**146,825**	2018	**148,369**
2019	**362,947**	2019	**364,188**
2020	**190,907**	2020	**191,631**
2021	**128,873**	2021	**129,329**
2022 to 2027	**391,408**	2022 to 2027	**391,410**
	1,220,960		**1,224,927**

13. Debentures payable

	Parent Company		Consolidated	
	3/31/2017	**12/31/2016**	**3/31/2017**	**12/31/2016**
Rede D'Or São Luiz				
1st issue (a)	**613,004**	662,362	**613,004**	662,362
2nd issue (b)	**-**	73,558	**-**	73,558
3rd issue (c)	**483,982**	516,370	**483,982**	516,370
4th issue (d)	**701,610**	741,497	**701,610**	741,497
5th issue (e)	**103,272**	99,696	**103,272**	99,696
6th issue (f)	**154,636**	149,281	**154,636**	149,281
7th issue (j)	**1,222,616**	1,275,740	**1,222,616**	1,275,740
8th issue (k)	**152,404**	152,758	**152,404**	152,758
Medise				
1st issue (g)	**39,192**	45,222	**39,192**	45,222
Hospital Esperança				
1st issue (h)	**-**	-	**179,568**	188,757
2nd issue (i)	**-**	-	**63,453**	72,482
	3,470,716	3,716,484	**3,713,737**	3,977,723
Current	**672,829**	787,028	**749,414**	863,620
Noncurrent	**2,797,887**	2,929,456	**2,964,323**	3,114,103

(a) On April 20, 2011, the Company issued nonconvertible debentures in a series of 100 debentures for public distribution, totaling R$1,000,000, maturing on April 20, 2020 (as per the amendment of December 2013), and monthly principal repayment beginning January 20, 2016. The debentures are remunerated on a *pro rata temporis* basis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a., to be paid on a quarterly basis for four years and eight months, and on a monthly basis thereafter. As a guarantee, shares representing 42.5% of Company's capital and chattel mortgage of credit rights were offered. After 24 months, the Company is entitled to repay the debentures in advance, as provided for by agreement.

(b) On October 28, 2011, the Company carried out the second issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on January 15, 2017, and monthly principal repayment beginning July 15, 2012. The debentures are remunerated 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 or repayment in advance.

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

(d) On September 5, 2012, the Company carried out the fourth issue of nonconvertible, single-series debentures for public distribution, totaling R$800,000, maturing on August 10, 2021 (as per the amendment of December 2013), and monthly principal repayment beginning September 10, 2016. The debentures are remunerated 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 23.5% of Company's capital and chattel mortgage of credit rights were offered.

13. Debentures payable (Continued)

(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. The debentures are remunerated pro rata temporis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees for the debentures.

(f) On December 15, 2014, the Company carried out the sixth issue of nonconvertible, single-series debentures for public distribution, totaling R$200,000, maturing on December 15, 2019, and annual principal repayment beginning December 15, 2016. The debentures are remunerated 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 for the debentures.On December 12, 2011, subsidiary Medise carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on December 12, 2017, and quarterly principal repayment beginning June 10, 2016. The debentures are remunerated 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, chattel mortgage of credit rights was offered. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement. In July 2014, Rede D'Or São Luiz S.A. assumed Medise's debts in connection with the Offer, pursuant to Article 299 et seq. of the 2012 Brazilian Civil Code ("cc/2002"). As a result, the status of Rede D'Or changed from Collateral to Issuer, in view of the capital reduction of the Issuer.On October 15, 2012, the subsidiary LE Participações Societárias S.A. (later merged into the 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 (in accordance with the advance of February 2013) and monthly amortization charges referring to principal as from October 15, 2016. The debentures are remunerated pro rata temporis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. As a guarantee, shares representing 5.9% of Company's capital and chattel mortgage of credit rights were offered.

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

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

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

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

13. Debentures payable (Continued)

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

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2018	**616,708**	2018	**682,602**
2019	**1,143,945**	2019	**1,182,862**
2020	**625,497**	2020	**664,415**
2021	**411,737**	2021	**434,444**
	2,797,887		**2,964,323**

14. Tax liabilities and taxes in installments

a) Tax obligations

	Parent Company		Consolidated	
	3/31/2017	**12/31/2016**	**3/31/2017**	**12/31/2016**
Contribution tax on gross revenue for social integration program (PIS)	**3,247**	2,330	**6,159**	1,822
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**17,427**	25,211	**24,875**	37,267
Service Tax (ISS)	**25,843**	21,099	**38,974**	57,166
Withholding Income Tax (IRRF)	**8,941**	12,813	**10,436**	17,599
Income tax	**-**	-	**17,630**	54,712
Social contribution tax	**-**	-	**8,573**	20,981
INSS – Social security contribution	**18,313**	17,969	**32,901**	32,927
Other	**526**	-	**483**	1,108
	74,297	79,422	**140,031**	223,582

b) Taxes paid in installments

	Parent Company		Consolidated	
Taxes paid in installments	**3/31/2017**	**12/31/2016**	**3/31/2017**	**12/31/2016**
Service Tax (ISS)	**21,274**	22,259	**22,474**	23,482
Installment payment – Law No. 11941/09	**66,690**	68,135	**77,425**	79,009
Installment payment – social security contributions	**78,668**	78,749	**97,427**	98,217
Other	**391**	405	**5,617**	4,103
	167,023	169,548	**202,943**	204,811
Current	**20,641**	21,407	**26,623**	26,384
Noncurrent	**146,382**	148,141	**176,320**	178,427

At March 31, 2017, the noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2018	**21,306**	2018	**26,644**
2019	**20,249**	2019	**25,491**
2020	**19,173**	2020	**23,938**
2021	**16,843**	2021	**23,257**
2022 a 2030	**68,811**	2022	**76,990**
	146,382		**176,320**

15. Accounts payable for acquisitions

Acquisitions	Adjustment	Parent Company		Consolidated	
		3/31/2017	12/31/2016	3/31/2017	12/31/2016
Ribeirão Pires	CDI	**72,294**	69,810	**72,294**	69,810
Bartira	CDI	**37,356**	36,256	**37,356**	36,256
IFOR	CDI	**10,898**	12,575	**10,898**	10,577
Norte D'Or	CDI	**7,704**	10,577	**7,704**	7,477
Acreditar	CDI	**7,177**	7,477	**12,956**	12,575
São Marcos	CDI	**7,080**	6,872	**7,080**	6,872
Alphamed	CDI	**6,333**	6,146	**6,333**	6,146
Vivalle	CDI	**5,558**	5,395	**5,558**	5,395
Oncologia RJ	CDI	**-**	-	**36,887**	35,801
CEHON	CDI	**-**	-	**9,526**	9,526
Salus	IPCA	**-**	-	**6,411**	6,589
Other acquisitions	CDI	**28,734**	38,569	**22,955**	43,294
		183,134	193,677	**235,958**	250,318
Current		**131,771**	**122,067**	**149,795**	**143,619**
Noncurrent		**51,363**	**71,610**	**86,163**	**106,699**

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

At March 31, 2017, the noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2018	11,743	2018	18,043
2019	14,046	2019	14,046
2020	11,000	2020	39,500
2021	11,074	2021	11,074
2022	3,500	2022	3,500
	51,363		**86,163**

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				Consolidated			
	3/31/2017		12/31/2016		3/31/2017		12/31/2016	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax	52,273	(45,750)	58,944	(44,235)	73,237	(59,069)	79,811	(54,794)
Labor claims	44,477	(5,212)	50,170	(5,212)	50,731	(7,702)	60,014	(7,702)
Civil	37,553	(23,034)	26,311	(22,668)	62,903	(24,717)	50,284	(27,263)
	134,303	(73,996)	135,425	(72,115)	186,871	(91,488)	190,109	(89,759)

Changes in provisions for contingencies at March 31, 2017 were as follows:

	Parent Company				
	3/31/2017				12/31/2016
	Tax	Labor claims	Civil	Total	Total
Balance at beginning of the period	**58,944**	**50,170**	**26,311**	**135,425**	103,480
Additions, net of reversals	**(6,671)**	**(2,416)**	**11,609**	**2,522**	-
Monetary restatements	**-**	**-**	**-**	**-**	4,997
Payments	**-**	**(3,277)**	**(367)**	**(3,644)**	(22,364)
Additions from mergers*	**-**	**-**	**-**	**-**	49,312
Balance at the end of the period	**52,273**	**44,477**	**37,553**	**134,303**	135,425

	Consolidated				
	3/31/2017				12/31/2016
	Tax	Labor claims	Civil	Total	Total
Balance at beginning of the period	**79,811**	**60,014**	**50,284**	**190,109**	179,569
Additions, net of reversals	**(5,095)**	**(5,495)**	**13,112**	**2,522**	(4,040)
Monetary restatements	**-**	**-**	**-**	**-**	11,631
Payments	**(1,479)**	**(3,788)**	**(493)**	**(5,760)**	(23,632)
Additions from acquisitions	**-**	**-**	**-**	**-**	26,581
Balance at the end of the period	**73,237**	**50,731**	**62,903**	**186,871**	190,109

17. Commitments

At March 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 schedules are as follows:

Year	Parent Company	Consolidated
	(Gross nominal amounts)	
2017	**208,989**	**263,148**
2018	**259,789**	**332,003**
2019	**249,756**	**321,970**
2020	**243,062**	**315,275**
2021 to 2051	**2,662,814**	**3,616,159**
	3,624,410	**4,848,555**

Expenses with leases recognized in the quarter amounted to R$71,611 (R$ 60,411 at March 31, 2016) Company and R$ 95,081 (R$69,974 at March 31, 2016) consolidated.

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

18. Equity

(a) Capital

Subscribed and paid-in capital at March 31, 2017, amounts to R$867,776, divided into 459,912,417 registered common shares and 2,734,600 registered class A preferred shares, with no par value.

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

18. Equity (Continued)

b) Dividends and interest on equity

The Company allocated interest on equity in the period, totaling R$ 71,439, as prepayment of dividends.

At December 21, 2016, the Board of Directors approved the payment of interest on equity to shareholders in the amount of R$269,283, pursuant to article 9 of Law No. 9249/95 and Decrees No. 2673/98 and No. 3381/00, which were attributed to the mandatory minimum dividend and recorded under liabilities at December 31, 2016. This liability was paid to shareholders, net of Withholding Income Tax (IRRF), on January 5, 2017. In addition, the Board of Directors proposed the allocation of R$730,717 of additional dividends to the mandatory minimum, which were recorded under the equity method at December 31, 2016 and also paid on January 5, 2017.

The remaining balance of dividends and interest on equity recorded in current liabilities, refers to allocations made at December 31, 2014, 2015 and 2016 that were not paid to shareholders.

c) Treasury shares

At March 31, 2017, the Company had 19,988,002 registered common shares with no par value of Rede D'Or, in the amount of R$361,920, 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, 2016	**19,734,399**	**16.8**	**331,525**
Acquisitions	**1,140,968**	**34.63**	**39,509**
Sales	**(887,365)**	**10.27**	**(9,114)**
Balance at March 31, 2017	**19,988,002**	**18.11**	**361,920**

Shares purchased and sold in the quarters ended March 31, 2017 and 2016 substantially refer to the share-based payment option plans, as follows.

18. Equity (Continued)

d) Share-based payment (stock options)

There were no new grants or changes in new plans for the quarter.

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

	Fair value of options per year	Effects on profit or loss for the year	Cumulative effect on equity
2011	**1,457**	**1,457**	**1,457**
2012	**16,234**	**16,234**	**17,691**
2013	**20,656**	**20,656**	**38,347**
2014	**26,637**	**27,363**	**65,710**
2015	**52,570**	**51,949**	**117,659**
2016	**30,864**	**30,864**	**148,523**
2017	**8,150**	**8,150**	**156,673**
2018	**5,713**		
2019	**3,614**		
2020	**2,977**		
2021	**1,216**		
2022	**257**		
2023	**64**		
	170,409		

19. Income taxes

Income and social contribution tax expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

	Parent Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Deferred				
Income tax	**13,366**	19,458	**22,607**	24,759
Social contribution tax	**4,812**	7,005	**8,130**	9,302
	18,178	26,463	**30,737**	34,061
Current				
Income tax	**(42,046)**	(31,097)	**(84,357)**	(56,323)
Social contribution tax	**(15,567)**	(11,578)	**(30,956)**	(19,681)
	(57,613)	(42,675)	**(115,313)**	(76,004)
Income and social contribution tax expenses	**(39,435)**	(16,212)	**(84,576)**	(41,943)

Changes in deferred income and social contribution tax assets for the three-month period ended March 31, 2017 were as follows:

	12/31/2016	Additional benefits (expenses) recorded	3/31/2017	12/31/2016	Additional benefits (expenses) recorded	3/31/2017
Assets						
Tax losses	**2,383**	**-**	**2,383**	**3,731**	**-**	**3,731**
Social contribution tax loss	**857**	**-**	**857**	**1,341**	**-**	**1,341**
Allowance for doubtful accounts	**103,945**	**2,280**	**106,225**	**139,203**	**2,510**	**141,713**
Provision for disallowances	**65,791**	**24,636**	**90,427**	**133,528**	**38,145**	**171,673**
Contingencies	**50,633**	**(381)**	**50,252**	**79,830**	**(1,101)**	**78,729**
Provision for inventories	**1,159**	**-**	**1,159**	**1,159**	**-**	**1,159**
Provision for bonus	**15,510**	**3,866**	**19,376**	**15,941**	**4,015**	**19,956**
Provision for losses	**16,529**	**-**	**16,529**	**15,287**	**-**	**15,287**
Deferred gain on property disposals	**30,976**	**(333)**	**30,643**	**30,976**	**(333)**	**30,643**
Taxes - Judicial deposits	**6,380**	**461**	**6,841**	**7,786**	**515**	**8,301**
Provision for overtime	**3,856**	**(2,754)**	**1,102**	**5,925**	**(2,391)**	**3,534**
Swap variation	**54,211**	**17,942**	**72,153**	**54,211**	**17,942**	**72,153**
Total deferred tax assets	**352,230**	**45,717**	**397,947**	**488,918**	**59,302**	**548,220**
Liabilities						
Differences between accounting and tax base of goodwill	(425,689)	**(17,469)**	**(443,158)**	(475,843)	**(18,495)**	**(494,338)**
Gain on acquisition in stages	(48,873)	**-**	**(48,873)**	(69,499)	**-**	**(69,499)**
Foreign exchange differences	-	**(10,070)**	**(10,070)**	-	**(10,070)**	**(10,070)**
Deferred income	-	**-**	**-**	(23,423)	**-**	**(23,423)**
Total deferred tax liabilities	(474,562)	**(27,539)**	**(502,101)**	(568,765)	**(28,565)**	**(597,330)**
Net effect - asset (liability)	(122,332)	**18,178**	**(104,154)**	(79,847)	**30,737**	**(49,110)**
Assets as per statement of financial position	-		**-**	**70,668**		**85,586**
Liabilities as per statement of financial position	(122,332)		**(104,154)**	**(150,515)**		**(134,696)**

19. Income taxes (Continued)

The reconciliation of income and social contribution taxes and the amount determined at the statutory rate at March 31, 2017 and 2016 are as follows:

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Income before income and social contribution taxes	**245,400**	204,808	**297,198**	235,477
Income and social contribution tax expenses at statutory rates	**83,436**	69,635	**101,047**	80,062
Adjustments to determine the effective rate				
Equity pickup	**(27,325)**	(18,963)	**(1,397)**	(1,134)
Stock option expenses	**2,771**	2,559	**2,771**	2,559
Interest on equity	**(24,289)**	(16,154)	**(24,289)**	(16,154)
Other	**4,842**	(20,865)	**6,444**	(23,390)
Expenses recorded in the statement of profit or loss	**39,435**	16,212	**84,576**	41,943

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

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

20. Net revenue

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Gross revenue	**1,652,937**	1,425,510	**2,420,733**	1,974,983
Deductions from revenue				
Cancellations and rebates	**(72,458)**	(52,374)	**(112,190)**	(84,139)
Taxes on revenues	**(95,804)**	(81,983)	**(143,165)**	(114,917)
	1,484,675	1,291,153	**2,165,378**	1,775,927

The Company has no revenues arising from customers outside Brazil.

21. Cost of services rendered

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Personnel	**(448,387)**	(396,615)	**(636,003)**	(535,667)
Materials and medicines	**(277,261)**	(236,932)	**(418,510)**	(330,055)
Third-party services	**(184,747)**	(171,527)	**(357,689)**	(301,591)
Utilities and services	**(26,029)**	(26,187)	**(37,498)**	(36,312)
Rents	**(71,611)**	(60,411)	**(86,789)**	(69,975)
Depreciation and amortization	**(45,988)**	(26,013)	**(61,704)**	(33,904)
	(1,054,023)	(917,685)	**(1,598,193)**	(1,307,504)

22. General and administrative expenses

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Personnel	**(48,817)**	(43,617)	**(48,817)**	(43,617)
Third-party services	**(10,784)**	(8,439)	**(10,784)**	(8,439)
Trips and lodging	**(2,861)**	(3,782)	**(3,970)**	(4,558)
Depreciation and amortization	**(5,018)**	(2,847)	**(5,018)**	(2,847)
Contingencies	**(2,522)**	-	**(2,522)**	-
	(70,002)	(58,685)	**(71,111)**	(59,461)

23. Sales expenses

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Allowance for doubtful accounts	**(6,707)**	(4,698)	**(7,383)**	(4,698)
Marketing	**(2,973)**	(4,077)	**(4,156)**	(4,670)
	(9,680)	(8,775)	**(11,539)**	(9,368)

24. Other operating income (expenses), net

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Taxes, fees and penalties	**(7,226)**	(6,334)	**(10,373)**	(8,341)
Gain on disposal of properties	**980**	980	**980**	980
Other expenses and revenues	**(8,981)**	(8,571)	**(16,005)**	(9,509)
	(15,227)	(13,925)	**(25,398)**	(16,870)

25. Finance income (expenses), net

Finance income (costs) for the periods ended March 31, 2017 and 2016, is as follows:

	Parent Company		Consolidated	
	3/31/2017	**3/31/2016**	**3/31/2017**	**3/31/2016**
Short -term investments yields	**27,186**	16,033	**47,163**	23,922
Foreign exchange variation, net on financing	**29,625**	82,782	**29,625**	83,096
Fair value of debt	**(1,057)**	-	**(1,057)**	-
Derivatives' fair value (swaps)	**(60,705)**	(121,969)	**(60,705)**	(121,969)
Interest and monetary variation on financing	**(7,267)**	(9,982)	**(18,699)**	(13,190)
Interest on debentures	**(139,499)**	(103,267)	**(139,499)**	(114,000)
Taxes on finance income (costs)	**(3,809)**	(1,939)	**(4,770)**	(2,613)
Other expenses and revenues	**(15,186)**	(4,707)	**(18,106)**	(5,827)
	(170,712)	(143,049)	**(166,048)**	(150,581)
Total finance income	**58,328**	101,096	**80,393**	109,366
Total financial costs	**(229,040)**	(244,145)	**(246,441)**	(259,947)
	(170,712)	(143,049)	**(166,048)**	(150,581)

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

	3/31/2017	3/31/2016
Income attributable to the Company's controlling shareholders	**205,965**	188,596
Weighted average number of common shares issued (thousands)	**440,432**	440,154
Basic earnings per share (in R$)	**0.4676**	0.4285

b) Diluted earnings per share

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

	3/31/2017	3/31/2016
Profit attributable to the Company's shareholders	**205,965**	188,596
Weighted average number of common shares issued, including dilutive factors (thousands)	**445,107**	444,259
Diluted earnings per share (in R$)	**0.4627**	0.4245

27. Financial instruments and financial risk management

27.1. Financial instruments by category

The Company and its subsidiaries assessed the market value of financial assets and liabilities based on available market information and appropriate valuation methodologies. However, both the interpretation of market information and the 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 hypothesis and/or methodologies may have a significant effect on the estimated realizable values. In March 31, 2017 and 2016, the Company and its subsidiaries did not identify no significant or extended reductions in the recoverable value of its financial instruments.

Fair value hierarchy

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

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

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

Level 3: inputs for the asset or liability that are not based on observable market data.

The classification of financial assets and liabilities as of March 31, 2017 and December 31, 2016 is as follows:

27. Financial instruments and financial risk management (Continued)

27.1. Financial instruments by category (Continued)

		Parent Company		
			Book balance	
Financial assets	**Classification by category**	**Fair value hierarchy**	**3/31/2017**	**12/31/2016**
Cash and cash equivalents	Fair Value measurement	Nível 2	**44,071**	20,306
Marketable securities	Fair Value measurement	Level 2	**820,368**	1,968,899
Trade accounts receivable	Loans and receivables		**1,569,870**	1,446,998
Judicial deposits	Loans and receivables		**73,996**	72,115
Derivatives	Fair Value measurement	Level 2	**27,212**	30,275
			2,535,517	3,538,593

			Account balance	
Financial liabilities	**Classification by category**	**Fair value hierarchy**	**3/31/2017**	**12/31/2016**
Trade accounts payable	Loans and receivables		**229,324**	265,787
Loans and financing	Loans and receivables and fair value through P&L (a)	Level 2	**1,329,488**	1,287,496
Debentures	Loans and receivables		**3,470,716**	3,716,484
Salaries, provisions and social charges	Loans and receivables		**309,565**	264,615
Accounts payable for acquisitions	Loans and receivables		**183,134**	193,677
Derivatives	Fair value through P&L	Level 2	**217,063**	168,083
			5,739,290	5,896,142

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

		Consolidated		
			Account balance	
Financial assets	**Classification by category**	**Fair value hierarchy**	**3/31/2017**	**12/31/2016**
Cash and cash equivalents	Fair Value measurement	Level 2	**146,873**	121,016
Marketable securities	Fair Value measurement	Level 2	**1,390,300**	2,620,387
Trade accounts receivable	Loans and receivables		**2,322,252**	2,142,744
Judicial deposits	Loans and receivables		**91,488**	89,759
Derivatives	Fair Value measurement	Level 2	**27,212**	30,275
			3,878,125	5,004,181

			Account balance	
Financial liabilities	**Classification by category**	**Fair value hierarchy**	**3/31/2017**	**12/31/2016**
Trade accounts payable	Loans and receivables		**391,269**	423,941
Loans and financing	Loans and receivables and fair value through P&L (a)	Level 2	**1,336,221**	1,294,803
Debentures	Loans and receivables (a)		**3,713,737**	3,977,723
Salaries, provisions and social charges	Loans and receivables		**403,266**	352,096
Accounts payable for acquisitions	Loans and receivables		**235,958**	250,318
Derivatives	Fair value through Profit or Loss	Level 2	**217,063**	168,083
			6,297,514	6,466,964

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

27. Financial instruments and financial risk management (Continued)

27.2. Risk management

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

a) Capital management

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

The Company uses own and third parties capital to finance its activities, and the use of third-party capital seeks to optimize its capital structure. The Company manages its capital structure and makes adjustments considering changes in economic conditions. At March 31, 2017, the Company's capital structure is as follows:

	Parent Company		Consolidated	
	3/31/2017	**12/31/2016**	**3/31/2017**	**12/31/2016**
Cash and cash equivalents	**44,071**	20,306	**146,873**	121,016
Marketable securities	**820,368**	1,968,899	**1,390,300**	2,620,387
	864,439	1,989,205	**1,537,173**	2,741,403
Loans and financing	**(1,329,488)**	(1,287,496)	**(1,336,221)**	(1,294,803)
Debentures	**(3,470,716)**	(3,716,484)	**(3,713,737)**	(3,977,723)
Net debt	**(3,935,765)**	(3,014,775)	**(3,512,785)**	(2,531,123)
Total equity	**3,760,762**	4,286,279	**3,949,197**	4,466,732
Financial leverage ratio (%)	**1.05**	0.70	**0.89**	0.57

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

b) Interest rate risk

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

The sensitivity analysis about interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at March 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.)	**14.13%**	**17.66%**	**21.2%**
Projected interest expenses (*)	**1,394**	**1,609**	**1,822**

Calculated until the end of each indexed contract.

c) Credit risk

Credit risk is the risk that a counterparty to a business arrangement will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily 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.

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

d) Liquidity risk

Liquidity risk represents the risk of cash shortage and difficulty of the Company in paying its debts. The Company seeks to align the maturity of its debts with the cash generation period to avoid any mismatch and generate the need for greater leverage. At March 31, 2017, the Company held cash, cash equivalents and marketable securities in the total amount of R$820,368 in Company and R$1,390,300 in Consolidated. The amounts disclosed below are projected considering inflation and interest through to maturity.

	Parent Company - 3/31/2017					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	229,324	-	-	-	-	229,324
Loans and financing	32,952	81,101	163,215	873,951	556,970	1,708,189
Debentures	316,712	382,149	685,551	2,792,107	-	4,176,519
Salaries, provisions and social charges	309,565	-	-	-	-	309,565
Accounts payable for acquisitions	51,360	86,289	13,055	46,237	4,979	201,920
Total	939,913	549,539	861,821	3,712,295	561,949	6,625,517

	Consolidated - 3/31/2017					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	391,269	-	-	-	-	391,269
Loans and financing	34,883	81,997	164,931	877,051	556,971	1,715,833
Debentures	355,854	422,329	758,801	2,920,809	-	4,457,793
Salaries, provisions and social charges	403,266	-	-	-	-	403,266
Accounts payable for acquisitions	69,384	86,289	20,058	82,719	4,979	263,429
Total	1,254,656	590,615	943,790	3,880,579	561,950	7,231,590

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 represent 9% of total consolidated liabilities at March 31, 2017. The Company has derivative financial instruments taken out for hedge against foreign exchange rate fluctuation (see topic below). Management believes that the risk of exposure to foreign currency is not significant in relation to its financial position.

f) Derivatives

At March 31, 2017, the Company has derivatives recorded based on hedge accounting fair value hedge for swaps acquired in order hedge the Company against financing in foreign currency notional amount US$295,682 (R$1,099,851) and EUR50,000 (R$212,221). The swaps exchanged 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, were not designated for the hedge accounting strategy.

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

f) Derivatives (Continued)

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

Descrição	Maturity ranges Month/ year	Reference value Notional value		3/31/2017 Reference value Fair value
Swap (CDI x TJLP)	**12/10/2018**			
Long position	**CDI + 2.3%**			
Short position	**TJLP + 7.46%**	**R$**	**26,250**	**(553)**
Swap (Currency)	**4/15/2020**			
Long position	**LIBOR + 3.3%**	**USD**	**20,588**	
Short position	**CDI + 1%**	**R$**	**38,619**	**27,212**
Swap (Currency)	**11/18/2024**			
Long position	**USD/BRL + 3%**	**USD**	**28,000**	
Short position	**CDI + 1.47%**	**R$**	**108,010**	**(20,298)**
Swap (Currency)	**11/18/2024**			
Long position	**USD/BRL + 3%**	**USD**	**32,250**	
Short position	**CDI + 1.62%**	**R$**	**125,956**	**(26,647)**
Swap (Currency)	**11/18/2024**			
Long position	**USD/BRL + 3%**	**USD**	**80,000**	
Short position	**CDI + 1.47%**	**R$**	**308,600**	**(58,189)**
Swap (Currency)	**11/16/2022**			
Long position	**USD/BRL + 2.7%**	**USD**	**11,077**	
Short position	**CDI + 1,00%**	**R$**	**42,729**	**(8,342)**
Swap (Currency)	**11/16/2022**			
Long position	**USD/BRL + 3%**	**USD**	**2,769**	
Short position	**CDI + 1,23%**	**R$**	**10,816**	**(2,386)**
Swap (Currency)	**16/11/2027**			
Long position	**USD/BRL + 6%**	**USD**	**15,000**	
Short position	**CDI - 1.71%**	**R$**	**57,863**	**(2,969)**
Swap (Currency)	**11/18/2024**			
Long position	**USD/BRL + 3%**	**USD**	**21,000**	
Short position	**CDI + 1,47%**	**R$**	**81,008**	**(15,274)**
Swap (Currency)	**11/18/2024**			
Long position	**EUR/BRL + 3%**	**EUR**	**40,000**	
Short position	**CDI + 2,30%**	**R$**	**169,900**	**(38,363)**
Swap (Currency)	**11/18/2024**			
Long position	**EUR/BRL + 3%**	**EUR**	**10,000**	
Short position	**CDI + 2,46%**	**R$**	**42,321**	**(9,534)**
Swap (Currency)	**11/18/2024**			
Long position	**3.35%+ Tax**	**USD**	**84,998**	
Short position	**115% of CDI**	**R$**	**300,000**	**(34,508)**
Long (short) position				**(189,851)**
Effect on P&L for the year				**(60,705)**

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 early settlement or maturity of the transactions.

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

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

Situation	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Exchange rate variation	**5%**	**-25%**	**-50%**	**25%**	**50%**
Depreciation of US$ (rate in R$)	**-**	**2.5665**	**1.7110**	**-**	**-**
Appreciation of US$ (rate in R$)	**3.4221**	**-**	**-**	**4.2776**	**5.1331**

	Scenario I (loss)/gain	Scenario II (loss)/gain	Scenario III (loss)/gain	Scenario IV (loss)/gain	Scenario V (loss)/gain
Effect on liabilities in US$					
IFC - International Finance Corporation	**6,124**	**(7,625)**	**(20,950)**	**20,138**	**33,644**
Effect on derivatives					
SWAP on IFC loan	**1,945**	**(229)**	**1,828**	**(4,729)**	**(9,874)**
Net effect	**4,180**	**(7,854)**	**(19,123)**	**15,409**	**23,770**

28. Insurance

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

Insurance line	Amount insured
Property risk	1,914,956
Civil Liability (D&O)	50,000
Engineering risks	333,704
Civil liability – construction works	12,500
General civil liability	2,250

29. Subsequent events

On April 19, 2017, Rede D'or, acquired all shares of Integrated Hospitals of Gávea S.A. - Clínica São Vicente, a corporation that operates a hospital located in Rio de Janeiro, Brazil. The consideration transferred totaled R$125,244, of which R$110,244 was paid at the contract execution date and the remaining balance of R$15,000 was retained as guarantee for price adjustment and indemnification obligations by sellers.