Condensed Interim Financial Information (Unaudited)

Rede D'Or São Luiz S.A.

June 30, 2016
with Independent Auditor's Review Report

Rede D'Or São Luiz S.A.

Condensed interim financial information (unaudited)

June 30, 2016

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Rede D'Or São Luiz S.A.

Notas explicativas às informações intermediárias condensadas (não auditadas) --Continuação
30 de junho de 2015
(Em milhares de reais, exceto quando indicado de outra forma)

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.
São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated condensed interim financial information of Rede D'Or São Luiz S.A. ("Company") for the six-month period ended June 30, 2016, which comprise the balance sheet as at June 30, 2016, and the related condensed statements of income, of comprehensive income, of changes in equity and cash flows for the six-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.

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Conclusion

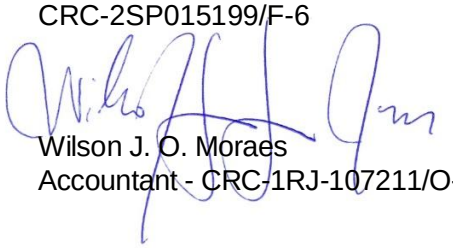
Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated condensed interim financial information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 (R1) and IAS 34.

Other matters – Statements of value added

We have also reviewed the individual and consolidated statements of value added for the six-month period ended June 30, 2016, 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, August 29, 2016.

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
June 30, 2016 (unaudited) and December 31, 2015
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**06/30/2016**	**12/31/2015**	**06/30/2016**	**12/31/2015**
Assets					
Current assets					
Cash and cash equivalents	4	24,916	93,365	135,867	144,497
Marketable securities	4	1,345,471	679,032	1,592,467	897,237
Trade accounts receivable	5	1,490,435	1,321,647	2,160,971	1,911,681
Inventories	6	93,180	97,340	133,221	133,538
Taxes recoverable		59,971	83,689	94,333	104,449
Financial instrument – promissory note	18	-	944,435	-	944,435
Derivative financial instruments	27	3,704	-	3,704	-
Related parties	7	14,733	40,072	-	-
Dividends receivable		27,977	27,977	-	-
Receivables from disposal of properties	11	-	73,926	-	73,926
Other		91,699	60,743	167,469	111,716
Total current assets		3,152,086	3,422,226	4,288,032	4,321,479
Noncurrent assets					
Related parties	7	1,247,758	1,175,363	26,979	16,928
Deposit for acquisition of property	4	-	-	80,112	76,869
Judicial deposits	16	67,683	62,239	85,113	78,439
Deferred income and social contribution taxes	19	-	-	38,708	80,607
Derivative financial instruments	27	26,847	35,956	26,847	35,956
Investments	8	1,283,029	1,224,110	110,438	118,651
Property and equipment	9	1,920,655	1,660,656	3,001,570	2,700,159
Intangible assets	10	2,201,791	1,810,228	3,034,291	2,668,471
Other		29,292	71,342	32,395	71,394
Total noncurrent assets		6,777,055	6,039,894	6,436,453	5,847,474
Total assets		**9,929,141**	9,462,120	**10,724,485**	10,168,953

	Note	Parent Company		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
Liabilities and equity					
Current liabilities					
Trade accounts payable		180,979	197,627	256,644	248,247
Derivative financial instruments	27	128,203	-	128,203	-
Loans and financing	12	28,716	40,815	36,145	50,964
Debentures	13	637,165	495,159	706,107	521,483
Salaries, provisions and social charges		289,341	260,357	389,829	341,689
Tax liabilities	14	172,824	108,676	265,261	174,502
Taxes in installments	14	24,970	18,123	26,478	29,802
Accounts payable for acquisitions	15	30,202	93,335	31,518	98,918
Dividends and interest on equity (IOE) payable		264,999	309,051	276,843	316,004
Deferred gain on property disposal	11	3,920	3,920	3,920	3,920
Other		48,318	53,756	49,980	63,872
Total current liabilities		1,809,637	1,580,819	2,170,928	1,849,401
Noncurrent liabilities					
Derivative financial instruments	27	88,646	-	88,646	-
Loans and financing	12	1,204,461	1,113,852	1,203,179	1,124,550
Debentures	13	1,932,696	2,262,139	2,158,764	2,539,505
Related parties	7	51,290	74,398	1,488	953
Taxes paid in installments	14	142,910	121,827	173,547	151,035
Accounts payable for acquisitions	15	73,340	53,093	105,409	80,219
Deferred income and social contribution taxes	19	137,250	165,888	180,819	216,247
Provision for contingencies	16	147,860	103,480	179,803	179,569
Provision for losses on investments	8	61,260	52,780	-	-
Deferred gain on property disposal	11	82,036	84,040	82,036	84,040
Other		39,399	39,775	41,453	43,351
Total noncurrent liabilities		3,961,148	4,071,272	4,215,144	4,419,469
Equity	18				
Capital		867,777	867,777	867,777	867,777
Capital reserves		2,393,073	2,381,551	2,393,073	2,381,551
Treasury stock		(330,738)	(257,597)	(330,738)	(257,597)
Income reserve		719,050	814,074	719,050	814,074
Retained earnings		504,970	-	504,970	-
Total equity		4,154,132	3,805,805	4,154,132	3,805,805
Advances for future capital contribution		4,224	4,224	4,224	4,224
Non-controlling interests		-	-	180,057	90,054
Total equity		4,158,356	3,810,029	4,338,413	3,900,083
Total liabilities and equity		9,929,141	9,462,120	10,724,485	10,168,953

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed income statements (unaudited)
Six-month periods ended June 30, 2016 and 2015
(In thousands of reais)

	Note	Parent Company		Consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Net revenue	20	2,759,141	2,168,970	3,834,498	2,987,133
Cost of services rendered	21	(1,919,956)	(1,596,948)	(2,771,253)	(2,278,712)
Gross profit		839,185	572,022	1,063,245	708,421
General and administrative expenses	22	(117,819)	(116,477)	(120,466)	(116,170)
Sales expenses	23	(16,100)	(17,570)	(17,291)	(11,343)
Equity pickup	8	129,583	99,262	10,500	17,258
Other operating income (expenses), net	24	46,870	42,538	39,417	36,729
Income before financial income (expenses) and income and social contribution taxes		881,719	579,775	975,405	634,895
Financial income	25	301,861	59,762	324,096	72,306
Financial expenses	25	(531,310)	(268,515)	(565,363)	(295,026)
Income before income taxes		652,270	371,022	734,138	412,175
Income taxes	19	(147,300)	(75,003)	(215,235)	(110,623)
Net income for the period		504,970	296,019	518,903	301,552
Net income attributed to controlling shareholders		504,970	296,019	504,970	296,019
Net income attributade to non-controlling shareholders		-	-	13,933	5,533
Basic earnings per share	26	1.1471	0.8247	-	-
Diluted earnings per share	26	1.1376	0.6932	-	-

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed statements of comprehensive income (unaudited)
Six-month periods ended June 30, 2016 and 2015
(In thousands of reais)

	Parent Company		Consolidated	
	06/30/2016	**6/30/2015**	**06/30/2016**	**6/30/2015**
Net income for the period	**504,970**	296,019	**518,903**	301,552
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**504,970**	296,019	**518,903**	301,552
Attributable to				
Controlling shareholders	**504,970**	296,019	504,970	296,019
Non-controlling shareholders	**-**	-	13,933	5,533

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed statements of changes in equity (unaudited)
Six-month periods ended June 30, 2016 and 2015
(In thousands of reais)

		Capital reserves				Income reserves							
Description	Capital	Goodwill reserve (issue of shares)	Goodwill on capital transactions	Share-based payment reserve	Treasury shares	Legal reserve	investment reserve	Other reserves	Retained earnings	Total equity	Advance for future capital increase	Non-controlling interests	Total
Balances at December 31, 2014	452,530	246,114	(52,416)	65,710	(161,919)	8,666	295,471	600,000	-	1,454,156	4,224	11,890	1,470,270
Capital increase (Note 18.a)	267,583	1,637,490	-	-	-	-	(33,613)	-	-	1,871,460	-	-	1,871,460
Conversion of debentures into shares (Nota 18.a)	147,664	452,336	-	-	-	-	-	(600,000)	-	-	-	-	-
Acquisition of controlling interest in jointly-controlled subsidiary	-	-	-	-	-	-	-	-	-	-	-	45,602	45,602
Treasury shares (Note 18.b)	-	-	-	-	(6,934)	-	-	-	-	(6,934)	-	-	(6,934)
Share-based payment reserve (Nota 18.c)	-	-	-	4,356	-	-	-	-	-	4,356	-	-	4,356
Net income for the period	-	-	-	-	-	-	-	-	296,019	296,019	-	5,533	301,552
Balances at June 30, 2015	867,777	2,335,940	(52,416)	70,066	(168,853)	8,666	261,858	-	296,019	3,619,057	4,224	63,025	3,686,306
Balances at December 31, 2015	867,777	2,335,940	(72,048)	117,659	(257,597)	8,666	805,408	-	-	3,805,805	4,224	90,054	3,900,083
Acquisition of controlling interest in jointly-controlled subsidiary	-	-	-	-	-	-	-	-	-	-	-	80,922	80,922
Acquisition of noncontrolling interest	-	-	(3,528)	-	-	-	-	-	-	(3,528)	-	(726)	(4,254)
Proposed dividends and interest on equity	-	-	-	-	-	-	(95,024)	-	-	(95,024)	-	(4,126)	(99,150)
Treasury shares	-	-	-	-	(73,141)	-	-	-	-	(73,141)	-	-	(73,141)
Net income for the period	-	-	-	-	-	-	-	-	504,970	504,970	-	13,933	518,903
Share-based payment reserve	-	-	-	15,050	-	-	-	-	-	15,050	-	-	15,050
Balances at June 30, 2016	867,777	2,335,940	(75,576)	132,709	(330,738)	8,666	710,384	-	504,970	4,154,132	4,224	180,057	4,338,413

See accompanying notes.

Rede D'Or São Luiz S.A.

Condensed statements of cash flows (unaudited)
Six-month periods ended June 30, 2016 and 2015
(In thousands of reais, unless otherwise stated)

	Parent Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Cash flows from operating activities				
Income before income taxes	652,270	371,022	734,138	412,175
Adjustments to reconcile income with cash from operating activities				
Depreciation and amortization	62,796	51,965	80,336	66,038
Gain on disposal of properties	(1,960)	(2,192)	(1,960)	(2,192)
Gain on acquisition in stages	(71,402)	(65,598)	(71,402)	(65,598)
Fair value of debt	(15,115)	-	(15,115)	-
Interest, monetary and foreign exchange gains (losses), net	272,260	201,277	278,959	235,692
Share-based payment	15,050	4,356	15,050	4,356
Provision for contingencies	-	-	952	1,425
Equity pickup	(129,583)	(99,262)	(10,500)	(17,258)
Allowance for disallowance of claims	112,307	81,585	184,330	127,443
Allowance for doubtful accounts	9,970	12,981	9,970	6,295
(Increase) decrease in assets and increase (decrease) in liabilities				
Trade accounts receivable	(247,786)	(256,665)	(404,174)	(394,050)
Inventories	4,167	1,432	4,557	2,299
Taxes recoverable	25,241	(14,630)	14,324	(33,907)
Judicial deposits	(5,127)	(3,149)	(5,478)	(6,518)
Other assets	(10,455)	(2,057)	(40,387)	(18,184)
Trade accounts payable	(31,026)	(20,863)	(3,479)	(23,231)
Payroll and related charges	13,959	27,947	41,585	40,825
Tax liabilities	(17,765)	11,462	(15,283)	22,440
Taxes paid in installments	19,633	(6,277)	18,741	(5,165)
Transactions with related parties	(75,484)	67,695	(4,702)	76,696
Provision for contingencies	(3,307)	(23,972)	(4,693)	(34,743)
Other liabilities	(15,861)	32,391	(13,141)	(19,166)
	(343,811)	(186,686)	(412,130)	(392,704)
Payment of interests	(250,071)	(201,776)	(273,556)	(240,139)
Payment of income and social contribution taxes	(65,453)	(413)	(128,456)	(14,634)
Net cash generated by operating activities	247,258	167,259	390,616	120,899
Cash flows from investing activities				
Acquisition of interest (net of cash acquired)	(195,800)	(597,766)	(187,726)	(545,845)
Capital increase in affiliates	(20,566)	(16,500)	-	-
Additions to property and equipment - net of wite-offs	(312,565)	(355,085)	(402,108)	(379,824)
Additions to intangible assets	(3,552)	(11,979)	(5,277)	(8,430)
Cash from mergers	10,865	9,551	-	-
Receipt of promissory note – financial instrument	944,435	-	944,435	-
Receivables from disposal of properties	73,926	-	73,926	-
Swap settlement	(49,146)	-	(49,146)	-
Marketable securities	(608,707)	(294,437)	(603,695)	(199,979)
Net cash used in investing activities	(161,110)	(1,266,216)	(229,591)	(1,134,078)
Cash flows from financing activities				
Capital stock	-	927,026	-	927,026
Treasury shares	(73,141)	(6,934)	(73,141)	(6,934)
Non-controlling interest	(3,528)	-	(3,528)	-
Payment of dividends and interest on equity	(122,874)	-	(122,874)	-
Dividends received	8,952	8,785	11,073	12,645
Loans and financing taken out	308,438	246,802	308,438	275,381
Payment of debentures	(173,508)	(2,899)	(182,599)	(2,899)
Payment for acquisitions	(80,095)	(44,900)	(80,095)	(44,900)
Repayments of loans and financing	(18,841)	(9,122)	(26,929)	(104,214)
Cash from (used in) financing activities	(154,597)	1,118,758	(169,655)	1,056,105
Increase (decrease) in cash and cash equivalents	(68,449)	19,801	(8,630)	42,926
Cash and cash equivalents at beginning of period	93,365	38,042	144,497	55,182
Cash and cash equivalents at end of period	24,916	57,843	135,867	98,108

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of value added (unaudited)
Six-month periods ended June 30, 2016 and 2015
(In thousands of reais, unless otherwise stated)

	Parent Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Revenue	2,998,481	2,363,687	4,148,603	3,245,115
Sales of goods, products and services	3,047,396	2,390,695	4,269,541	3,311,295
Allowance for doubtful accounts and disallowance of claims	(122,277)	(94,566)	(194,300)	(133,738)
Other revenues	73,362	67,558	73,362	67,558
Inputs acquired from third parties	(924,181)	(843,000)	(1,429,498)	(1,224,790)
Cost of services sold	(869,137)	(772,566)	(1,363,163)	(1,155,081)
Materials, energy, third-party services and other	(55,044)	(70,434)	(65,383)	(71,134)
Loss/recovery of assets	-	-	(952)	1,425
Gross value added	2,074,300	1,520,687	2,719,105	2,020,325
Depreciation and amortization	(62,796)	(51,965)	(80,336)	(66,038)
Net value added, net	2,011,504	1,468,722	2,638,769	1,954,287
Value added received in transfer	523,802	192,796	427,132	123,336
Equity pickup	129,583	99,262	10,500	17,258
Financial income	394,219	93,534	416,632	106,078
Total value added	2,535,306	1,661,518	3,065,901	2,077,623
Distribution of value added	(2,535,306)	(1,661,518)	(3,065,901)	(2,077,623)
Personnel and related charges	(905,414)	(712,254)	(1,203,645)	(961,818)
Taxes, charges and contributions	(323,206)	(215,143)	(465,192)	(307,401)
Interest, rents and other operating expenses	(801,716)	(438,103)	(878,161)	(506,852)
Dividends and interest on equity	(95,024)	-	(95,024)	-
Retained earnings	(409,946)	(296,018)	(423,879)	(301,552)

See accompanying notes.

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 - SP, is engaged in the rendering of hospital services, offering assistance and hospital 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 28 own hospitals, in addition to 1 hospital under management and 3 under construction, as well as oncology and radiotherapy clinics.

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, 2015, except for the designation of hedge operations.

The Company uses derivative financial instruments, such as currency and interest rate swaps and non-deliverable forwards to hedge against exchange rate change risk.In this quarter the Company designated hedge operations at fair value that are registered as follows: (i) gain or loss resulting from any change in the fair value of a hedge instrument is recognized in financial income in the income statements; and (ii) gain or loss resulting in the hedged item attributable to the hedged risk is recorded as an accounting adjustment of the hedged item and recognized as financial income in the income statement.

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

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

P&L for the six-month period ended June 30, 2016 does not necessarily indicate the P&L expected for the entire year ending December 31, 2016. 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, 2015.

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.

Authorization to conclude the preparation of this financial information was provided by Company management on August 29, 2016.

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

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

	Interest held (%)			
	06/30/2016		12/31/2015	
	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.	**99.00**	**1.00**	99.99	0.01
Onco D'Or Oncologia S.A.	**100.00**	**-**	100.00	-
Osby RJ Participações Ltda. (c)	**-**	**-**	-	100.00
Cidreira RJ Participações Ltda. (c)	**-**	**-**	-	100.00
Estância Velha RJ Participações Ltda. (c)	**-**	**-**	-	100.00
Jenner S.A.	**50.00**	**37.50**	-	75.00
Oncoholding Participações S.A. (f)	**-**	**-**	50.00	37.50
Oncologia D'Or S.A.	**6.28**	**78.36**	5.34	78.36
Instituto Onco e Radio São Pellegrino Ltda.	**-**	**84.63**	-	83.70
CEHON – Centro de Hematologia e Oncologia Ltda.	**-**	**32.56**	-	32.56
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 S.A. (formerly Diagnolab Exames Complementares Ltda.)	**99.99**	**0.01**	99.99	0.01
Centro Hospitalar São Marcos S.A.	100.00	**-**	100.00	-
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**99.00**	**1.00**	99.00	1.00
Esperança Serviços Médicos e de Diagnósticos S.A.	**100.00**	**-**	100.00	-
Santa Luzia Assistência Médica S.A. ("SLAM")	**100.00**	**-**	100.00	-
Hospital IFOR S.A. ("IFOR") (d)	**-**	**-**	100.00	-
Hospital Fluminense S.A.	**100.00**	**-**	100.00	-
Onco ABC Serviços Médicos Ltda. (e)	**-**	**-**	73.50	-
JLD Borducchi Ltda. (e)	**-**	**-**	73.50	-
Cardial Serviços Médicos Ltda.	**73.50**	**-**	73.50	-
ONCORAD - Serviços de Radioterapia Ltda.	**0.01**	**73.49**	0.01	73.49
Hospital Villa-Lobos Ltda. (d)	**-**	**-**	100.00	-
Unidade de Radiologia Clínica Ltda. ("URC")	**72.00**	**-**	72.00	-
Instituto de Ultrasonografia 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
Hospital e Maternidade Bartira S.A. (d)	**-**	**-**	100.00	-
Café Verde da Quinta Ltda.	**100.00**	**-**	100.00	-
Campinas Empreendimentos Imobiliários Ltda. (formerly D'Or Trading Importação Ltda.)	**99.99**	**0.01**	99.99	0.01
IFOR Empreendimentos Imobiliários S.A. (formerly 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. (formerly JM01 Emp. Imobiliários S.A.)	**99.99**	**0.01**	99.99	0.01
JM02 Emp. Imobiliários Ltda.	**99.99**	**0.01**	99.99	0.01
RDSL Empreendimentos Imobiliários S.A.	**100.00**	**-**	100.00	-
Rede D'Or São Luiz Soluções Saúde e Segurança	**65.00**	**-**	65.00	-
JTO Holding S.A.	**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	**15.00**	**85.00**	14.79	83.78
PGRJ Empreendimentos Imobiliários Ltda. (organized in 2016)	**99.00**	**1.00**	-	-
Acreditar Oncologia S.A. (g)	**60.00**	**-**	50.00	-
Hospital Memorial São José Ltda. ("MSJ") (h)	**100.00**	**-**	-	-
IPASA – Investimento Participação e Adm. S.A. (h)	**100.00**		-	-

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

	Interest held (%)			
	06/30/2016		12/31/2015	
	Direct	Indirect	Direct	Indirect
Entities consolidated by the equity method (b)				
Instituto Brasiliense de Oncologia Clínica Ltda.	-	40.0	-	35.00
Fujidayclinic Ltda.	-	30.0	-	25.00
IPEC – Instituto de Pesquisa e Ensino CEON Ltda.	-	59.99	-	49.99
Em Frente Distribuição, Manipulação E Nutrição Ltda.	0.1	59.99	0.1	49.99
Acreditar Tocantins Oncologia S.A.	-	30.00	-	25.00
Centro Oncológico do Vale Ltda.	-	50.00	-	50.00
Instituto de Radioterapia do Vale do Paraíba Ltda.	-	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
Prontimagem Serviços Médicos Ltda.	60.10	-	55.10	-
Lithocenter S.A.	45.90	-	45.90	-
Memorial Imagem e Diag Ltda. ("Mediax") (i)	15.00	-	-	-
Maximagem Diag. por Imagem Ltda. (i)	50.00	-	-	-
HEMATO – Serviços de Hemoterapia Ltda. (i)	-	45.00	-	-

(a) This includes hospitals São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or, Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Hospital Santa Luzia, Hospital do Coração, Sinisgalli, Hospital Nossa Senhora de Lourdes, Hospital da Criança, Sino Brasileiro Serviços Hospitalares S.A, Villa Lobos Ltda./ Hospital e Maternidade Bartira S.A. and Hospital Ifor S.A.
(b) Jointly-controlled companies recognized by the equity method.
(c) Osby RJ Participações Ltda./ Cidreira RJ Participações Ltda. and Estância Velha RJ Participações Ltda. were merged into Onco D'Or Oncologia S.A. on January 1, 2016;
(d) Companies merged into the Parent Company on January 1, 2016.
(e) JLD Borducchi Ltda. and Onco ABC Serviços Médicos Ltda were merged into Cardial Serviços Médicos Ltda. on January 1, 2016.
(f) Oncoholding Participações S.A was merged into Jenner S.A. on January 1, 2016;
(g) Acquisition of additional interest through acquisition of control in April 2016.
(h) Companies acquired in April 2016.
(i) Memorial Imagem e Diag. Ltda., Maximagem Diag. por Imagem Ltda. and Hemato – Serviços de Hemoterapia Ltda. (investee of acquired company IPASA) are jointly controlled subsidiaries recognized by equity pickup in April 2016).

3. Business combination

Business combinations disclosed in the financial statements as of December 31, 2015, did not change significantly. In the first six-month period of 2016 the Company acquired control over the following companies:

Acreditar Oncologia S.A.

On April 19, 2016, Rede D'Or, acquired an additional 5% interest in Acreditar Oncologia S.A. ("Acreditar") Accordingly, The Group acquired control over Acreditar and then held 60% interest. The total consideration transferred for the additional 5% of interest was R$ 10,229 of which R$ 5,115 was paid on the date of the agreement and the R$5,114 on maturity on April 26, 2018, to be restated by the variation in the CDI as from acquisition.

3. Business combinations (Continued)

Acreditar Oncologia S.A. (Continued)

As provided for in CPC 15 - Business Combinations, the Company valued its prior interest at fair value and recorded the corresponding gain on the date of acquisition of control, as follows:

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

The gain stated above was classified in other operating revenue in the income statement.

The Group is assessing the assets acquired and liabilities assumed at fair value, however, the stated effects are preliminary. The calculation of preliminary goodwill is as follows:

	At acquisition date
Assets	
Cash and cash equivalents	10,798
Accounts receivable	19,196
Inventories	1,536
Taxes recoverable	3,458
Investments	6,054
Property and equipment	4,830
Intangible assets	3,348
Other	11,542
	60,762
Liabilities and equity	
Trade accounts payable	(5,352)
Tax obligations	(3,781)
Personnel	(810)
Other	(2,686)
	(12,629)
Total identifiable assets, net	48,133
Total consideration	10,229
Fair value of 55% of net assets on the date control was acquired	112,519
Noncontrolling interest at fair value	81,832
Goodwill on acquisition (Note 10)	156,447

3. Business combinations (Continued)

Acreditar Oncologia S.A. (Continued)

As this acquisition occurred recently Management is in the process of analysis of assets acquired and liabilities assumed which is estimated to be concluded up to the end of 2016. If required the Company shall carry out any adjustment as required under IFRS3/ CPC 15.

Since the date of the acquisition Acreditar contributed to the Group with revenue of R$ 20,967 and pretax income of R$8,358. If the business combination had occurred at the beginning of the year Acreditar would have contributed revenue of R$ 38,909 to the Group and pretax income of R$ 13,764.

Memorial São José Ltda.

On April 25, 2016, the Group acquired all shares in Hospital Memorial São José Ltda. ("Memorial") a limited company that operates a hospital located in Recife, Pernambuco. The total consideration transferred amounted to R$141,315, fully paid on the transaction date.

The Group is assessing the assets acquired and liabilities assumed at fair value, however, the stated effects are preliminary. The calculation of preliminary goodwill is as follows:

	At acquisition date
Asset	
Cash and cash equivalents	7,081
Accounts receivable	21,095
Inventories	2,891
Taxes recoverable	1,560
Related parties	258
Judicial deposits	1,196
Deferred income and social contribution taxes	4,219
Investment	50
Property and equipment	10,387
Intangible assets	273
Other	1,667
	50,677
Liabilities and equity	
Accounts payable	(7,053)
Loans and financing	(81)
Salaries, provisions and social charges	(5,636)
Tax obligations	(14,013)
Taxes paid in installments	(447)
Provision for contingencies	(3,975)
Other	(1,280)
	(32,485)
Total identifiable assets, net	18,192
Total payment	141,315
Goodwill on acquisition (Note 10)	123,122

3. Business combinations (Continued)

Memorial São José Ltda. (Continued)

Since the date of the acquisition Memorial contributed to the Group with revenue of R$ 29,559 and pretax income of R$2,548. If the business combination had occurred at the beginning of the year Memorial would have contributed revenue of R$ 106,502 to the Group and pretax income of R$ 24,967.

4. Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Cash and cash equivalents				
Cash and banks	21,542	76,149	69,674	94,763
Short-term investments	3,374	17,216	66,193	49,734
	24,916	93,365	135,867	144,497
Marketable securities				
Non-exclusive investment funds	1,296,378	646,720	1,525,158	822,157
Repurchase agreements	24,661	19,057	32,065	41,935
Bank Deposit Certificates (CDBs)	24,432	13,255	35,244	33,145
Marketable securities	1,345,471	679,032	1,592,467	897,237

Short-term investments classified as cash equivalents mature within no more than 90 days from the investment date, and the amounts classified as marketable securities refer to securities maturing after 90 days, held for trading.

Short-term investments classified as marketable securities mainly refer to Bank Deposit Certificates (CDBs) and repurchase agreements backed by debentures, which are part of the exclusive "FIM CP Plataforma" fund portfolio, (which also invest in nonexclusive investment funds) issued by first-tier financial institutions, and with average yield of 75% to 101% of Interbank Deposit Certificate (CDI).

5. Trade accounts receivable

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

	Parent Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Accounts receivable from health insurance and health plans	1,805,707	1,572,170	2,770,091	2,436,851
Accounts receivable from individuals	72,036	66,776	85,619	79,951
Allowance for disallowance of claims	(163,001)	(122,348)	(373,736)	(298,683)
Allowance for doubtful accounts	(224,307)	(194,951)	(321,003)	(306,438)
	1,490,435	1,321,647	2,160,971	1,911,681

5. Trade accounts receivable (Continued)

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

Management has a policy to set up an allowance for doubtful accounts for receivables overdue for more than 360 days. The provision for disallowance of heath care service claims is set up based on the history of receipts by health insurance/plan within the term of up to 360 days.

	Parent Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Balance at beginning of year	(317,299)	(300,455)	(605,121)	(401,283)
Recognition of provision for disallowance of claims	(112,307)	(176,992)	(184,330)	(279,619)
Write-off of uncollectible amounts	88,498	211,921	118,921	256,829
Set up (reversal) of allowance for doubtful accounts	(9,970)	(22,677)	(9,970)	(15,991)
Provision arising from mergers	(36,230)	-	-	-
Provision arising from acquisition of companies	-	(29,096)	(14,239)	(165,057)
Balance at end of year	(387,308)	(317,299)	(694,739)	(605,121)

At June 30, 2016 and December 31, 2015, 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
06/30/2016	1,877,743	1,227,166	71,585	41,546	31,767	25,412	59,608	196,352	224,307
12/31/2015	1,638,946	1,140,748	50,395	34,998	25,326	40,535	65,512	86,481	194,951

	Consolidated								
			Overdue						
	Total	Falling due	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 180 days	181 - 360 days	Over 360 days
06/30/2016	2,855,710	1,812,581	124,328	71,205	55,210	45,046	111,485	314,852	321,003
12/31/2015	2,516,802	1,723,105	91,655	59,050	44,482	60,973	98,633	132,466	306,438

6. Inventories

	Parent Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Medicines	29,514	29,615	37,421	37,655
Special materials	23,689	27,011	42,912	41,367
Disposable materials	21,800	23,690	29,755	28,727
Bracing and prosthetic	547	582	685	718
Materials for use and consumption	9,917	7,508	13,058	9,762
Food items	1,301	1,250	2,190	1,542
Dressing room materials	1,275	2,237	1,610	4,889
Surgical sutures	1,839	1,761	2,303	2,237
Other	3,298	3,686	3,287	6,641
	93,180	97,340	133,221	133,538

7. Transactions with related parties

Balances with related parties

	Parent Company							
	06/30/2016				12/31/2015			
Companies	Current assets	Non-current assets	Non-current liabilities	P&L	Current assets	Non-current assets	Non-current liabilities	P&L
Debentures Norte D'Or (a)	14,733	19,140	-	2,971	33,701	5,385	-	2,428
Debentures Oncotech Oncologia S.A. (b)	-	-	-	-	6,371	-	-	1,568
Shared services (c)								
Medise Medicina Diagnóstico e Serviços Ltda.	-	25,978	-	3,627	-	22,351	-	7,546
Hospital Esperança S.A.	-	34,726	-	11,726	-	23,000	-	23,403
Hospital São Marcos	-	14,577	-	1,854	-	12,723	-	3,023
Hospital Norte D'Or de Cascadura S.A.	-	-	-	1,989	-	-	-	5,723
Rede D'or São Luiz Serviços Médicos S.A.	-	168,591	-	19,805	-	148,786	-	41,370
J. Badim S.A.	-	481	-	893	-	324	-	776
Oncologia D'Or S.A.	-	8,862	-	766	-	8,096	-	504
Hospital Fluminense S.A.	-	12,810	-	1,334	-	11,476	-	3,463
Esperança Serviços Médicos e de Diagnósticos	-	63	-	63	-	-	-	-
Centro Dignóstico NSL	-	128	-	128	-	-	-	-
São Luiz Serviços Médicos S.A	-	-	29,197	-	-	-	30,408	-
Centro Dignóstico NSL	-	2,323	-	-	-	-	-	-
Esperança Serviços Médicos e de Diagnósticos	-	621	-	-	-	1,485	-	-
Unidade de Radiologia Clínica Ltda.	-	10,989	-	-	-	6,544	-	-
Medise Medicina Diagnóstico e Serviços Ltda.	-		18,642	-	-	-	19,690	-
PMJ Assessoria e Consultoria Financeira S.A. (f)	-	73,637	-	-	-	22,644	-	-
Quinta D'Or Empreendimentos Imobiliários S.A.	-	37,725	-	-	-	37,725	-	-
Jenner S.A	-	16,688	-	-	-	16,688	-	-
Oncologia D'Or S.A.	-	36,874	-	-	-	48,394	-	-
Hospital Fluminense S.A.	-	13,626	-	-	-	14,204	-	-
Hospital São Marcos Ltda.	-	-	-	-	-	12,310	-	-
Villa Lobos Ltda.	-	-	-	-	-	-	3,392	-
Hospital Esperança S.A.	-	3,362	-	-	-	-	17,401	-
IFOR	-	-	-	-	-	-	504	-
D'Or Soluções	-	-	2,314	-	-	-	2,479	-
JMJB Diagnósticos e Serviços Hospitalares S.A.	-	2,698	-	-	-	2,624	-	-
Proncordis	-	7,536	-	-	-	7,037	-	-
Cardial	-	756	-	-	-	756	-	-
Acreditar Oncologia S.A.	-	4,335	-	-	-	4,335	-	-
Rodin	-	704	-	-	-	625	-	-
Onco D'Or Oncologia S.A.	-	32,389	-	-	-	36,429	-	-
D'Or Trading Importação Ltda.	-	45,017	-	-	-	42,157	-	-
Hospital e Maternidade Bartira S.A.	-	-	-	-	-	14,304	-	-
Hospital Santa Helena S.A.	-	25,722	-	-	-	5,600	-	-
JM02 Empreendimentos Imobiliários Ltda. (d)	-	434,487	-	-	-	434,477	-	-
IFOR Empreendimentos Imobiliários S.A.. (d)	-	198,953	-	-	-	198,832	-	-
Diagnolab Exames Complementares Ltda.	-	-	-	-	-	20,566	-	-
JM&AM Empreendimentos Imobiliários S.A. (e)	-	-	-	**8,160**	-	-	-	15,654
Other	-	13,960	1,137	-	-	15,486	524	-
	14,733	**1,247,758**	**51,290**	**53,316**	40,072	1,175,363	74,398	105,458

7. Transactions with related parties (Continued)

Balances with related parties (Continued)

	Consolidated							
	06/30/2016					12/31/2015		
Companies	Current assets	Non-current assets	Non-current liabilities	P&L		Current assets	Non-current assets	Non-current liabilities
Shared services (a)	**-**	**-**	**-**	**-**				
J. Badim S.A.	**-**	481	-	**893**	-	324	-	776
Onco BSB	**-**	-	-	**-**	-	-	953	-
JMJB Diagnósticos e Serviços Hospitalares S.A.	**-**	7,615	-	**-**	-	7,615	-	-
Badim	**-**	1,403	-	**-**	-	615	-	-
MRA	**-**	7,088	-	**-**	-	7,028	-	-
JM&AM Empreendimentos Imobiliários S.A(.e)	**-**	-	-	8,160	-	-	-	15,654
Other	**-**	10,392	1,488	**-**	-	1,346	-	-
	-	**26,979**	**1,488**	9,053	-	16,928	953	16,430

On February 9, 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 expected 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 statement. On November 10, 2015, Hospital Norte D'Or privately issued nonconvertible, single-series, registered debentures amounting to R$25,000, maturing on November 10, 2019, 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 expected 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.

(a) On January 16, 2012, Oncotech Oncologia S.A. privately issued nonconvertible, single-series, registered debentures amounting to R$40,000, maturing on April 18, 2016, with Rede D'Or as the debenture holder. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 4% p.a. Interest is paid on a quarterly basis. There are no expected guarantees for the debentures. Upon a 10-day notice, Oncotech is entitled to repay the debentures in advance, as provided for by agreement.

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

(c) The balance outstanding with IFOR Empreendimentos Imobiliários S.A. (formerly Park D'Or S.A.) relates to transfer of funds to purchase the property of Villa-Lobos hospital in the amount of R$195,000, while the balance outstanding with JM02 Empreendimentos Imobiliários Ltda. refers to transfer of funds to purchase 85% of the interest acquired from Hospital Santa Helena S.A.

(d) Transactions referring to rental of three properties for hospital operation. The properties belong to a company owned by controlling shareholders of Rede D'Or.

(e) On June 29, 2016 the Rede D'Or transferred to PMJ the amount of R$ 37,494 for the purchase transaction of the land of Soter. - Sociedade Técnica de Engenharia S/A, located in Santa Rosa, in the city of Niterói.

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

7. Transactions with related parties (Continued)

Key management personnel compensation

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

At June 30, 2016 and 2015, key management personnel compensation is as follows:

	06/30/2016	06/30/2015
Salaries and bonuses	26,082	22,040
Benefits	92	94
Share-based compensation	15,050	4,356
	41,224	26,490

8. Investments

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

Parent Company	Balance at 12/31/2015	Equity pickup	Acquisition of interest	Capital increase	Dividends	Transfer	Other	Merger	Balance at 06/30/2016
Medise Medicina Diagnóstico e Serviços S.A.	97,362	13,007	-	-	-	-	(184)	-	110,185
Hospital Esperança S.A.	125,954	46,585	-	-	-	-	86	-	172,625
Hospital São Marcos (including goodwill)	26,707	9,664	-	-	-	-	3,675	-	40,046
PMJ Empreendimentos Imobiliários S.A.	74,503	(768)	-	-	-	-	-	-	73,735
Norte D'Or Participações S.A. (including goodwill)	62,982	1,220	-	-	-	-	-	-	64,202
Onco D'Or Oncologia S.A.	64,502	6,225	-	-	(3,000)	-	-	-	67,727
Jenner S.A. (including goodwill)	94,554	7,505	-	-	-	-	-	-	102,059
JMJB Diagnósticos e Serviços Hospitalares	21,775	974	-	-	-	-	-	-	22,749
Rodin Empreendimentos e Participações S.A.	57,773	(31)	-	-	-	-	-	-	57,742
Quinta Empreendimentos Imobiliários Ltda.	20,335	5,652	-	-	-	-	-	-	25,987
Hospital IFOR S.A. (a)	90,789	-	-	-	-	-	-	(90,789)	-
Hospital Fluminense S.A.	4,464	6,225	-	-	-	-	-	-	10,689
Acreditar Oncologia S.A. (b)	38,667	3,546	94,074	-	(5,500)	-	(5,454)	-	125,333
Hospital Villa-Lobos Ltda. (a)	176,595	-	-	-	-	-	-	(176,595)	-
Hospital e Maternidade Bartira S.A. (a)	102,658	-	-	-	-	-	-	(102,658)	-
Diagnolab Exames Complementares Ltda.	-	-	-	-	-	20,671	-	-	20,671
Cardial Serviços Médicos	55,473	2,188	-	-	-	-	(163)	-	57,498
Hospital Santa Helena S.A.	69,827	4,418	-	-	-	-	(74)	-	74,171
Memorial São José Ltda. (including goodwill) (b)	-	1,722	141,315	-	-	-	-	-	143,037
Maximagem – Diagnóstico por Imagem LTDA. (including goodwill) (c)	-	469	25,374	-	-	-	-	-	25,843
IPASA Investimento Participação e Administração S.A. (including goodwill) (b)	-	145	16,313	-	-	-	-	-	16,458
Other	39,190	29,212	2,084	-	(452)	-	2,238		72,272
Total	1,224,110	137,958	279,160	-	(8,952)	20,671	124	(370,042)	1,283,029
Rede D'Or São Luiz Serviços Médicos S.A.	(26,666)	(8,618)	-	-	-	-	-	-	(35,284)
Centro Hospitalar São Marcos S.A.	(24,642)	49	-	-	-	-	-	-	(24,593)
Diagnolab Exames Complementares Ltda.	(237)	342	-	20,566	-	(20,671)	-	-	-
Café Verde	(1,235)	(23)	-	-	-	-	-	-	(1,258)
Park D'Or	-	(125)	-	-	-	-	-	-	(125)
	(52,780)	(8,375)	-	20,566	-	(20,671)	-	-	(61,260)
Equity pickup		**129,583**							

(a) On January 1, 2016, Rede D'or São Luiz S.A. merged the following companies: Hospital IFOR S.A, Hospital Villa-Lobos Ltda and Hospital and Maternidade Bartira S.A. These mergers generated no impact on the Company's consolidated financial statements.
(b) Consolidated companies as from acquisition of control, as stated in Note 3.
(c) Parent Company acquired in April 2016, recognized by equity pickup.

8. Investments (Continued)

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

Company	Balance at 12/31/2015	Equity pickup	Acquisition of interest	Dividends	Other	Balance at 06/30/2016
JMJB Diganósticos e Serviços Hospitalares S.A.	21,775	974	-	-	-	22,749
Acreditar Oncologia S.A.	38,667	2,863	(36,030)	(5,500)	-	-
Onco São José dos Campos	36,998	2,992	-	(5,131)	-	34,859
CEHON	16,849	1,398	-	(442)	-	17,805
Maximagem – Diagnóstico por Imagem LTDA. (a)	-	469	25,374	-	-	25,843
Other	4,362	1,804	2,982	-	34	9,182
Total	118,651	10,500	(7,674)	(11,073)	34	110,438
Equity pickup		**10,500**				

(a) Company recognized by equity pickup through acquisition of Complexo Memorial in April 2016.

Breakdown of investments

	June 30, 2016							June 30, 2015
	% Total	% Voting	Assets	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
Direct and indirect subsidiaries								
Medise Medicina Diagnóstico e Serviços S.A.	**98.00**	**98.00**	**263,733**	**151,298**	**112,435**	**18,868**	**13,007**	12,668
Hospital Esperança S.A. ("Esperança")	**100.00**	**100.00**	**761,595**	**588,970**	**172,625**	**97,139**	**46,585**	28,127
Mais-Multi Assistência Médica Ambulatorial Ltda. (Hospital São Marcos)	**100.00**	**100.00**	**85,704**	**56,464**	**29,240**	**10,236**	**9,664**	7,449
Rede D'Or São Luiz Serviços Médicos S.A.	**99.99**	**99.99**	**209,389**	**244,672**	**(35,283)**	**(13,850)**	**(8,618)**	(13,013)
Centro Hospitalar São Marcos Ltda.	**100.00**	**100.00**	**8,803**	**33,395**	**(24,592)**	**221**	**49**	254
Advance Plano de Saúde Ltda.	**99.99**	**99.99**	**20,233**	**13,989**	**6,244**	**(867)**	**(573)**	919
Norte D'Or Participações S.A.	**100.00**	**100.00**	**36,032**	**277**	**35,755**	**-**	**1,220**	202
Hospital Norte D'Or de Cascadura S.A. ("Norte D'Or")	**70.00**	**70.00**	**95,337**	**56,192**	**39,145**	**7,931**	**1,702**	3,696
PMJ Empreendimentos Imobiliários S.A. (organized in 2013)	**100.00**	**100.00**	**151,975**	**78,239**	**73,736**	**(2,713)**	**(768)**	2,067
Quinta Empreendimentos Imobiliários Ltda. (company organized in 2013)	**100.00**	**100.00**	**55,239**	**29,250**	**25,989**	**6,195**	**5,652**	5,157
Onco D'or Oncologia S.A. (organized in 2013)	**100.00**	**100.00**	**199,469**	**69,517**	**129,952**	**(1,063)**	**6,225**	7,497
Esperança Serviços Médicos e de Diagnósticos S.A	**100.00**	**100.00**	**6,330**	**3,412**	**2,918**	**725**	**726**	1,147
Centro Diagnóstico NSL S.A.	**98.43**	**98.43**	**3,077**	**1,661**	**1,416**	**120**	**(146)**	(333)
Maxiclínicas Clínicas e Diagnósticos Ltda.	**100.00**	**100.00**	**3,198**	**1,558**	**1,640**	**(1,588)**	**(1,627)**	586
Diagno São Marcos Ltda.	**100.00**	**100.00**	**951**	**2,994**	**(2,043)**	**(673)**	**(762)**	(426)
Diagnolab Exames Complementares Ltda.	**100.00**	**100.00**	**21,221**	**550**	**20,671**	**336**	**342**	(5)
Rodin Empreendimentos e Participações Ltda.	**100.00**	**100.00**	**58,715**	**972**	**57,743**	**(40)**	**(31)**	1,111
São Luiz Assistência Médica Ambulatorial Ltda.	**100.00**	**100.00**	**511**	**-**	**511**	**-**	**-**	-
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**100.00**	**100.00**	**23**	**1,544**	**(1,521)**	**(326)**	**(382)**	(1,259)
Santa Luzia Assistência Médica Ltda. ("SLAM")	**100.00**	**100.00**	**6,818**	**3,255**	**3,563**	**(955)**	**(569)**	681
Unidade de Radiologia Clínica Ltda. ("URC")	**72.00**	**72.00**	**23,590**	**17,908**	**5,682**	**2,275**	**788**	874
Hospital Fluminense S.A.	**100.00**	**100.00**	**32,850**	**34,941**	**(2,091)**	**9,946**	**6,225**	124
Cardial Serviços Médicos S.A.	**73.50**	**73.50**	**18,587**	**2,649**	**15,938**	**5,161**	**2,188**	3,236
ONCORAD - Serviços de Radioterapia Ltda.	**73.50**	**73.50**	**1,708**	**1,694**	**14**	**85**	**18**	199
Café Verde da Quinta Ltda.	**100.00**	**100.00**	**18**	**1,276**	**(1,258)**	**(22)**	**(23)**	(707)
Instituto Onco e Rádio São Pellegrino	**84.63**	**84.63**	**5,502**	**1,472**	**4,030**	**876**	**698**	624
IFOR Empreendimentos Imobiliários S.A.(formerly Park D'Or)	**100.00**	**100.00**	**198,827**	**198,953**	**(126)**	**(118)**	**(125)**	-
Proncordis Pronto Atendimento Cardiológico Ltda.	**95.64**	**95.64**	**10,450**	**10,745**	**(295)**	**(260)**	**(629)**	(898)
D'Or Trading Importação Ltda.	**100.00**	**100.00**	**45,453**	**45,017**	**436**	**(66)**	**(66)**	2
Hospital Memorial São José Ltda.	**100.00**	**100.00**	**57,252**	**37,336**	**19,916**	**3,600**	**1,722**	-
IPASA – Investimento Participação e Adm S.A.	**100.00**	**100.00**	**767**	**-**	**767**	**(48)**	**145**	-
Acreditar Oncologia S.A.	**60.00**	**60.00**	**63,364**	**11,265**	**52,099**	**7,425**	**3,546**	13,515
Prontimagem	**60.10**	**60.10**	**2,116**	**427**	**1,689**	**(128)**	**(197)**	**-**
Companies consolidated by the equity method								
Centro Oncológico do Vale Ltda.	**50.00**	**50.00**	**17,712**	**9,596**	**8,116**	**7,080**	**6,459**	(82)
Maximagem Diag por Imagem Ltda.	**50.00**	**50.00**	**385**	**(175)**	**560**	**(1,588)**	**(1,627)**	-
HEMATO – Serviços de Hemoterapia Ltda.	**45.00**	**45.00**	**661**	**584**	**77**	**347**	**77**	-
Mediax (Memorial Imagem e Diag Ltda.)	**15.00**	**15.00**	**-**	**-**	**-**	**-**	**-**	-
Lithocenter S.A	**45.90**	**45.90**	**12,009**	**2,049**	**9,960**	**4,139**	**3,559**	-
Instituto de Radioterapia do Vale do Paraíba Ltda.	**50.00**	**50.00**	**17,712**	**9,596**	**8,116**	**7,080**	**6,459**	(6,361)
JMJB Diagnósticos e Serviços Hospitalares S.A.	**50.00**	**50.00**	**53,386**	**7,889**	**45,497**	**1,597**	**1,947**	13,931

9. Property and equipment

Breakdown of balances

		Parent Company					
		06/30/2016			12/31/2015		
Description	Depreciation rate	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	555,971	(280,504)	275,467	463,548	(254,233)	209,315
Surgical instruments	20%	19,317	(11,197)	8,120	14,810	(10,085)	4,725
Machinery and equipment	7% to 10%	178,752	(97,965)	80,787	144,594	(85,544)	59,050
Properties	2.5% to 4%	239,131	(72,915)	166,216	298,796	(68,869)	229,927
Improvements in own properties	10%	516,919	(8,606)	508,313	23,803	(6,228)	17,575
Leasehold improvements	3% to 4%	334,963	(121,707)	213,256	476,047	(116,581)	359,466
Furniture and fixtures	10%	77,315	(44,670)	32,645	67,446	(41,030)	26,416
Vehicles	20%	2,559	(2,191)	368	2,659	(1,926)	733
Facilities	10%	50,189	(21,934)	28,255	55,578	(19,980)	35,598
Land	N/A	198,903	-	198,903	115,115	-	115,115
Construction in progress	N/A	407,468	-	407,468	596,611	-	596,611
Other	5% to 10%	5,215	(4,358)	857	10,442	(4,317)	6,125
		2,586,702	(666,047)	1,920,655	2,269,449	(608,793)	1,660,656

		Consolidated					
		06/30/2016			12/31/2015		
Description	Depreciation rate	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	660,822	(336,694)	324,128	578,814	(306,352)	272,462
Surgical instruments	20%	22,548	(13,079)	9,469	24,498	(11,697)	12,801
Machinery and equipment	7% to 10%	248,631	(132,105)	116,526	187,369	(114,644)	72,725
Properties	2.5% to 4%	770,414	(78,736)	691,678	844,077	(73,271)	770,806
Improvements in own properties	10%	544,712	(9,248)	535,464	27,132	(6,533)	20,599
Leasehold improvements	3% to 4%	520,375	(192,926)	327,449	646,821	(184,791)	462,030
Furniture and fixtures	10%	107,647	(61,150)	46,497	96,448	(56,323)	40,125
Vehicles	20%	2,994	(2,554)	440	3,403	(2,234)	1,169
Facilities	10%	91,751	(37,676)	54,075	97,363	(34,093)	63,270
Land	N/A	473,191	-	473,191	355,973	-	355,973
Construction in progress	N/A	421,774	-	421,774	617,778	-	617,778
Other	5% to 10%	6,816	(5,937)	879	16,314	(5,893)	10,421
		3,871,675	(870,105)	3,001,570	3,495,990	(795,831)	2,700,159

9. Property and equipment (Continued)

Changes in the Parent Company

Cost	12/31/2015	Additions	Disposals	Transfers	Additions from mergers	06/30/2016
Hospital machinery and equipment	463,548	62,397	(300)	31,968	3,088	560,701
Surgical instruments	14,810	2,219	-	-	6,783	23,812
Machinery and equipment	144,594	16,549	-	4,078	3,353	168,574
Properties	298,796	6,326	-	(275)	7,432	312,279
Improvements in own properties	23,803	1,225	-	270,615	-	295,643
Leasehold improvements	476,047	24,399	-	27,488	8,646	536,580
Furniture and fixtures	67,446	4,743	-	153	2,661	75,003
Vehicles	2,659	145	-	-	271	3,075
Facilities	55,578	4,667	-	1,125	2,164	63,534
Land	115,115	39	-	275	13,490	128,919
Construction in progress	596,611	188,345	-	(377,795)	307	407,468
Other	10,442	392	-	-	278	11,112
	2,269,449	311,446	(300)	(42,368)	48,473	2,586,702

Depreciation	12/31/2015	Additions	Disposals	Transfers	Additions from merger	06/30/2016
Hospital machinery and equipment	(254,233)	(26,271)	-	-	-	(280,504)
Surgical instruments	(10,085)	(1,112)	-	-	-	(11,197)
Machinery and equipment	(85,544)	(12,421)	-	-	-	(97,965)
Properties	(68,869)	(4,046)	-	-	-	(72,915)
Improvements in own properties	(6,228)	(2,378)	-	-	-	(8,606)
Leasehold improvements	(116,581)	(5,126)	-	-	-	(121,707)
Furniture and fixtures	(41,030)	(3,640)	-	-	-	(44,670)
Vehicles	(1,926)	(265)	-	-	-	(2,191)
Facilities	(19,980)	(1,954)	-	-	-	(21,934)
Other	(4,317)	(39)	-	-	-	(4,356)
	(608,793)	(57,252)	-	-	-	(666,045)
Property and equipment, net	1,660,656	254,194	(300)	(*) (42,368)	48,473	1,920,655

(*) Software reclassified to intangible assets.

9. Property and equipment (Continued)

Changes in Consolidated

Cost	12/31/2015	Additions	Disposals	Transfers	Business combinations	06/30/2016
Hospital machinery and equipment	578,814	83,953	(300)	30,311	4,593	697,371
Surgical instruments	24,498	2,541	-	-	-	27,039
Machinery and equipment	187,369	25,454	-	4,121	2,025	218,969
Properties	844,077	46,155	-	(275)	530	890,487
Improvements in own properties	27,132	1,416	-	292,590	-	321,138
Leasehold improvements	646,821	29,213	-	27,477	4,304	707,815
Furniture and fixtures	96,448	5,885	-	153	2,752	105,238
Vehicles	3,403	201	-	-	59	3,663
Facilities	97,363	6,442	-	1,125	229	105,159
Land	355,973	39	-	275	-	356,287
Construction in progress	617,778	200,674	-	(98,823)	2,135	421,764
Other	16,314	434	-	-	-	16,748
	3,495,990	402,407	(300)	(43,046)	16,627	3,871,675

Depreciation	12/31/2015	Additions	Disposals	Transfers	Business combinations	06/30/2016
Hospital machinery and equipment	(306,352)	(30,342)	-	-	-	(336,694)
Surgical instruments	(11,697)	(1,382)	-	-	-	(13,079)
Machinery and equipment	(114,644)	(17,461)	-	-	-	(132,105)
Properties	(73,271)	(5,465)	-	-	-	(78,736)
Improvements in own properties	(6,533)	(2,715)	-	-	-	(9,248)
Leasehold improvements	(184,791)	(8,135)	-	-	-	(192,926)
Furniture and fixtures	(56,323)	(4,827)	-	-	-	(61,150)
Vehicles	(2,234)	(320)	-	-	-	(2,554)
Facilities	(34,093)	(3,583)	-	-	-	(37,676)
Other	(5,893)	(47)	-	-	-	(5,940)
	(795,831)	(74,277)	-	-	-	(870,105)
Property and equipment, net	2,700,159	328,130	(300)	(*) (43,046)	16,627	3,001,570

(*) Software reclassified to intangible assets.

The main additions in the period refer to: (i) acquisition of hospital machinery and equipment; (ii) spending on the construction of hospitals Copa Star and São Caetano and; (iii) expansion of hospital network such as São Luiz Itaim, Hospital Prontolinda and Hospital Assunção.

Management did not identify any indication of impairment of property and equipment items.

10. Intangible assets

Intangible assets are broken down as follows:

		Parent Company		Consolidated	
	Annual rate	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Finite useful lives					
Software	20%	65,462	18,123	69,348	21,024
Exclusive agreement	20%	12,425	12,425	13,925	13,925
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
Acquisition of Sino Brasileiro		251,930	245,160	251,930	245,160
Acquisition of Villa-Lobos		136,074	-	136,074	129,218
Acquisition of Bartira		115,656	-	115,656	107,225
Acquisition of Onco ABC		-	-	52,174	52,174
Acquisition of Oncoholding		-	-	180,264	180,264
Acquisition of Hospital Fluminense		-	-	10,658	10,658
Acquisition of Hospital Santa Helena		-	-	123,523	123,523
Acquisition of JTO		-	-	5,001	5,001
Acquisition of Acreditar (Note 3)		-	-	156,447	-
Acquisition of Memorial São Jose (Note 3)		-	-	123,122	-
Acquisition of Ipasa (Note 3)		-	-	15,559	-
Other goodwill		48,649	48,649	61,350	61,039
Trademarks and patents		190,810	190,810	190,810	190,810
		2,201,791	1,810,228	3,034,291	2,668,471

Goodwill presented above arises from business combinations made in 2016 and in prior years.

Goodwill impairment testing

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

Management performed impairment testing on goodwill and trademarks and patents for the year ended December 31, 2015, and did not identify the need of recording any provision for loss. No change was identified that would require restatement of tests at June 30, 2016.

11. Deferred gain on property disposal

On October 11, 2013, and December 26, 2012, the Company entered into 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 appropriated over the lease term. At June 30, 2016, deferred gains were recorded as follows:

	Parent Company and Consolidated	
	06/30/2016	12/31/2015
Caxias D'Or	38,700	39,560
Hospital Brasil	47,256	48,400
	85,956	87,960
Current	3,920	3,920
Noncurrent	82,036	84,040

At June 15, 2016, the Company received the amount of R$ 83,179, including interest adjusted by the CDI rate referring to receivables arising from the sale of these two properties, due to regulation of the property transfer documents to the buyer.

12. Loans and financing

			Parent Company	
Bank	Index	Spread	06/30/2016	12/31/2015
BNDES (FINAME/FINEP)	TJLP	4.9%	99,267	97,403
IFC - International Finance Corporation	LIBOR	3.3%	853,264	1,067,519
JP Morgan (Loan 4131)	Fixed	3.35%	274,629	-
CCB's	Fixed	3.9%	6,017	10,592
			1,233,177	1,175,514
Current			28,716	50,964
Noncurrent			1,204,461	1,124,550

12. Loans and financing (Continued)

			Consolidated	
Bank	**Indices**	**Spread for the year**	**06/30/2016**	**12/31/2015**
BNDES (FINAME/FINEP)	TJLP	4.9%	103,809	97,403
IFC - International Finance Corporation	LIBOR	3.3%	853,264	1,067,519
JP Morgan (Loan 4131)	Fixed	3.35%	274,629	-
CCBs	Fixed	3.9%	7,622	10,592
			1,239,324	1,175,514
Current			36,145	50,964
Noncurrent			1,203,179	1,124,550

Financing was obtained in order to make company acquisitions and to expand the size of hospitals. Loans and financing are guaranteed by shares representing 3.1% of the Company's capital and fiduciary assignment of credit rights. After the last economic valuation report prepared by independent appraisers and issued in December 2015, the guarantee shares started to represent 8.5% 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. These include the assessment of indicators contractually determined based on net debt, EBITDA and financial income (expenses). Management understands that these covenants have always 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 with JP Morgan Chase Bank of US$84,998, with an interest rate of 3.5% p.a.

Financing obtained from IFC, Proparco and JP Morgan are detailed below:

Bank	Currency	Index	Spread	Beginning of amortization	End of amortization	Amortization period	Number of installments	Guarantees
IFC A Loan (i)	US$	LIBOR	3%	Nov. 2017	Nov. 2024	Half-yearly	15 installments	Shares and receivables
IFC B1 Loan (i)	US$	LIBOR	3%	Nov. 2017	Nov. 2024	Half yearly	15 installments	Shares and receivables
IFC B2 Loan (i)	US$	LIBOR	2.7%	Nov. 2016	Nov. 2022	Half yearly	13 installments	Shares and receivables
IFC C Loan	US$	LIBOR	6%	Nov. 2021	Nov. 2027	Half yearly	13 installments	Shares and receivables
IFC MCPP Loan	US$	LIBOR	3%	Nov. 2017	Nov. 2024	Half yearly	15 installments	Shares and receivables
Proparco Loan	EUR	EURIBOR	3%	Nov. 2017	Nov. 2024	Half yearly	15 installments	Shares and receivables
JP Morgan	US$	LIBOR	3%	Apr. 2019	Apr. 2020	Quarterly	5 installments	Shares and receivables

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

At June 30, 2016, the long–term maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2017	**62,825**	2017	**62,758**
2018	**130,684**	2018	**130,545**
2019	**296,598**	2019	**296,282**
2020	**235,478**	2020	**235,228**
2021 to 2025	**478,876**	2021 to 2025	**478,366**
	1,204,461		**1,203,179**

13. Debentures payable

	Parent Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Rede D'Or São Luiz				
1st issue (a)	750,271	873,314	750,271	873,314
2nd issue (b)	75,298	78,408	75,298	78,408
3rd issue (c)	580,924	644,446	580,924	644,446
4th issue(d)	805,357	804,082	805,357	804,082
5th issue (e)	105,834	98,545	105,834	98,545
6th issue (f)	196,060	196,733	196,060	196,733
Medise				
1st issue (g)	56,117	61,770	56,117	61,770
Esperança				
1st issue (h)	-	-	204,312	204,161
2nd issue (i)	-	-	90,698	99,529
	2,569,861	2,757,298	2,864,871	3,060,988
Current	637,165	495,159	706,107	521,483
Noncurrent	1,932,696	2,262,139	2,158,764	2,539,505

(a) On April 20, 2011, the Company issued nonconvertible debentures in a series of 100 (one hundred) debentures for public distribution, totaling R$1,000,000, maturing on April 20, 2020 (as per the amendment of December 2013) and monthly amortization charges referring to principal as from January 20, 2016. The debentures are remunerated *pro rata temporis* 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 fiduciary transfer of credit rights were offered. After the last valuation report issued in December 2015, the guaranteeing shares started to represent 6.8% of the Company's capital. 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 amortization charges referring to principal as from July 15, 2012. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2% p.a. Interest has been paid on a monthly basis since July 15, 2012. There are no expected guarantees or repayment in advance.

13. Debentures payable (Continued)

(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. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement.

(d) On September 5, 2012, the Company carried out the fourth issue of nonconvertible, single-series debentures for public distribution, totaling R$800,000, maturing on August 10, 2021 (as per the amendment of December 2013) and monthly amortization charges referring to principal as from September 10, 2016. The debentures are remunerated *pro rata temporis* 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 fiduciary transfer of credit rights were offered. After the last valuation report issued in December 2015, the guaranteeing shares started to represent 6.5% of the Company's capital.

(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% 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 amortization charges referring to principal as from December 15, 2016. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees for the debentures.

(g) On December 12, 2011, subsidiary, Medise, carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on December 12, 2017 and quarterly amortization charges referring to principal as from June 10, 2016. The debentures are remunerated pro rata temporis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.2% p.a. Interest has been paid on a monthly basis from January 12, 2013. As a guarantee, fiduciary transfer of credit rights was offered. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement. In July 2014, Rede D'Or São Luiz S.A. assumed Medise's debts in connection with the Offer, pursuant to Article 299 et seq. of the 2002 Brazilian Civil Code ("cc/2002"). As a result, the status of Rede D'Or will change from Collateral to Issuer, in view of the capital decrease of the Issuer.

(h) On October 15,2012, subsidiary, LE Participações Societárias S.A. (later merged into Hospital Esperança S.A.) carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$200,000, maturing on October 15, 2021 (as amended in February 2013) and monthly 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 fiduciary transfer of credit rights were offered. After the last valuation report issued in December 2015, the guaranteeing shares started to represent 1.6% of the Company's capital.

(i) On December 09, 2013, subsidiary Hospital Esperança S.A. carried out the second issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on December 10, 2018 and quarterly amortization charges referring to principal as from June 10, 2016. The debentures are remunerated pro rata temporis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 1.9% p.a. Fiduciary transfer of credit rights was given in guarantee.

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

13. Debentures payable (Continued)

At June 30, 2016, the long-term maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2017	349,973	2017	387,972
2018	600,654	2018	676,344
2019	528,763	2019	568,386
2020	349,033	2020	388,936
2021	104,273	2021	137,126
	1,932,696		2,158,764

14. Tax liabilities and taxes in installments

(a) Tax obligations

	Parent Company		Consolidated	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Contribution tax on gross revenue for social integration program (PIS)	3,445	1,991	4,780	2,841
Contribution tax on gross revenue for social security financing (COFINS)	22,890	25,490	31,624	34,690
Service tax (ISS)	63,289	50,415	94,930	78,913
Withholding income tax (IRRF)	15,876	27,652	19,185	31,574
Income tax	47,885	-	81,393	19,593
Social contribution tax	16,376	-	29,622	2,168
Other	3,063	3,128	3,727	4,723
	172,824	108,676	265,261	174,502

b) Taxes paid in installments

	Parent Company		Consolidated	
Taxes paid in installments	**06/30/2016**	**12/31/2015**	**06/30/2016**	**12/31/2015**
ISS	23,308	24,140	24,512	25,411
Installment payment – Law No. 11941/09	75,090	68,784	87,054	89,654
Installment payment – social security contributions	48,748	28,342	64,162	42,400
Other	20,734	18,684	24,297	23,372
	167,880	139,950	200,025	180,837
Current	24,970	18,123	26,478	29,802
Noncurrent	142,910	121,827	173,547	151,035

15. Accounts payable for acquisitions

	Adjustment index	Parent Company		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
Current	CDI	30,202	93,335	31,518	98,918
Noncurrent	CDI	73,340	53,093	105,409	80,219

Accounts payable for acquisition of companies refer to the remaining balance of the considerations for acquisitions made in 2016 and prior years.

The stated long-term balance will be fully repaid until 2020.

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			
	06/30/2016		12/31/2015		06/30/2016		12/31/2015	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax	63,461	(40,774)	16,220	(36,309)	66,737	(51,228)	59,132	(48,987)
Labor	57,766	(5,251)	60,196	(5,213)	67,507	(7,946)	71,859	(5,784)
Civil	26,633	(21,658)	27,064	(20,717)	45,559	(25,939)	48,578	(23,668)
	147,860	(67,683)	103,480	(62,239)	179,803	(85,113)	179,569	(78,439)

Changes in provisions for contingencies at June 30, 2016 were as follows:

	Parent Company				
	06/30/2016				12/31/2015
	Tax	Labor	Civil	Total	Total
Balance at beginning of period	16,220	60,196	27,064	103,480	116,777
Additions, net of reversals	-	-	-	-	3,590
Monetary restatements	-	-	-	-	3,861
Payments	(205)	(4,184)	(543)	(4,932)	(25,949)
Additions from mergers (a)	47,446	1,754	112	49,312	5,201
Balance at end of period	63,461	57,766	26,633	147,860	103,480

	Consolidated				
	06/30/2016				12/31/2015
	Tax	Labor	Civil	Total	Total
Balance at beginning of period	59,132	71,859	48,578	179,569	135,747
Additions, net of reversals	936	-	-	936	(994)
Monetary restatements	4,684	-	-	4,684	18,509
Payments	(1,105)	(5,237)	(3,019)	(9,361)	(34,153)
Additions from acquisitions (b)	3,090	885	-	3,975	60,460
Balance at end of period	66,737	67,507	45,559	179,803	179,569

(a) These additions refer to Sino Brasileiro, Hospital e Maternidade Bartira, Hospital IFOR and Hospital Villa-Lobos, companies incorporated by Rede D'Or São Luiz in the period.
(b) These additions refer to Memorial São José companies acquired in the period.

17. Commitments

At June 30, 2016, Rede D'Or has operating leases referring substantially to leased buildings with third and related parties for an average period of eighteen years, considering the following payment schedule:

Year	Parent Company (Gross nominal values)	Consolidated (Gross nominal values)
2016	**109,456**	**128,763**
2017	**218,911**	**257,501**
2018	**202,154**	**240,717**
2019	**193,031**	**231,594**
2020 to 2051	**2,004,961**	**2,425,479**
	2,728,513	**3,284,054**

18. Equity

(a) Capital

Subscribed and paid-in capital at June 30, 2016, amounts to R$867,777, 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.

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

On April 15, 2016, the amount of R$944,500 related to the Second Tranche of the investment with HPT Participações S.A. was fully received by the Company.

18. Equity (Continued)

b) Dividends and interest on equity

The Company allocated interest on equity in the period, totaling R$ 95,024, the dividend anticipated title, as approved by the Assembly.

c) Treasury stock

At June 30, 2016, the Company had 19,663,442 registered common shares with no par value of Rede D'Or, in the amount to R$330,738, 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, 2015	**19,959,827**	**12.91**	**257,597**
Acquisitions	**3,250,398**	**28.84**	**93,726**
Sales	**(3,546,783)**	**5.80**	**(20,585)**
Balance at June 30, 2016	**19,663,442**	**16.81**	**330,738**

d) Share-based payment (stock options)

There were no new grants or changes in new plans in the six-months ended June 30, 2016.

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	Effect on P&L for the period	Cumulative effect on equity
2011	**1,457**	**1,457**	**1,457**
2012	**16,234**	**16,234**	**17,691**
2013	**20,656**	**20,656**	**38,347**
2014	**27,420**	**27,363**	**65,710**
2015	**51,949**	**51,949**	**117,659**
2016	**15,050**	**15,050**	**132,709**
2017	**8,328**		
2018	**3,650**		
2019	**1,395**		
2020	**444**		
2021	**159**		
	146,742		

19. Income taxes

Income and social contribution tax expenses for the six-month periods ended June 30, 2016 and 2015 are as follows:

	Parent Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Deferred				
Income tax	(5,261)	(51,439)	7,383	(50,840)
Social contribution tax	(1,893)	(18,517)	2,645	(18,302)
	(7,154)	(69,956)	10,028	(69,142)
Current				
Income tax	(102,359)	(3,869)	(164,678)	(30,501)
Social contribution tax	(37,787)	(1,178)	(60,585)	(10,980)
	(140,146)	(5,047)	(225,263)	(41,481)
Income and social contribution tax expenses	(147,300)	(75,003)	(215,235)	(110,623)

Changes in deferred income and social contribution tax assets for the six-month period ended June 30, 2016 were as follows:

	Parent Company				Consolidated			
	12/31/2015	Additional benefits (expenses) recorded	Additions from mergers	06/30/2016	12/31/2015	Additional benefits (expenses) recorded	Additions by means of business combinations	06/30/2016
Asset								
Income tax loss	13,383	(11,000)	-	2,383	13,898	(8,359)	-	5,539
Social contribution tax loss	4,817	(3,960)	-	857	5,001	(3,009)	-	1,992
Allowance for doubtful accounts	66,466	3,390	8,780	78,636	97,598	3,390	1,562	102,550
Allowance for disallowance of claims	41,596	8,095	5,851	55,542	82,723	21,987	3,189	107,899
Contingencies	39,013	(1,677)	17,457	54,793	77,952	(2,865)	(18,901)	56,186
Provision for inventories	1,159	-	-	1,159	1,159	-	-	1,159
Provision for bonus	18,894	(10,154)	-	8,740	18,894	(10,162)	-	8,732
Provision for losses	11,592	(311)	4,937	16,218	15,287	(311)	-	14,976
Deferred gain on property disposals	17,689	-	-	17,689	17,689	-	-	17,689
Taxes - Judicial deposits	4,654	831	7	5,492	5,968	872	-	6,840
Provision for overtime	1,262	282	-	1,544	1,847	1,691	-	3,538
Swap variation	-	57,330	-	57,330	-	57,330	-	57,330
Total deferred tax assets	220,525	42,826	37,032	300,383	338,016	60,564	(14,150)	384,430
Liabilities and equity								
Differences between accounting and tax base of goodwill	(351,631)	(37,935)	-	(389,566)	(397,603)	(38,491)	-	(436,094)
Gain on acquisition in stages	(22,550)	(24,277)	-	(46,827)	(40,398)	(24,277)	-	(64,675)
Swap variation	(12,232)	12,232	-	-	(12,232)	12,232	-	-
Deferred income	-	-	(1,240)	(1,240)	(23,423)	-	(2,349)	(25,772)
Total deferred tax liabilities	(386,413)	(49,980)	(1,240)	(437,633)	(473,656)	(50,536)	(2,349)	(526,541)
Net effect – asset (liability)	(165,888)	(7,154)	35,792	(137,250)	(135,640)	10,028	(16,499)	(142,111)
Assets as per balance sheet					80,607	(27,749)	(14,150)	38,708
Liabilities as per balance sheet					(216,247)	37,777	(2,349)	(180,819)
Net effect – asset (liability)					(135,640)	10,028	(16,499)	(142,111)

19. Income taxes (Continued)

The reconciliation of income and social contribution taxes and the amount determined at the statutory rate at June 30, 2016 and 2015 are as follows:

	Parent Company		Parent Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Income before income and social contribution taxes	652,270	371,022	734,138	412,175
Income and social contribution tax expenses at statutory rates	221,772	126,147	249,607	140,140
Adjustments to determine the effective tax rate				
Interest on debentures recorded as equity instrument	-	(19,755)	-	(19,755)
Equity pickup	(44,058)	(33,749)	(3,570)	(5,868)
Stock option expenses	5,117	1,481	5,117	1,481
Interest on equity	(32,308)	-	(32,308)	-
Other	(3,223)	879	(3,611)	(5,375)
Expenses recorded in the income statement	147,300	75,003	215,235	110,623

Income and social contribution tax losses may be carried indefinitely, however, offsetting is limited to 30% of taxable income generated in each tax 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	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Gross revenue	3,047,397	2,390,695	4,269,541	3,311,295
Deductions from revenue				
Cancellations and rebates	(112,350)	(81,585)	(185,086)	(127,384)
Taxes on revenues	(175,906)	(140,140)	(249,957)	(196,778)
	2,759,141	2,168,970	3,834,498	2,987,133

21. Cost of services rendered

	Parent Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Personnel	(816,916)	(634,716)	(1,115,147)	(884,280)
Materials and medicines	(515,325)	(434,079)	(722,051)	(573,083)
Third-party services	(353,812)	(338,487)	(641,112)	(581,998)
Utilities and services	(52,196)	(39,145)	(71,923)	(54,422)
Rents	(125,810)	(105,731)	(147,583)	(126,066)
Depreciation and amortization	(55,897)	(44,790)	(73,437)	(58,863)
	(1,919,956)	(1,596,948)	(2,771,253)	(2,278,712)

22. General and administrative expenses

	Parent Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Personnel	(88,498)	(77,538)	(88,498)	(77,538)
Third-party services	(15,096)	(26,287)	(15,096)	(26,287)
Trips and lodging	(7,326)	(5,477)	(9,021)	(6,595)
Depreciation and amortization	(6,899)	(7,175)	(6,899)	(7,175)
Provision for contingencies	-	-	(952)	1,425
	(117,819)	(116,477)	(120,466)	(116,170)

23. Sales expenses

	Parent Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Allowance for doubtful accounts	(9,970)	(12,981)	(9,970)	(6,295)
Marketing	(6,130)	(4,589)	(7,321)	(5,048)
	(16,100)	(17,570)	(17,291)	(11,343)

24. Other operating income (expenses), net

	Parent Company		Parent Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Taxes, fees and penalties	(13,632)	(9,455)	(18,611)	(11,336)
Gain on disposal of properties	1,960	1,960	1,960	1,960
Gain on acquisition in stages	71,402	65,598	71,402	65,598
Other expenses and revenues	(12,860)	(15,565)	(15,334)	(19,493)
	46,870	42,538	39,417	36,729

25. Financial income (expenses), net

Financial income (expenses) for the periods ended June 30, 2016 and 2015, is as follows:

	Parent Company		Consolidated	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Short-term investment yield	57,732	30,819	75,605	41,932
Income from monetary variation	9,253	-	11,080	-
Foreign exchange variation on financing, net	215,409	(14,387)	215,409	(14,447)
Fair value of debt	15,115	-	15,115	-
Derivatives' fair value (swaps)	(271,401)	27,645	(271,401)	27,645
Interest and monetary variation on financing	(9,608)	(31,389)	(39,342)	(32,739)
Interest on debentures	(230,856)	(206,272)	(230,856)	(229,758)
Taxes on financial income (expenses)	(6,016)	(1,973)	(7,429)	(2,405)
Other financial income	4,352	1,298	6,887	2,729
Other financial expenses	(13,429)	(14,494)	(16,335)	(15,677)
	(229,449)	(208,753)	(241,267)	(222,720)
Total financial expenses	301,861	59,762	324,096	72,306
Total financial income	(531,310)	(268,515)	(565,363)	(295,026)
	(229,449)	(208,753)	(241,267)	(222,720)

26. Earnings per share

a) Basic earnings per share

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

	06/30/2016	06/30/2015
Profit attributable to Company shareholders	504,970	296,019
Weighted average number of common shares issued (thousands)	440,207	358,939
Basic earnings per share (in R$)	1.1471	0.8247

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.

	06/30/2016	06/30/2015
Profit attributable to Company shareholders	504,970	296,019
Weighted average number of common shares issued, including dilutive factors (thousands)	443,881	427,024
Diluted earnings per share (in R$)	1.1376	0.6932

27. Financial instruments and financial risk management

27.1. Classification of financial instruments by category

The Company and its subsidiaries assessed the market value of financial assets and liabilities based on available market information and appropriate valuation methodologies. However, both interpretation of market information and selection of valuation methodologies require considerable judgment and reasonable estimates in order to produce adequate realizable values. Accordingly, the estimates presented do not necessarily reflect the current market values. The use of different market hypothesis and/or methodologies may have a significant effect on the estimated realizable values. In June 30, 2016, and December 31, 2015, the Company in subsidiaries did not identify 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: fair value measurement is derived from valuation techniques that include an asset or liability that is not included in an active market.

The classification of financial assets and liabilities as of June 30, 2016 and December 31, 2015 is as follows:

27. Financial instruments and financial risk management (Continued)

27.1. Classification of financial instruments by category (Continued)

Parent Company				
			Account balance	
Financial assets	Classification by category	Fair value hierarchy	06/30/2016	12/31/2015
Cash and cash equivalents	Fair value measurement	Level 2	**24,916**	**93,365**
Marketable securities	Fair value measurement	Level 2	**1,345,471**	**679,032**
Trade accounts receivable	Loans and receivables		**1,490,435**	**1,321,647**
Dividends receivable	Loans and receivables		**27,977**	**27,977**
Financial instrument – Promissory note	Loans and receivables		**-**	**944,435**
Receivables from disposal of properties	Loans and receivables		**-**	**73,926**
Judicial deposits	Loans and receivables		**67,683**	**62,239**
Derivatives	Fair value measurement	Level 2	**30,551**	**35,956**
			2,987,033	**3,238,577**

			Account balance (a)	
Financial liabilities	Classification by category	Fair value hierarchy	06/30/2016	12/31/2015
Trade accounts payable	Loans and receivables		**180,979**	**197,627**
Loans and financing	Loans and receivables and fair value through P&L (a).	Level 2	**1,233,177**	**1,154,667**
Debentures	Loans and receivables		**2,569,861**	**2,757,299**
Salaries, provisions and social charges	Loans and receivables		**289,341**	**260,357**
Accounts payable for acquisitions	Loans and receivables		**103,542**	**146,429**
Derivatives	Fair value through profit or loss	Level 2	**216,849**	**-**
			4,593,749	**4,516,379**

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

27.1. Classification of financial instruments by category (Continued)

			Consolidated	
			Account balance (a)	
Financial assets	Classification by category	Fair value hierarchy	12/31/2015	12/31/2015
Cash and cash equivalents	Fair value measurement	Level 2	**135,867**	**144,497**
Marketable securities	Fair value measurement	Level 2	**1,592,467**	**897,237**
Trade accounts receivable	Loans and receivables		**2,160,971**	**1,911,681**
Financial instrument – Promissory note	Loans and receivables		**-**	**944,435**
Receivables from disposal of properties	Loans and receivables		**-**	**73,926**
Judicial deposits	Loans and receivables		**85,113**	**78,439**
Derivatives	Fair value measurement	Level 2	**30,551**	**35,956**
			4,004,969	**4,086,171**

			Account balance (a)	
Financial liabilities	Classification by category	Fair value hierarchy	6/30/2016	12/31/2015
Trade accounts payable	Loans and receivables		**256,644**	**248,247**
Loans and financing	Loans and receivables and fair value through P&L (a).	Level 2	**1.239.324**	**1,175,515**
Debentures	Loans and receivables		**2,864,871**	**3,060,987**
Salaries, provisions and social charges	Loans and receivables		**389,829**	**341,689**
Accounts payable for acquisitions	Loans and receivables		**136,927**	**179,136**
Derivatives	Fair value through profit or loss	Level 2	**216,849**	**-**
			5,104,444	**5,005,574**

(a) The account balances stated in the table above do not state material differences for fair value.

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

The Company uses own and third-party capital to finance its activities, also use of third-party capital aims at optimizing its capital structure. The Company manages its capital structure and makes adjustments considering changes in economic conditions. At June 30, 2016, the Company's capital structure is as follows:

	Parent Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Cash and cash equivalents	24,916	93,365	135,867	144,497
Marketable securities	1,345,471	679,032	1,592,467	897,237
	1,370,387	772,397	1,728,334	1,041,734
Loans and financing	(1,233,177)	(1,154,667)	(1,239,324)	(1,175,514)
Debentures	(2,569,861)	(2,757,298)	(2,864,871)	(3,060,988)
Net debt	(2,432,651)	(3,139,568)	(2,375,861)	(3,194,768)
Total equity	4,158,356	3,810,029	4,338,413	3,900,083
Gearing ratio (%)	0.59	0.82	0.55	0.82

b) Interest rate risk

The Company has loans and financing and debentures in domestic currencies subject particularly to CDI rate and Long-term Interest Rate - TJLP 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.

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

b) Interest rate risk (Continued)

The sensitivity analysis about interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at June 30, 2016, and Scenarios II and III take into consideration rate increase by 25% and 50%, respectively. The results, in nominal values, are as follows:

Scenarios	Scenario I current	Scenario II +25%	Scenario III +50%
CDI rate (p.a.)	**14.13%**	**17.66%**	**21.2%**
Projected interest expenses (*)	**1,184**	**1,353**	**1,519**

(*) 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 June 30, 2016, the Company held cash, cash equivalents and marketable securities in the total amount of R$1,370,388 in Company and R$1,728,335 in Consolidated. The amounts disclosed below are projected considering inflation and interest through to maturity.

	Parent Company – 06/30/2016					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total financial liabilities
Trade accounts payable	180,979	-	-	-	-	180,979
Loans and financing	27,551	80,407	137,449	804,544	557,859	1,607,810
Debentures	252,530	400,279	669,723	1,690,388	56,868	3,069,788
Salaries, provisions and social charges	289,341	-	-	-	-	289,341
Accounts payable for acquisitions	25,617	19,321	18,016	56,729	-	119,683
Total	776,018	500,007	825,188	2,551,661	614,727	5,267,601

	Consolidated – 06/30/2016					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total financial liabilities
Trade accounts payable	256,644	-	-	-	-	256,644
Loans and financing	28,372	81,288	138,828	807,666	559,102	1,615,256
Debentures	284,302	440,576	753,341	1,864,682	80,312	3,423,213
Salaries, provisions and social charges	389,829	-	-	-	-	389,829
Accounts payable for acquisitions	30,632	19,321	18,016	93,438	-	161,407
Total	989,779	541,185	910,185	2,765,786	639,414	5,846,349

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 linked to these assets and liabilities arises from the possibility of the Company to incur losses from fluctuations in foreign exchange rates. Liabilities in foreign currency represent 10% of total consolidated liabilities at June 30, 2016. 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 June 30, 2016, the Company has derivatives recorded in accordance hedge accounting- fair value hedge for swaps acquired in order hedge the Company against financing in foreign currency notional amount US$ 314,169 (R$ 1,041,547) and EUR 40,143 (R$ 147,645). 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 swaps that were acquired in order to cover exposure to indebtedness and variable interest were not designated for the hedge accounting strategy as follows:

27. Financial instruments and financial risk management (Continued)

27.2. Risk management (Continued)

f) Derivatives (Continued)

Description	Maturing Month/ year	Reference value (notional		06/30/2016 Fair value
Fair Value Hedge				
Swap (foreign exchange)	4/15/2020			
Long position	LIBOR + 3.3%	US$	23,738	
Short position	CDI + 1%	R$	78,969	29,880
Swap (Foreign exchange)	11/18/2024			
Long position	USD/BRL + 3%	US$	28,137	
Short position	CDI + 1.47%	R$	93,603	(20,582)
Swap (Foreign exchange)	11/18/2024			
Long position	USD/BRL + 3%	US$	32,408	
Short position	CDI + 1.62%	R$	107,810	(27,454)
Swap (Foreign exchange)	11/18/2024			
Long position	USD/BRL + 3%	US$	80,391	
Short position	CDI + 1.47%	R$	267,436	(59,059)
Swap (Foreign exchange)	11/16/2022			
Long position	USD/BRL + 2.7%	US$	12,054	
Short position	CDI + 1%	R$	40,100	(8,727)
Swap (Foreign exchange)	11/16/2022			
Long position	USD/BRL + 2.7%	US$	3,014	
Short position	CDI + 1.23%	R$	10,025	(2,492)
Swap (Foreign exchange)	11/16/2027			
Long position	USD/BRL + 6%	US$	17,729	
Short position	CDI – 1.71%	R$	58,979	(3,107)
Swap (Foreign exchange)	11/18/2024			
Long position	USD/BRL + 3%	US$	21,103	
Short position	CDI + 1.47%	R$	70,202	(15,540)
Swap (Foreign exchange)	11/18/2024			
Posição ativa	EUR/BRL + 3%	EUR	40,143	
Posição passiva	CDI + 2.3%	R$	147,645	(34,455)
Swap (Foreign exchange)	11/18/2024			
Long position	EUR/BRL + 3%	US$	10,036	
Short position	CDI + 2.46%	R$	36,911	(8,582)
Swap (Foreign exchange)	11/18/2024			
Long position	3.35% + Tax	US$	85,559	
Short position	115% CDI	R$	277,512	(36,852)
Demais Derivativos				
Swap (fixed + floating)	1/016/2017			
Long position	CDI + 2%			
Short position	TJLP + 7.07%	R$	77,263	368
Swap (fixed + floating)	10/12/2018			
Long position	CDI + 2.30%			
Short position	TJLP + 7.46%	R$	37,802	304
Long (short) position				(186,298)
Effect on P&L for the year				(271,401)

27. Financial instruments and financial risk management (Continued)

f) Derivatives (Continued)

The Company and its subsidiaries adopted, according to CVM Rule No. 475/08, the scenarios corresponding to -25% (Scenario II), -50% (Scenario III), 25% (Scenario IV) and 50% (Scenario V) in relation to the exchange rate used to determine the probable scenario.

Situation	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Variation of exchange rate	**5%**	**-25%**	**-50%**	**25%**	**50%**
Devaluation of US$ (rate in R$)	**-**	**2,5277**	**1,6851**	**-**	**-**
Appreciation of US$ (rate in R$)	**3,3703**	**-**	**-**	**4,2129**	**5,0554**
	Scenario I (loss)/gain	**Scenario II (loss)/gain**	**Scenario III (loss)/gain**	**Scenario IV (loss)/gain**	**Scenario V (loss)/gain**
Effect on liabilities in US$					
IFC - International Finance Corporation	**2,428**	**(10,320)**	**(23,067)**	**15,176**	**27,924**
Loan 4131	**(8,691)**	**38,576**	**96,566**	**(47,103)**	**(78,183)**
Effect on derivatives					
Swap - IFC - International Finance Corporation	**(383)**	**1,907**	**2,911**	**(1,850)**	**(5,066)**
SWAP – Loan 4131	**8,691**	**(38,576)**	**(96,566)**	**47,103**	**78,183**
Net effect	**2,046**	**(8,413)**	**(20,156)**	**13,326**	**22,857**

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	**1,488,266**
Civil liability (D&O)	**50,000**
General civil liability	**1,500**
Civil liability – construction works	**148,920**
Engineering risks	**277,028**

29. Subsequent events

On August 9, 2016, Rede D'Or concluded the issue of R$ 1.2 billion in three, four and five year debentures. The issue of the first series amounts to R$ 600 million maturing in 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 million maturing in 2020 with remuneration at 100% of CDI plus 2%. The third issue amounted to R$ 300 million maturing 2021, with remuneration at CDI plus 2.1%. The transaction was coordinated by Itaú BBA and Pentagono acting as trustee agent.