Interim Financial Information

Rede D'Or São Luiz S.A.

March 31, 2018
with Independent Auditor's Review Report

Rede D'Or São Luiz S.A.

Interim Financial Information

March 31, 2018

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

Independent auditor's review report

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Rede D'Or São Luiz S.A. for the three-month period ended March 31, 2018, which comprises the balance sheet as at March 31, 2018, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation and fair presentation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement 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 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). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

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

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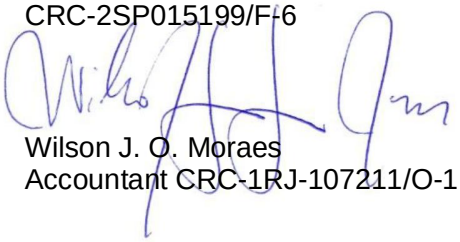
Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2018, prepared under management's responsibility, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies, however not required of 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 interim financial information.

Rio de Janeiro, May 18, 2018

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



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

Rede D'Or São Luiz S.A.

Balance sheets
March 31, 2018 and December 31, 2017
(In thousands of reais)

		Parent Company		Consolidated	
	Nota	**03/31/2018**	**12/31/2017**	**03/31/2018**	**12/31/2017**
Assets					
Current assets					
Cash and cash equivalents	4	**39,107**	32,559	**157,717**	140,383
Marketable securities	4	**2,843,096**	1,006,117	**4,335,297**	3,120,454
Accounts receivable	5	**2,027,026**	1,886,908	**2,995,438**	2,836,744
Inventories	6	**129,289**	151,838	**198,165**	229,235
Taxes recoverable		**48,831**	60,886	**87,199**	116,095
Derivative financial instruments	26	**68,121**	9,350	**68,121**	9,350
Related parties	7	**9,258**	7,066	**-**	-
Dividends receivable		**41,195**	41,195	**-**	-
Other		**119,026**	109,889	**176,897**	161,438
Total current assets		**5,324,949**	3,305,808	**8,018,834**	6,613,699
Noncurrent assets					
Related parties	7	**248,592**	535,143	**24,258**	23,483
Deposit for acquisition of building		**-**	-	**90,771**	89,823
Judicial deposits	15	**96,695**	92,807	**122,481**	119,472
Deferred income and social contribution taxes	18	**-**	-	**177,611**	113,043
Derivative financial instruments	26	**94,803**	90,618	**105,215**	90,618
Investments in subsidiaries, affiliates and jointly-controlled entities	8	**2,854,173**	2,702,604	**99,911**	89,971
Property and equipment	9	**2,785,081**	2,709,178	**4,167,110**	3,955,640
Intangible assets	10	**2,340,112**	2,225,688	**3,906,774**	3,557,352
Other		**34,951**	30,560	**73,760**	59,477
Total noncurrent assets		**8,454,407**	8,386,598	**8,767,891**	8,098,879
Total assets		**13,779,356**	11,692,406	**16,786,725**	14,712,578

	Note	Parent Company		Consolidated	
		03/31/2018	12/31/2017	03/31/2018	12/31/2017
Liabilities and equity					
Current liabilities					
Trade accounts payable		**258,429**	278,647	**453,366**	475,546
Derivative financial instruments	26	**70,619**	68,512	**172,213**	68,512
Loans, financing and debentures	12	**462,618**	475,361	**491,906**	588,037
Salaries, provisions and social charges		**336,760**	281,994	**441,301**	370,030
Tax liabilities	13	**101,153**	99,900	**205,905**	232,309
Taxes paid in installments	13	**18,532**	19,663	**38,744**	39,950
Accounts payable for acquisitions	14	**18,987**	18,904	**26,413**	26,249
Dividends and interest on equity payable	17	**68,436**	268,282	**75,650**	275,496
Deferred gain on property disposal	11	**3,920**	3,920	**3,920**	3,920
Other		**40,528**	37,818	**58,786**	54,858
Total current liabilities		**1,379,982**	1,553,001	**1,968,204**	2,134,907
Noncurrent liabilities					
Derivative financial instruments	26	**56,279**	44,830	**56,279**	44,830
Loans, financing and debentures	12	**7,361,514**	5,028,195	**9,282,709**	7,136,514
Related parties	7	**48,572**	54,881	**60**	60
Taxes paid in installments	13	**131,411**	132,778	**293,356**	282,481
Accounts payable for acquisitions	14	**74,076**	72,892	**149,370**	112,255
Deferred income and social contribution taxes	18	**170,957**	178,249	**251,512**	218,096
Provision for contingencies	15	**126,921**	128,189	**186,219**	177,979
Provision for losses on investments	8	**19,336**	77,803	**-**	-
Deferred gain on property disposal	11	**75,220**	76,200	**75,220**	76,200
Other		**31,425**	29,546	**50,678**	48,112
Total noncurrent liabilities		**8,095,711**	5,823,563	**10,345,403**	8,096,527
Equity	17				
Capital stock		**867,776**	867,776	**867,776**	867,776
Capital reserves		**2,347,142**	2,333,532	**2,347,142**	2,333,532
Treasury shares		**(470,474)**	(339,468)	**(470,474)**	(339,468)
Income reserves		**1,348,002**	1,449,778	**1,348,002**	1,449,778
Retained earnings		**206,993**	-	**206,993**	-
Advance for future capital increase		**4,224**	4,224	**4,224**	4,224
Total equity attributable to Company shareholders		**4,303,663**	4,315,842	**4,303,663**	4,315,842
Noncontrolling interests			-	**169,455**	165,302
Total equity		**4,303,663**	4,315,842	**4,473,118**	4,481,144
Total liabilities and equity		**13,779,356**	11,692,406	**16,786,725**	14,712,578

See accompanying notes.

Rede D'Or São Luiz S.A.

Income statements
Three-month periods ended March 31, 2018 and 2017
(In thousands of reais)

	Note	Parent Company		Consolidated	
		03/31/2018	03/31/2017	03/31/2018	03/31/2017
Net revenue	19	**1,701,993**	1,484,675	**2,433,055**	2,165,378
Costs of services provided	20	**(1,225,731)**	(1,054,023)	**(1,854,086)**	(1,598,193)
Gross profit		**476,262**	430,652	**578,969**	567,185
General and administrative expenses	21	**(96,277)**	(70,002)	**(98,094)**	(71,111)
Sales expenses	22	**(11,374)**	(9,680)	**(12,455)**	(11,539)
Equity pickup	8	**34,526**	80,369	**3,817**	4,109
Other operating expenses	23	**(23,548)**	(15,227)	**(31,472)**	(25,398)
Income before financial income (expenses) and income and social contribution taxes		**379,589**	416,112	**440,765**	463,246
Financial income	24	**105,656**	58,328	**138,483**	80,393
Financial expenses	24	**(223,920)**	(229,040)	**(285,645)**	(246,441)
Income before income taxes		**261,325**	245,400	**293,603**	297,198
Income taxes	18	**(54,332)**	(39,435)	**(82,429)**	(84,576)
Net income for the period		**206,993**	205,965	**211,174**	212,622
Net income attributable to controlling shareholders		**206,993**	205,965	**206,993**	205,965
Net income attributable to noncontrolling shareholders		**-**	-	**4,181**	6,657
Basic earnings per share	25	**0.4675**	0.4676	**-**	-
Diluted earnings per share	25	**0.4659**	0.4627	**-**	-

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of comprehensive income
Three-month periods ended March 31, 2018 and 2017
(In thousands of reais)

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Net income for the period	**206,993**	205,965	**211,174**	212,622
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**206,993**	205,965	**211,174**	212,622
Attributable to				
Controlling shareholders	**-**	-	**206,993**	205,965
Noncontrolling shareholders	**-**	-	**4,181**	6,657

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of changes in equity
Three-month periods ended March 31, 2018 and 2017
(In thousands of reais)

	Attributable to Parent Company shareholders												
		Capital reserves				Income reserves							
Description	Capital stock	Goodwill reserve (issue of shares)	Goodwill on capital transactions	Share-based payment reserve	Treasury shares	Legal reserve	Investment reserve	Advances for future capital increase	Retained earnings	Additional dividends in excess of mandatory minimum dividends	Total equity	Noncontrolling shareholders	Total
Balances at December 31, 2016	867,776	2,335,941	(85,322)	148,523	(331,525)	8,666	607,279	4,224	-	730,717	4,286,279	180,453	4,466,732
Acquisition of control in jointly-controlled entity	-	-	-	-	-	-	-	-	-	-	-	5,285	5,285
Acquisition of interest in subsidiary (Note 17)	-	-	-	-	-	-	(71,439)	-	-	(730,717)	(802,156)	(360)	(802,516)
Treasury shares (Note 17)	-	-	-	-	(30,395)	-	-	-	-	-	(30,395)	-	(30,395)
Net income for the period	-	-	-	-	-	-	-	-	205,965	-	205,965	6,657	212,622
Share-based payment reserve	-	-	-	8,150	-	-	-	-	-	-	8,150	-	8,150
Balances at March 31, 2017	867,776	2,335,941	(85,322)	156,673	(361,920)	8,666	535,840	4,224	205,965	-	3,667,843	192,035	3,859,878
Balances at December 31, 2017	867,776	2,335,941	(183,531)	181,122	(339,468)	8,666	1,441,112	4,224	-	-	4,315,842	165,302	4,481,144
Acquisition of noncontrolling interest	-	-	**(4,048)**	-	-	-	-	-	-	-	**(4,048)**	-	**(4,048)**
Capital transaction	-	-	**7,493**	-	-	-	-	-	-	-	**7,493**	-	**7,493**
Acquisition of interest in subsidiary (Note 17)	-	-	-	-	-	-	**(101,776)**	-	-	-	**(101,776)**	**(28)**	**(101,804)**
Treasury shares (Note 17)	-	-	-	-	**(131,006)**	-	-	-	-	-	**(131,006)**	-	**(131,006)**
Net income for the period	-	-	-	-	-	-	-	-	**206,993**	-	**206,993**	**4,181**	**211,174**
Share-based payment reserve	-	-	-	**10,165**	-	-	-	-	-	-	**10,165**	-	**10,165**
Balances at March 31, 2018	**867,776**	**2,335,941**	**(180,086)**	**191,287**	**(470,474)**	**8,666**	**1,339,336**	**4,224**	**206,993**	-	**4,303,663**	**169,455**	**4,473,118**

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of cash flows
Three-month periods ended March 31, 2018 and 2017
(In thousands of reais)

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Cash flows from operating activities				
Income before income and social contribution taxes	**261,325**	245,400	**293,603**	297,198
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**70,002**	51,006	**90,868**	66,722
Gain on disposal of properties	**(980)**	(980)	**(980)**	(980)
Fair value of debt	**39,923**	1,057	**39,923**	1,057
Interest, monetary and foreign exchange differences, net	**60,461**	147,841	**64,205**	136,534
Share-based payment	**10,165**	8,150	**10,165**	8,150
Provision for contingencies	**-**	2,522	**262**	2,522
Equity pickup	**(34,526)**	(80,369)	**(3,817)**	(4,109)
Allowance for doubtful accounts	**97,821**	79,165	**155,866**	119,573
(Increase) decrease in assets and increase (decrease) in liabilities				
Accounts receivable	**(206,365)**	(202,037)	**(274,171)**	(299,081)
Inventories	**28,306**	14,720	**33,561**	18,227
Taxes recoverable	**12,216**	71,419	**29,269**	80,144
Judicial deposits	**(2,446)**	(1,881)	**3,260**	77
Other assets	**(19,710)**	35,210	**(11,696)**	1,786
Trade accounts payable	**(25,264)**	(36,463)	**(32,786)**	(32,672)
Payroll and social charges	**49,851**	26,981	**64,028**	18,243
Tax liabilities	**(14,010)**	(47,754)	**(75,615)**	(84,673)
Taxes paid in installments	**(3,307)**	(2,525)	**(9,710)**	(1,868)
Related parties	**(58,328)**	(30,062)	**(775)**	(225)
Provision for contingencies	**(4,140)**	(3,644)	**(5,941)**	(5,760)
Other liabilities	**3,626**	17,783	**(7,413)**	20,496
	264,620	295,539	**362,106**	341,361
Payment of interest	**(102,618)**	(181,337)	**(150,080)**	(190,759)
Payment of income and social contribution taxes	**(48,797)**	(5,452)	**(69,469)**	(89,700)
Net cash provided by operating activities	**113,205**	108,750	**142,557**	60,902
Cash flows from investing activities				
Payment in business acquisition, net of cash acquired	**-**	-	**(404,167)**	-
Advances for future capital increase	**(21,563)**	(157)	**-**	-
Additions to property and equipment	**(105,765)**	(100,887)	**(175,428)**	(131,572)
Additions to intangible assets	**(12,619)**	(5,036)	**(17,127)**	(2,925)
Cash from merger of subsidiary	**10,522**	-	**-**	-
Acquisition of marketable securities	**(6,234,057)**	(4,133,053)	**(9,306,458)**	(4,591,536)
Redemption of marketable securities	**4,421,416**	5,308,770	**8,140,189**	5,866,980
Dividends and interest on equity received	**9,987**	488	**1,370**	1,379
Net cash used in investing activities	**(1,932,079)**	1,070,125	**(1,761,621)**	1,142,326
Cash flows from financing activities				
Treasury shares acquired	**(5,629)**	(30,395)	**(5,629)**	(30,395)
Payment of dividends and interest on equity	**(293,071)**	(964,718)	**(297,159)**	(964,718)
Acquisition of noncontrolling interests	**(130,387)**	-	**(130,387)**	-
Loans and financing raised	**1,648,000**	61,342	**1,648,000**	61,342
Debentures payable	**694,537**	-	**694,537**	-
Swap settlement	**(5,801)**	(8,664)	**(5,801)**	(8,664)
Payment of debentures	**(54,927)**	(202,021)	**(214,839)**	(220,712)
Accounts payable for acquisitions	**-**	(10,654)	**-**	(14,224)
Repayments of loans and financing	**(27,300)**	-	**(52,324)**	-
Net cash provided by (used in) financing activities	**1,825,422**	(1,155,110)	**1,636,398**	(1,177,371)
Increase in cash and cash equivalents	**6,548**	23,765	**17,334**	25,857
Cash and cash equivalents at beginning of period	**32,559**	20,306	**140,383**	121,016
Cash and cash equivalents at end of period	**39,107**	44,071	**157,717**	146,873

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of value added
Three-month periods ended March 31, 2018 and 2017
(In thousands of reais, unless otherwise stated)

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Revenue	**1,803,135**	1,574,752	**2,589,757**	2,302,140
Sales of goods, products and services	**1,899,976**	1,652,937	**2,744,643**	2,420,733
Provision for disallowances and Allowance for doubtful accounts	**(97,821)**	(79,165)	**(155,866)**	(119,573)
Other revenues	**980**	980	**980**	980
Inputs acquired from third parties	**(617,926)**	(494,494)	**(990,899)**	(820,039)
Costs of services sold	**(576,827)**	(462,008)	**(940,559)**	(776,199)
Materials, energy, third-party services and other	**(41,099)**	(29,964)	**(50,078)**	(41,318)
Loss/recovery of assets	**-**	(2,522)	**(262)**	(2,522)
Gross value added	**1,185,209**	1,080,258	**1,598,858**	1,482,101
Depreciation and amortization	**(70,002)**	(51,006)	**(90,868)**	(66,722)
Net value added	**1,115,207**	1,029,252	**1,507,990**	1,415,379
Value added received in transfer	**140,182**	138,697	**142,300**	84,502
Equity pickup	**34,526**	80,369	**3,817**	4,109
Financial income	**105,656**	58,328	**138,483**	80,393
Total value added	**1,255,389**	1,167,949	**1,650,290**	1,499,881
Distribution of value added	(1,255,389)	(1,167,949)	(1,650,290)	(1,499,881)
Personnel and related charges	(556,241)	(497,204)	(773,443)	(684,820)
Taxes, charges and contributions	(162,365)	(135,239)	(246,048)	(227,741)
Interest, rents and other operating expenses	(329,790)	(329,541)	(419,625)	(374,698)
Dividends and interest on equity	(101,776)	802,156	(101,776)	802,156
Retained profits	(105,217)	(1,008,121)	(109,398)	(1,014,778)

See accompanying notes.

1. Operations

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

Rede D'Or operates in the States of Rio de Janeiro, São Paulo, Pernambuco and Brasília, with 36 own hospitals and 2 under construction, as well as oncology and radiotherapy clinics. Currently, the Group has 5,480 hospital beds in total.

In 1998, the first hospital unit, Hospital Barra D'Or, was opened, and in 2000 and 2001, respectively, Hospital Copa D'Or and Hospital Quinta D'Or were opened. Since 2004, there have been strategic partnerships with other hospitals, increasing the breadth of expertise and reaching other areas in Rio de Janeiro. Since 2007, Rede D'Or has been operating, also through partnerships and acquisitions, in the State of Pernambuco, and from 2018 in the State of Maranhão.

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

Hospital	Location	Year of acquisition
Hospital Brasil	Santo Andre, SP	2010
Hospital Assunção	São Bernardo, SP	2010
Hospital São Luiz	São Paulo, SP	2010
Hospital Rio de Janeiro	Rio de Janeiro, RJ	2010
Hospital Prontolinda	Rio de Janeiro, RJ	2010
Vivalle Serviços de Saúde	São José dos Campos, SP	2011
Centro Hospitalar São Marcos	Recife, PE	2011
Nossa Senhora de Lourdes	São Paulo, SP	2012
Hospital da Criança	São Paulo, SP	2012
Santa Luzia	Brasília, DF	2012
Hospital do Coração	Brasília, DF	2012
Hospital Norte D'Or	Rio de Janeiro, RJ	2013
Hospital IFOR S.A.	São Bernardo, SP	2013
Hospital Villa-Lobos	São Paulo, SP	2015
Sino Brasileiro Serviços Hospitalares	São Paulo, SP	2015
Hospital Maternidade Bartira	São Paulo, SP	2015
Hospital Fluminense	Rio de Janeiro, RJ	2015
Hospital Memorial São José	Recife, PE	2016
Hospital Alpha-Med Ltda.	São Paulo, SP	2016
Hospital Ribeirão Pires	São Paulo, SP	2016
Hospital São Vicente	Rio de Janeiro, RJ	2017
Hospital UDI	São Luís, MA	2018

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

2. Basis of preparation and presentation and significant accounting practices

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

The significant accounting practices adopted by the Company in this quarterly information are consistent with those adopted in the financial statements for the year ended December 31, 2017, disclosed at March 31, 2018, except for the adoption of IFRS 15 and IFRS 9, effective from January 1, 2018.

IFRS 15/CPC 47 - Revenue from contracts with customers

Revenue is recognized at an amount that reflects the consideration that an entity expects to be entitled in exchange for assets or services to a customer.

IFRS 9/CPC 48 - Financial Instruments

IFRS 9 determines new criteria for classifying financial assets into three categories: (i) measured at fair value through profit or loss; (ii) measured at fair value through other comprehensive income; and (iii) measured at amortized cost. Depending on the characteristics of each instrument, they may be classified under financial income (expense) or comprehensive income (loss). Also, there is a new impairment model for financial assets, a hybrid of expected and incurred losses, replacing the current model of losses incurred, as well as easing of requirements for adoption of hedge accounting.

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

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

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

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

IFRS 9/CPC 48 - Financial instruments (Continued)

The Company and its subsidiaries classify their financial assets and liabilities at amortized cost and at fair value through profit or loss. These classifications are based on the business model adopted for asset management and on the characteristics of the contractual cash flows.

a) Financial assets

Amortized cost

The financial assets held under a business model whose purpose is to maintain financial assets to receive contractual cash flows are recognized at amortized cost. These flows are received on specific dates and comprise exclusively payment of principal and interest.

Fair value through P&L

Assets are recognized at fair value through profit or loss when: (i) they do not fall within the business models for which the classification at amortized cost or at fair value through other comprehensive income would be possible; (ii) refer to equity instruments designated at fair value through profit or loss; and (iii) the financial assets are managed to obtain cash flow from the sale of the assets.

Initial measurement

Upon initial recognition, the entity measures its financial assets and liabilities at fair value considering the transaction costs attributable to the acquisition or issue of the financial asset or liability. For trade accounts receivable, the initial measurement is performed by the price of the transaction.

Subsequent measurement

Amortized cost: these assets are accounted for using the effective interest rate method, less the expected credit loss amount. In addition, the amount of principal paid is considered for calculation of the amortized cost.

Fair value through profit or loss: assets classified under this business model are accounted for through the recognition of gain and loss in P&L for the period.

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

IFRS 9/CPC 48 - Financial instruments (Continued)

a) Financial assets (Continued)

Impairment

The Company recognizes a provision for expected credit loss on its assets classified at amortized cost. This evaluation is carried out prospectively and is based on historical data and models designed for this purpose.

b) Financial liabilities

Initial recognition

Financial liabilities are initially recognized at fair value plus transaction costs (for the case of loans and financing and accounts payable).

Subsequent measurement

Amortized cost: liabilities classified as amortized cost are accounted for using the effective interest rate method, whereby gains and losses are recognized in P&L when the liabilities are written off and the amortization is recognized.

Fair value through profit or loss: liabilities classified at fair value through profit or loss are accounted for through the recognition of gain and loss in P&L for the period.

As disclosed in the financial statements for the year ended December 31, 2017, the adoption of these standards had no impact on the Company's financial statements.

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

Profit & Losses for the three-month period ended March 31, 2018 does not necessarily indicate the Profit & Losses expected for the entire year ending December 31, 2018. The interim financial information and related notes do not include all the information and disclosures required for the annual financial statements. Therefore, this interim financial information shall be read jointly with the audited annual financial statements as of December 31, 2017.

The estimates and critical accounting judgments adopted by the Company in this quarterly information are consistent with those adopted in the financial statements for the year ended December 31, 2017, disclosed at March 31, 2018.

Authorization to conclude the preparation of this financial information was provided by Company management on May 18, 2018.

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

	Interest held (%)			
	03/31/2018		12/31/2017	
Parent Company - Rede D'Or São Luiz S.A. (a)	Direct	Indirect	Direct	Indirect
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
PMJ Empreendimentos Imobiliários S.A.	100.00	-	100.00	-
Quinta Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
Onco D'Or Oncologia S.A.	98.90	-	98.90	-
Onco D'Or PE S.A.	-	67.03	-	67.03
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	-	67.02	-	67.02
Núcleo Especializado em Oncologia e Hemato (NEOH) (company acquired in 2016)	-	67.02	-	67.02
Onco Star SP Oncologia Ltda. (company organized in 2017)	-	75.00	-	75.00
Jenner S.A.	50.00	37.50	50.00	37.50
Oncobrasilia - Inst. Bras Onco Clinica Ltda.	-	98.90	-	98.90
Acreditar Oncologia S.A.	-	98.90	-	98.90
Oncologia D'Or S.A.	7.39	78.36	7.39	78.36
Instituto Onco e Radio São Pellegrino Ltda.	-	-	-	-
Centro de Oncologia do RJ Ltda. ("Salus")	-	89.55	-	89.55
Onco D'Or Oncologia BA Ltda. (former Centro de Hematologia e Oncologia - CEHON)	-	98.57	-	98.57
Centro Médico Jabaquara S.A. (former Centro Diagnóstico NSL S.A.)	97.58	-	97.58	-
Maxclínicas Clínicas e Diagnósticos Ltda.	99.99	0.01	99.99	0.01
Tijuca Empreendimentos Imobiliários Ltda. (former Diagnolab Exames Complementares Ltda.)	99.99	0.01	99.99	0.01
Centro Hospitalar São Marcos S.A.	100.00	-	100.00	-
Esperança Serviços Médicos e de Diagnósticos S.A.	100.00	-	100.00	-
Hospital Fluminense S.A.	100.00	-	100.00	-
Cardial Serviços Médicos Ltda.	89.44	-	84.00	-
ONCORAD - Serviços de Radioterapia Ltda.	0.01	83.99	0.01	83.99
Unidade de Radiologia Clínica Ltda. ("URC")	72.00	-	72.00	-
Instituto de Ultrassonografia Médica Ltda. ("IUSM")	72.00	-	72.00	-
Laboratório Análises Clínicas - Labvivalle Ltda.	50.10	-	50.10	-
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	98.31	1.69	98.31

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

	Interest held (%)			
	03/31/2018		12/31/2017	
	Direct	Indirect	Direct	Indirect
Café Verde da Quinta Ltda.	99.99	0.01	99.99	0.01
Campinas Empreendimentos Imobiliários Ltda. (former D'Or Trading Importação Ltda.)	99.99	0.01	99.99	0.01
IFOR Empreendimentos Imobiliários S.A. (former Park D'Or)	99.99	0.01	99.99	0.01
OPUNER do Brasil Ltda.	99.99	0.01	99.99	0.01
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	87.82	10.18	87.82	10.18
Assunção Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
Villa Lobos Empreendimentos Imobiliários S.A.	99.99	0.01	99.99	0.01
Santa Luzia II Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
RDSL Empreendimentos Imobiliários S.A.	100.00	-	100.00	-
Rede D'Or São Luiz Soluções Saúde e Segurança	65.00	-	65.00	-
JTO Holding S.A.	92.00	-	92.00	-
JTO-Fundadores Participações Ltda.	11.40	73.60	11.40	73.60
D'Or Consultoria Corretagem, Seguros e Benefícios	-	50.01	-	50.01
Hospital Santa Helena S.A.	100.00	-	100.00	-
Hospital Memorial São José Ltda. ("MSJ") (company merged in 2018)	-	-	100.00	-
Prontimagem Serviços Médicos Ltda.	100.00	-	100.00	-
GNI01 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI02 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI05 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI06 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI04 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI07 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
Maximagem com Diag. por imagem Ltda.	100.00	-	100.00	-
Noventa e Nove Participações S.A.	100.00	-	100.00	-
Hospital Ribeirão Pires Ltda.	-	100.00	-	100.00
Hospital Alpha Med Ltda.	65.99	34.01	65.99	34.01
Atenção Total e Gestão de Saúde Ltda.	99.99	0.01	99.99	0.01
Sator Empreendimentos e Participações Ltda.	100.00	-	100.00	-
Svgávea Empreendimentos e Participações S.A	-	100.00	-	100.00
Hospitais Integrados da Gávea S.A. - Clínica São Vicente	-	100.00	-	100.00
Keiki Empreendimentos e Partipições S.A.	100.00	-	100.00	-
Gapa Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
Rede D'Or Finance S.A	100.00	-	100.00	-
Hospital UDI (company acquired in 2018)	100.00	-	-	-
Companies recognized by the equity method in the consolidated statements				
Fujidayclinic Ltda.	-	49.45	-	49.45
IPEC - Instituto de Pesquisa e Ensino CEON Ltda.	-	59.99	-	59.99
Em Frente Distribuição, Manipulação E Nutrição Ltda.	-	59.99	-	59.99
Acreditar Tocantins Oncologia S.A.	-	49.45	-	49.45
Centro Oncológico do Vale Ltda.	-	50.00	-	50.00
Instituto de Radioterapia do Vale do Paraíba Ltda. ("Onco São José dos Campos")	-	50.00	-	50.00
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	-	50.00	-
J Badim S.A. ("Hospital Badim")	-	50.00	-	50.00
EAH Administração Hospitalar Ltda.	-	50.00	-	50.00
Memorial Imagem e Diag Ltda. ("Mediax")	15.00	-	15.00	-
GGSH Part. S.A.	22.57	-	23.88	-
G2D Serviços Tecnológicos S.A. ("Boa Consulta")	15.00	-	15.00	-

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

3. Business combination

Business combinations disclosed in the financial statements as at December 31, 2017, were not subject to significant subsequent adjustments. The fair value of assets acquired and liabilities assumed as well as goodwill determined on acquisitions occurred in 2017 and in the first quarter of 2018 are as follows:

	2018	2017
	Hospital UDI (a)	**Sator**
Acquisition date	**07/02/2018**	**19/04/2017**
Location	**MA**	**RJ**
Interest acquired (%)	**100.00**	**100.00**
Total consideration	**441,480**	**125,244**
Payment on acquisition date	406,480	110,244
Accounts payable for acquisition (Note 14)	35,000	15,000
Assets		
Cash and cash equivalents	4,217	2,361
Accounts receivable	40,389	24,003
Inventories	2,491	3,589
Taxes recoverable	373	12,119
Related parties	4,120	18,087
Judicial deposits	551	16,546
Deferred income and social contribution taxes	5,943	22,001
Property and equipment	114,004	75,619
Indemnifiable assets	-	8,777
Intangible assets	1,070	-
Other	17,083	3,351
	190,241	**186,453**
Liabilities		
Trade accounts payable	(10,606)	(10,257)
Loans and financing	(13,726)	(12,283)
Salaries, provisions and social charges	(7,243)	(27,887)
Tax liabilities	(18,368)	(16,721)
Taxes paid in installments	(19,379)	(108,887)
Related parties	(4,120)	(18,089)
Provision for contingencies	(13,919)	(8,777)
Other	(5,531)	(21,397)
	(92,892)	**(224,298)**
Total identifiable assets, net	**97,349**	**(37,845)**
Total consideration	**441,480**	**125,244**
Goodwill on acquisition (Note 10)	**344,131**	**163,089**
Other information:		
Contribution on acquirees for the Group of revenues since the acquisition date	45,591	109,742
Contribution on acquirees for the Group with income before taxes since the acquisition date	9,425	8,368
Revenues from acquiree since the beginning of period	97,322	153,353
Income from acquiree before taxes since the beginning of period	36,733	2,991

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

No contingent amount was taken into consideration in these acquisitions. The amount withheld (R$ 35 million and R$ 15 million, in UDI and Sator, respectively) is a guarantee of the liabilities with indemnification by the sellers, and will be paid within six years after the contractual date, restated by reference to the CDI.

4. Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	03/31/2018	**12/31/2017**	**03/31/2018**	**12/31/2017**
Cash and cash equivalents				
Cash and banks	**28,296**	30,235	**42,508**	48,511
Short-term investments	**10,811**	2,324	**115,209**	91,872
Cash and cash equivalents	**39,107**	32,559	**157,717**	140,383
Marketable securities				
Non-boutique investment funds	**288,366**	419,191	**429,380**	1,476,716
Repurchase agreements	**1,770,346**	457,187	**2,858,003**	1,202,868
Financial Treasury Bills (LFT)	**26,443**	-	**41,749**	-
Bank Deposit Certificates (CDBs)	**757,941**	129,739	**1,006,165**	440,870
Marketable securities	**2,843,096**	1,006,117	**4,335,297**	3,120,454

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

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

5. Accounts receivable

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

	Parent Company		Consolidated	
	03/31/2018	**12/31/2017**	**03/31/2018**	**12/31/2017**
Accounts receivable from health insurance and health plans	**2,429,847**	2,267,263	**3,733,460**	3,501,612
Accounts receivable from individuals	**37,097**	36,985	**48,412**	41,112
Provision for disallowances and Allowance for doubtful accounts	**(439,918)**	(417,340)	**(786,434)**	(705,980)
	2,027,026	1,886,908	**2,995,438**	2,836,744

5. Accounts receivable (Continued)

Changes in provision for disallowances and allowance for doubtful accounts

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Balance at beginning of year	**(417,340)**	(617,418)	**(705,980)**	(972,464)
Recognition of provision for disallowances	**(89,950)**	(72,458)	**(147,969)**	(112,190)
Write-off of uncollectible amounts	**75,243**	-	**75,412**	-
Set up of allowance for doubtful accounts	**(7,871)**	(6,707)	**(7,897)**	(7,383)
Balance at end of year	**(439,918)**	(696,583)	**(786,434)**	(1,092,037)

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

	Parent Company								
			Overdue						
	Total	**Falling due**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 180 days**	**181 - 360 days**	**360 - 720 days**
03/31/2018	**2,466,944**	**1,517,401**	**65,645**	**57,681**	**53,688**	**51,521**	**92,199**	**233,534**	**395,275**
12/31/2017	2,304,248	1,463,931	69,177	52,109	49,618	45,560	89,509	222,514	311,830

	Consolidated								
			Overdue						
	Total	**Falling due**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 180 days**	**181 - 360 days**	**360 - 720 days**
03/31/2018	**3,781,872**	**2,191,434**	**109,778**	**97,754**	**89,194**	**80,187**	**141,917**	**373,964**	**697,644**
12/31/2017	3,542,724	2,171,336	115,694	83,487	79,410	70,963	141,715	343,135	536,984

6. Inventories

	Parent Company		Consolidated	
	03/31/2018	**12/31/2017**	**03/31/2018**	**12/31/2017**
Medicines	**36,847**	46,944	**68,530**	85,633
Special materials	**34,888**	38,918	**47,815**	49,410
Disposable materials	**32,694**	38,606	**38,660**	48,359
Bracing and prosthetic	**1,011**	1,496	**1,421**	1,794
Materials for use and consumption	**8,472**	8,971	**13,657**	14,348
Food items	**2,372**	2,627	**2,765**	3,079
Dressing room materials	**1,335**	1,370	**2,256**	2,366
Surgical sutures	**2,790**	3,108	**3,401**	3,888
Other	**8,880**	9,798	**19,660**	20,358
	129,289	151,838	**198,165**	229,235

7. Transactions with related parties

Significant related-party transactions

The nature of significant related-party transactions is summarized as follows:

(i) *Lease* - the Company leases properties owned by the controlling shareholders, namely: properties of the hospitals Copa D'Or and Quinta D'Or and the property of the administrative unit. They are leased at market value and generated an impact on profit or loss for the quarter of 2018 in the amount of R$5,038 (R$3,950 in 2017). Leases are annually restated by reference to the Extended Consumer Price Index (IPCA).

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

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

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

In addition to the balances presented in the tables below, in the first quarter of 2018, the parent company and the subsidiary Rede D'Or Finance made a transaction of issuance and purchase of debentures, as disclosed in Note 12.

7. Transactions with related parties (Continued)

Related-party balances

	Parent Company							
	03/31/2018				12/31/2017			03/31/2017
Companies	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	Current assets	Noncurrent assets	Noncurrent liabilities	P&L
Debentures Norte D'Or (a)	**9,258**	**6,845**	**-**	**475**	7,066	11,364	-	1,034
Shared services								
Medise Medicina Diagnóstico e Serviços Ltda.	**-**	**16,204**	**-**	**2,861**	-	13,343	-	1,677
Hospital Esperança S.A.	**-**	**15,844**	**-**	**8,395**	-	7,449	-	5,789
Hospital São Marcos S.A	**-**	**2,944**	**-**	**1,278**	-	1,668	-	934
Hospital Norte D'Or de Cascadura S.A.	**-**	**-**	**-**	**1,369**	-	-	-	-
Rede D'Or São Luiz Serviços Médicos S.A.	**-**	**-**	**-**	**3,946**	-	142,060	-	1,940
J. Badim S.A.	**-**	**3,647**	**-**	**454**	-	3,214	-	469
Oncologia D'Or S.A.	**-**	**10,035**	**-**	**408**	-	9,627	-	408
Hospital Fluminense S.A.	**-**	**-**	**-**	**1,219**	-	1,472	-	656
Hospital Ribeirão Pires LTDA	**-**	**-**	**-**	**1,494**	-	5,426	-	-
Clínica São Vicente	**-**	**-**	**-**	**1,772**	-	3,619	-	-
Hospital Memorial São José LTDA	**-**	**-**	**-**	**-**	-	5,808	-	-
Hospital Santa Helena S.A	**-**	**-**	**-**	**4,410**	-	13,066	-	-
Hospital Alpha-Med LTDA	**-**	**2,681**	**-**	**706**	-	1,976	-	-
Esperança Serviços Médicos e Diagnósticos S.A	**-**	**51**	**-**	**-**	-	51	-	29
Centro Médico Jabaquara S.A	**-**	**368**	**-**	**-**	-	368	-	-
Centro Diagnóstico NSL	**-**	**-**	**-**	**-**	-	-	-	60
Diagno SM	**-**	**3**	**-**	**3**	-	-	-	-
URC	**-**	**69**	**-**	**69**	-	-	-	-
Maximagem	**-**	**143**	**-**	**143**	-	-	-	-
São Luiz Serviços Médicos S.A. (b)	**-**	**-**	**-**	**-**	-	-	2,368	-
Centro Dignóstico NSL (b)	**-**	**271**	**-**	**-**	-	2,578	-	-
Hospital Norte D'Or de Cascadura S.A.	**-**	**628**	**-**	**-**	-	10,093	-	-
Hospital Ribeirao Pires LTDA (b)	**-**	**-**	**-**	**-**	-	4,457	-	-
Hospital Alpha Med.	**-**	**-**	**3,234**	**-**	-	-	-	-
Unidade de Radiologia Clínica Ltda. (b)	**-**	**11,085**	**-**	**-**	-	11,993	-	-
Medise Medicina Diagnóstico e Serviços Ltda. (b)	**-**	**-**	**8,771**	**-**	-	-	9,234	-
PMJ Assessoria e Consultoria Financeira S.A. (b)	**-**	**-**	**-**	**-**	-	60,894	-	-
Jenner S.A (b)	**-**	**16,688**	**-**	**-**	-	16,688	-	-
Oncologia D'Or S.A. (b)	**-**	**5,960**	**-**	**-**	-	6,481	-	-
Hospital Fluminense S.A. (b)	**-**	**-**	**-**	**-**	-	2,086	-	-
Hospital Esperança S.A. (b)	**-**	**-**	**29,344**	**-**	-	-	36,055	-
JMJB Diagnósticos e Serviços Hospitalares S.A. (b)	**-**	**7,708**	**-**	**-**	-	7,499	-	-
Proncordis PA Cardiologico Ltda. (b)	**-**	**10,650**	**-**	**-**	-	10,578	-	-
Onco D'Or Oncologia S.A. (b)	**-**	**99,009**	**-**	**-**	-	99,009	-	-
D'Or Trading Importação Ltda.	**-**	**457**	**-**	**-**	-	-	-	-
Hospital Santa Helena S.A. (b)	**-**	**-**	**-**	**-**	-	12,103	-	-
Santa Luzia II Emp. Imobiliários Ltda. (b)	**-**	**-**	**-**	**-**	-	24,550	-	-
Opuner do Brasil Ltda. (b)	**-**	**-**	**5,808**	**-**	-	-	5,808	-
Assunção Empreendimentos Imobiliários	**-**	**-**	**34**	**-**	-	-	-	-
IDOR	**-**	**7,454**	**-**	**-**	-	-	-	-
Instituto D'Or de Pesquisa e Ensino (b)	**-**	**-**	**-**	**-**	-	7,454	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	**-**	**-**	**-**	**-**	-	-	-	3,950
Onco Star	**-**	**11,323**	**-**	**-**	-	-	-	-
Other	**-**	**18,525**	**1,381**	**5,038**	-	38,169	1,416	-
	9,258	**248,592**	**48,572**	**34,040**	7,066	535,143	54,881	16,946

7. Transactions with related parties (Continued)

Related-party balances (Continued)

	Consolidated							
	03/31/2018				12/31/2017			03/31/2017
Companies	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	Current assets	Noncurrent assets	Noncurrent liabilities	P&L
Shared services								
J. Badim S.A.	**-**	**3,647**	**-**	**-**	-	3,214	-	313
JMJB Diagnósticos e Serviços Hospitalares S.A.	**-**	**7,454**	**-**	**-**	-	7,499	-	-
Instituto D'Or de Pesquisa e Ensino	**-**	**7,708**	**-**	**-**	-	7,454	-	-
J Badim S.A. (b)	**-**	**1,619**	**-**	**-**	-	1,489	-	-
JM&AM Empreendimentos Imobiliários S.A. (c)	**-**	**-**	**-**	**5,038**	-	-	-	3,950
Other	**-**	**3,830**	**60**	**-**	-	3,827	60	-
	-	**24,258**	**60**	**5,038**	-	23,483	60	4,263

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

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

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

Key management personnel compensation

The Company considers "Key management personnel" only the members of its Statutory Board and Board of Directors. In the periods ended March 31, 2018 and 2017, key management personnel compensation is as follows:

	03/31/2018	03/31/2017
Salaries and bonuses	**3,710**	3,641
Benefits	**41**	41
Share-based compensation	**10,165**	8,150
	13,916	11,832

8. Investments

Breakdown of and changes in investments - Parent Company

Company	Balances at 12/31/2017	Equity pickup	Dividends	Acquisition of equity interest	Capital increase/advance for future capital increase	Transfer	Other	Merger	Balances at 03/31/2018
Medise Medicina Diagnóstico e Serviços S.A.	173,056	**7,529**	**-**	**-**	**-**	**-**	**-**	**-**	**180,585**
Hospital Esperança S.A.	71,346	**13,078**	**-**	**-**	**-**	**-**	**-**	**-**	**84,424**
Hospital São Marcos (including goodwill)	65,705	**2,869**	**-**	**-**	**-**	**-**	**-**	**-**	**68,574**
PMJ Empreendimentos Imobiliários S.A.	180,403	**637**	**-**	**-**	**89,359**	**-**	**-**	**-**	**270,399**
Norte D'Or Participações S.A. (including goodwill)	71,695	**3,682**	**-**	**-**	**-**	**-**	**-**	**-**	**75,377**
Onco D'Or Oncologia S.A.	275,950	**7,355**	**-**	**-**	**-**	**-**	**-**	**-**	**283,305**
Jenner S.A. (including goodwill)	101,233	**2,511**	**-**	**-**	**-**	**-**	**-**	**-**	**103,744**
JMJB Diagnósticos e Serviços Hospitalares	23,291	**37**	**-**	**-**	**-**	**-**	**-**	**-**	**23,328**
Rodin Empreendimentos e Participações S.A.	54,285	**(19)**	**-**	**-**	**-**	**-**	**-**	**-**	**54,266**
Quinta Empreendimentos Imobiliários Ltda.	55,137	**1,803**	**-**	**-**	**-**	**-**	**-**	**-**	**56,940**
Hospital Fluminense S.A. (including goodwill)	58,588	**2,467**	**-**	**-**	**5,038**	**-**	**-**	**-**	**66,093**
Cardial Serviços Médicos (including goodwill)	62,308	**1,382**	**(9,987)**	**962**	**-**	**-**	**-**	**-**	**54,665**
Hospital Santa Helena S.A. (including goodwill)	332,878	**2,776**	**-**	**-**	**33,050**	**-**	**-**	**-**	**368,704**
Tijuca Empreendimentos Imobiliários Ltda.	21,926	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**21,927**
Memorial São José Ltda. (including goodwill) (a)	173,401	**-**	**-**	**-**	**-**	**-**	**-**	**(173,401)**	**-**
Hospital Ribeirão Pires Ltda. (including goodwill)	173,807	**1,098**	**-**	**-**	**3,663**	**-**	**-**	**-**	**178,568**
Villa Lobos Empreendimentos Imobiliários Ltda.	209,818	**1,223**	**-**	**-**	**-**	**-**	**-**	**-**	**211,041**
Santa Luzia II Empreendimentos Imobiliários Ltda.	33,538	**199**	**-**	**-**	**40,292**	**-**	**-**	**-**	**74,029**
Campinas Empreendimentos Imobiliários Ltda.	45,882	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45,882**
Sator Empreendimentos e Participações Ltda. (b)	168,819	**2,085**	**-**	**-**	**10,729**	**-**	**-**	**-**	**181,633**
Rede D'or Finance	-	**(9,018)**	**-**	**-**	**14,386**	**-**	**-**	**-**	**5,368**
Rede D'or São Luiz Serviços Médicos S.A.	-	**(13,517)**	**-**	**-**	**143,784**	**(59,630)**	**-**	**-**	**70,637**
Other	349,538	**7,511**	**-**	**-**	**10,700**	**-**	**6,935**	**-**	**374,684**
	2,702,604	**35,689**	**(9,987)**	**962**	**351,001**	**(59,630)**	**6,935**	**(173,401)**	**2,854,173**
Rede D'or São Luiz Serviços Médicos S.A.	(59,630)	**-**	**-**	**-**	**-**	**59,630**	**-**	**-**	**-**
Centro Hospitalar São Marcos S.A.	(16,121)	**(388)**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,509)**
Proncordis Pronto Atendimento Cardiológico Ltda.	(31)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(31)**
IFOR Empreendimentos imobiliários S.A	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Café Verde	(2,021)	**(775)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,796)**
	(77,803)	**(1,163)**	**-**	**-**	**-**	**59,630**	**-**	**-**	**(19,336)**
Equity pickup		**34,526**							

(a) Company merged in 2018.

8. **Investments** (Continued)

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

Company	Balances at 12/31/2016	Equity pickup	Dividends	Advances for future capital increase	Transfer	Other	Merger	Balances at 03/31/2017
Medise Medicina Diagnóstico e Serviços S.A.	149,837	**1,546**	**-**	**-**	**-**	**-**	**-**	**151,383**
Hospital Esperança S.A.	255,888	**23,467**	**-**	**-**	**-**	**-**	**-**	**279,355**
Hospital São Marcos (including goodwill)	48,723	**5,059**	**-**	**-**	**-**	**-**	**-**	**53,782**
PMJ Empreendimentos Imobiliários S.A.	73,355	**(1,051)**	**-**	**-**	**-**	**-**	**-**	**72,304**
Norte D'Or Participações S.A. (including goodwill)	64,891	**1,931**	**-**	**157**	**-**	**-**	**-**	**66,979**
Onco D'Or Oncologia S.A.	117,682	**6,246**	**-**	**-**	**-**	**(7,513)**	**-**	**116,415**
Jenner S.A. (including goodwill)	94,738	**3,869**	**-**	**-**	**-**	**-**	**-**	**98,607**
JMJB Diagnósticos e Serviços Hospitalares	18,179	**1,460**	**-**	**-**	**-**	**-**	**-**	**19,639**
Rodin Empreendimentos e Participações S.A.	52,222	**(18)**	**-**	**-**	**-**	**-**	**-**	**52,204**
Quinta Empreendimentos Imobiliários Ltda.	31,808	**1,763**	**-**	**-**	**-**	**-**	**-**	**33,571**
Hospital Fluminense S.A. (including goodwill)	21,390	**3,166**	**-**	**-**	**-**	**-**	**-**	**24,556**
Acreditar Oncologia S.A. (including goodwill)	130,105	**3,999**	**-**	**-**	**-**	**-**	**-**	**134,104**
Cardial Serviços Médicos (including goodwill)	55,947	**2,820**	**-**	**-**	**-**	**-**	**-**	**58,767**
Hospital Santa Helena S.A. (including goodwill)	207,264	**7,426**	**-**	**-**	**-**	**(4,893)**	**-**	**209,797**
TJK Empreendimentos Hospitalares	21,464	**279**	**-**	**-**	**-**	**-**	**-**	**21,743**
Memorial São José Ltda. (incluindo ágio)	143,960	**3,392**	**-**	**-**	**-**	**-**	**-**	**147,352**
Maximagem - Diagnóstico por Imagem LTDA. (including goodwill)	58,519	**2,337**	**-**	**-**	**-**	**-**	**-**	**60,856**
GGSH Participações S.A (incluindo ágio)	16,030	**283**	**-**	**-**	**-**	**-**	**-**	**16,313**
Ribeirão Pires (including goodwill)	168,003	**3,292**	**-**	**-**	**-**	**-**	**-**	**171,295**
Alpha Med (including goodwill)	33,564	**1,779**	**-**	**-**	**-**	**1,077**	**-**	**36,420**
Cedib (including goodwill) (a)	5,324	**-**	**-**	**-**	**-**	**-**	**(5,324)**	**-**
Other	123,556	**5,921**	**(488)**	**-**	**184**	**10,253**	**-**	**139,426**
	1,892,449	**78,966**	**(488)**	**157**	**184**	**(1,076)**	**(5,324)**	**1,964,868**
Rede D'or São Luiz Serviços Médicos S.A.	(31,566)	**2,246**	**-**	**-**	**-**	**-**	**-**	**(29,320)**
Centro Hospitalar São Marcos S.A.	(25,178)	**(38)**	**-**	**-**	**-**	**-**	**-**	**(25,216)**
Campinas Empreendimentos Hospitalares	-		**-**	**-**	**(184)**	**-**	**-**	**(184)**
Proncordis Pronto Atendimento Cardiológico Ltda.	(14)	**(216)**	**(824)**	**-**	**-**	**-**	**-**	**(1,054)**
IFOR Empreendimentos imobiliários S.A (former Park D'Or)	(15)	**-**	**-**	**-**	**-**	**-**	**-**	**(15)**
Café Verde	(2,100)	**(589)**			**-**	**-**	**-**	**(2,689)**
	(58,873)	**1,403**	**(824)**	**-**	**(184)**	**-**	**-**	**(58,478)**
Equity pickup		**80,369**						

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

8. **Investments** (Continued)

Breakdown of and changes in investments - Consolidated

Company	Balances at 12/31/2017	Equity pickup	Dividends	Other	Balances at 03/31/2018
JMJB Diganósticos e Serviços Hospitalares S.A.	23,291	**37**	**-**	**-**	**23,328**
Instituto de Radioterapia do Vale do Paraíba Ltda.	34,206	**2,554**	**(1,366)**	**-**	**35,394**
GGSH Participações S.A	18,925	**1,113**	**-**	**7,493**	**27,531**
Other	13,549	**113**	**(4)**	**-**	**13,658**
	89,971	**3,817**	**(1,370)**	**7,493**	**99,911**

Company	Balances at 12/31/2016	Equity pickup	Dividends	Balances at 03/31/2017
JMJB Diganósticos e Serviços Hospitalares S.A.	18,179	1,460	-	19,639
Onco São José dos Campos	35,721	1,557	(1,379)	35,899
GGSH Participações S.A	16,030	283	-	16,313
Other	8,234	809	-	9,043
	78,164	4,109	(1,379)	80,894

8. **Investments** (Continued)

Summary of information on significant subsidiaries

	03/31/2018							03/31/2017
	% Total	% Voting capital	Assets	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
Parent Company - Rede D'Or São Luiz S.A. (a)								
Direct and indirect subsidiaries								
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	**98,00**	**98,00**	292,535	104,662	187,873	13,391	8,573	1,578
Rodin Empreendimentos e Participações S.A.	**100,00**	**100,00**	54,266	0	54,266	(17)	(19)	(18)
Hospital Esperança S.A. ("Esperança")	**100,00**	**100,00**	1,997,685	2,303,850	(306,165)	12,143	(20,273)	23,467
Mais-Multi Assistência Incorporada a Saúde Ltda. ("Hospital São Marcos")	**100,00**	**100,00**	98,911	41,143	57,768	3,690	2,869	5,059
PMJ Empreendimentos Imobiliários S.A	**100,00**	**100,00**	277,166	96,125	181,041	446	637	(1,048)
Quinta Empreendimentos Imobiliários Ltda.	**100,00**	**100,00**	636,241	87,584	548,657	31,059	28,792	1,763
Onco D'Or Oncologia S.A.	**86,00**	**86,00**	476,749	184,122	292,627	(475)	7,638	6,246
Jenner S.A.	**82,00**	**82,00**	137,767	16,695	121,072	(10)	5,023	7,738
Hospital Fluminense S.A.	**100,00**	**100,00**	64,659	16,385	48,274	4,005	2,467	3,166
Cardial Serviços Médicos Ltda.	**89,50**	**89,50**	23,498	5,347	18,151	1,959	1,546	2,689
Norte D'Or Participações S.A.	**100,00**	**100,00**	49,083	2,156	46,927	(16)	3,682	1,931
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	**70,00**	**70,00**	103,077	37,759	65,318	9,670	5,680	3,064
Hospital Santa Helena S.A	**100,00**	**100,00**	328,093	113,349	214,744	7,364	2,776	7,426
Acreditar Oncologia S.A.	**60,00**	**60,00**	95,087	33,116	61,971	7,193	4,946	6,666
Campinas Empreendimentos Imob. (former D'Or Trading)	**100,00**	**100,00**	46,338	457	45,881	-	-	(537)
IFOR Empreendimentos imobiliários S.A (Park D'Or)	**100,00**	**100,00**	83,434	17,271	66,163	4,089	3,533	-
Hospital Ribeirão Pires Ltda.	**100,00**	**100,00**	55,610	44,227	11,383	1,993	1,099	3,177
Hospital Alpha Med Ltda.	**100,00**	**100,00**	41,951	21,733	20,218	3,926	2,581	2,696

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

Summary of information on affiliates and jointly-controlled entities

	03/31/2018							03/31/2017
	% Total	% Voting capital	Assets	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
Companies recognized by the equity method in the consolidated financial information								
Instituto de Radioterapia do Vale do Paraíba Ltda.	**50.00**	**50.00**	**18,951**	**10,096**	**8,855**	**5,934**	**5,109**	**3,178**
JMJB Diagnósticos e Serviços Hospitalares S.A.	**50.00**	**50.00**	**55,945**	**9,289**	**46,656**	**47**	**74**	**1,460**
GGSH Participações S.A.	**23.88**	**23.88**	**106,340**	**2,181**	**104,159**	**4,849**	**4,660**	**1,331**

9. Property and equipment

Breakdown of balances

		Parent Company					
		03/31/2018			12/31/2017		
Description	Depreciation rate	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	**808,851**	**(450,397)**	**358,454**	784,172	(430,982)	353,190
Surgical instruments	20%	**40,688**	**(20,160)**	**20,528**	39,749	(18,224)	21,525
Machinery and equipment	7% to 10%	**233,785**	**(153,301)**	**80,484**	227,864	(144,110)	83,754
Properties	2.5% to 4%	**851,126**	**(85,398)**	**765,728**	848,716	(77,508)	771,208
Improvements in own properties	4%	**100,286**	**(25,212)**	**75,074**	99,610	(22,738)	76,872
Leasehold improvements	3% to 4%	**824,637**	**(257,243)**	**567,394**	816,341	(244,250)	572,091
Furniture and fixtures	10%	**122,824**	**(63,328)**	**59,496**	115,418	(60,013)	55,405
Vehicles	20%	**3,939**	**(2,783)**	**1,156**	3,939	(2,690)	1,249
Facilities	10%	**88,457**	**(32,401)**	**56,056**	85,242	(30,804)	54,438
Land	-	**130,020**	**-**	**130,020**	130,020	-	130,020
Construction in progress	-	**663,462**	**-**	**663,462**	582,239	-	582,239
Other	5% to 10%	**11,888**	**(4,659)**	**7,229**	11,799	(4,612)	7,187
		3,879,963	**(1,094,882)**	**2,785,081**	3,745,109	(1,035,931)	2,709,178

		Consolidated					
		03/31/2018			12/31/2017		
Description	Depreciation rate	Cost	Accumulated depreciation	Net Amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	**1,014,005**	**(536,244)**	**477,761**	992,902	(511,585)	481,317
Surgical instruments	20%	**49,397**	**(23,910)**	**25,487**	48,636	(21,655)	26,981
Machinery and equipment	7% to 10%	**316,847**	**(209,262)**	**107,585**	291,036	(196,134)	94,902
Properties	2.5% to 4%	**1,301,996**	**(112,121)**	**1,189,875**	1,258,561	(99,842)	1,158,719
Improvements in own properties	4%	**105,017**	**(27,190)**	**77,827**	104,053	(24,517)	79,536
Leasehold improvements	3% to 4%	**1,071,600**	**(347,052)**	**724,548**	1,032,436	(331,362)	701,074
Furniture and fixtures	10%	**168,039**	**(86,101)**	**81,938**	157,720	(81,750)	75,970
Vehicles	20%	**4,495**	**(3,163)**	**1,332**	4,495	(3,054)	1,441
Facilities	10%	**142,377**	**(55,738)**	**86,639**	139,140	(52,972)	86,168
Land	-	**488,878**	**-**	**488,878**	463,442	-	463,442
Construction in progress	-	**862,669**	**-**	**862,669**	743,591	-	743,591
Other	5% to 10%	**48,769**	**(6,198)**	**42,571**	48,645	(6,146)	42,499
		5,574,089	**(1,406,979)**	**4,167,110**	5,284,657	(1,329,017)	3,955,640

9. Property and equipment (Continued)

Changes in Parent Company

	12/31/2017	Additions	Additions from mergers	03/31/2018
Cost				
Hospital machinery and equipment	784,172	**13,333**	**11,346**	**808,851**
Surgical instruments	39,749	**721**	**218**	**40,688**
Machinery and equipment	227,864	**5,084**	**837**	**233,785**
Properties	848,716	**2,410**	**-**	**851,126**
Improvements in own properties	99,610	**662**	**14**	**100,286**
Leasehold improvements	816,341	**5,010**	**3,286**	**824,637**
Furniture and fixtures	115,418	**3,725**	**3,681**	**122,824**
Vehicles	3,939	**-**	**-**	**3,939**
Facilities	85,242	**2,319**	**896**	**88,457**
Land	130,020	**-**	**-**	**130,020**
Construction in progress	582,239	**72,422**	**8,801**	**663,462**
Other	11,799	**79**	**10**	**11,888**
	3,745,109	**105,765**	**29,089**	**3,879,963**
Depreciation				
Hospital machinery and equipment	(430,982)	**(19,415)**	**-**	**(450,397)**
Surgical instruments	(18,224)	**(1,936)**	**-**	**(20,160)**
Machinery and equipment	(144,110)	**(9,191)**	**-**	**(153,301)**
Properties	(77,508)	**(7,890)**	**-**	**(85,398)**
Improvements in own properties	(22,738)	**(2,474)**	**-**	**(25,212)**
Leasehold improvements	(244,250)	**(12,993)**	**-**	**(257,243)**
Furniture and fixtures	(60,013)	**(3,315)**	**-**	**(63,328)**
Vehicles	(2,690)	**(93)**	**-**	**(2,783)**
Facilities	(30,804)	**(1,597)**	**-**	**(32,401)**
Other	(4,612)	**(47)**	**-**	**(4,659)**
	(1,035,931)	**(58,951)**	**-**	**(1,094,882)**
Property and equipment, net	2,709,178	**46,814**	**29,089**	**2,785,081**

Significant changes in the quarter were:

(i) Merger of Hospital Memorial São José Ltda.; and

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

9. Property and equipment (Continued)

Changes in Parent Company (Continued)

	12/31/2016	Additions	Additions from mergers	03/31/2017
Cost				
Hospital machinery and equipment	647,982	**17,219**	**3,819**	**669,020**
Surgical instruments	33,257	**1,202**	**-**	**34,459**
Machinery and equipment	193,711	**3,512**	**10**	**197,233**
Properties	442,851	**2,309**	**-**	**445,160**
Improvements in own properties	94,452	**339**	**-**	**94,791**
Leasehold improvements	793,676	**2,590**	**-**	**796,266**
Furniture and fixtures	96,030	**3,265**	**3**	**99,298**
Vehicles	3,631	**-**	**-**	**3,631**
Facilities	70,417	**1,817**	**-**	**72,234**
Land	122,684	**-**	**-**	**122,684**
Construction in progress	459,643	**64,745**	**-**	**524,388**
Other	11,349	**57**	**-**	**11,406**
	2,969,683	**97,055**	**3,832**	**3,070,570**
Depreciation				
Hospital machinery and equipment	(363,138)	**(18,523)**	**-**	**(381,661)**
Surgical instruments	(12,231)	**(1,174)**	**-**	**(13,405)**
Machinery and equipment	(111,621)	**(7,401)**	**-**	**(119,022)**
Properties	(64,383)	**3,846**	**-**	**(60,537)**
Improvements in own properties	(15,951)	**(1,214)**	**-**	**(17,165)**
Leasehold improvements	(176,333)	**(19,244)**	**-**	**(195,577)**
Furniture and fixtures	(49,205)	**(2,475)**	**-**	**(51,680)**
Vehicles	(2,306)	**(91)**	**-**	**(2,397)**
Facilities	(24,487)	**(902)**	**-**	**(25,389)**
Other	(4,459)	**(32)**	**-**	**(4,491)**
	(824,114)	**(47,210)**	**-**	**(871,324)**
Property and equipment, net	2,145,569	**49,845**	**3,832**	**2,199,246**

Significant changes in the quarter were:

(i) Merger of Centro de Diagnóstico por Imagem Bartira;

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

(iii) Spending on the construction of Hospital São Caetano and completion of the works at Hospital Copa Star;

9. Property and equipment (Continued)

Changes in Consolidated

	12/31/2017	Additions	Transfers	Business combinations	03/31/2018
Cost					
Hospital machinery and equipment	992,902	**21,103**	**-**	**-**	**1,014,005**
Surgical instruments	48,636	**761**	**-**	**-**	**49,397**
Machinery and equipment	291,036	**6,642**	**-**	**19,169**	**316,847**
Properties	1,258,561	**9,031**	**-**	**34,404**	**1,301,996**
Improvements in own properties	104,053	**964**	**-**	**-**	**105,017**
Leasehold improvements	1,032,436	**8,781**	**9,285**	**21,098**	**1,071,600**
Furniture and fixtures	157,720	**4,695**	**-**	**5,624**	**168,039**
Vehicles	4,495	**-**	**-**	**-**	**4,495**
Facilities	139,140	**3,237**	**-**	**-**	**142,377**
Land	463,442	**1,080**	**-**	**24,356**	**488,878**
Construction in progress	743,591	**119,010**	**(9,285)**	**9,353**	**862,669**
Other	48,645	**124**	**-**	**-**	**48,769**
	5,284,657	**175,428**	**-**	**114,004**	**5,574,089**
Depreciation					
Hospital machinery and equipment	(511,585)	**(24,659)**	**-**	**-**	**(536,244)**
Surgical instruments	(21,655)	**(2,255)**	**-**	**-**	**(23,910)**
Machinery and equipment	(196,134)	**(13,128)**	**-**	**-**	**(209,262)**
Properties	(99,842)	**(12,279)**	**-**	**-**	**(112,121)**
Improvements in own properties	(24,517)	**(2,673)**	**-**	**-**	**(27,190)**
Leasehold improvements	(331,362)	**(15,690)**	**-**	**-**	**(347,052)**
Furniture and fixtures	(81,750)	**(4,351)**	**-**	**-**	**(86,101)**
Vehicles	(3,054)	**(109)**	**-**	**-**	**(3,163)**
Facilities	(52,972)	**(2,766)**	**-**	**-**	**(55,738)**
Other	(6,146)	**(52)**	**-**	**-**	**(6,198)**
	(1,329,017)	**(77,962)**	**-**	**-**	**(1,406,979)**
Property and equipment, net	3,955,640	**97,466**	**-**	**114,004**	**4,167,110**

Significant changes in the quarter were:

(i) Acquisition of Hospital UDI; and

(ii) Purchase of hospital machinery and equipment, as part of the Company's operational routine and remodeling of Hospital Niterói D'Or.

9. Property and equipment (Continued)

Changes in Consolidated (Continued)

	12/31/2016	Additions	03/31/2017
Cost			
Hospital machinery and equipment	819,559	**24,371**	**843,930**
Surgical instruments	39,483	**1,481**	**40,964**
Machinery and equipment	249,915	**4,949**	**254,864**
Real state	786,820	**13,944**	**800,764**
Improvements in own properties	97,780	**349**	**98,129**
Leasehold improvements	996,741	**4,816**	**1,001,557**
Furniture and fixtures	131,514	**4,324**	**135,838**
Vehicles	4,081	**45**	**4,126**
Facilities	118,912	**2,448**	**121,360**
Land	391,074	**164**	**391,238**
Construction in progress	508,275	**74,476**	**582,751**
Other	17,012	**205**	**17,217**
	4,161,166	**131,572**	**4,292,738**
Depreciation			
Hospital machinery and equipment	(424,606)	**(22,581)**	**(447,187)**
Surgical instruments	(14,334)	**(1,424)**	**(15,758)**
Machinery and equipment	(150,724)	**(10,534)**	**(161,258)**
Real state	(70,601)	**406**	**(70,195)**
Improvements in own properties	(16,920)	**(1,401)**	**(18,321)**
Leasehold improvements	(253,862)	**(21,546)**	**(275,408)**
Furniture and fixtures	(66,952)	**(3,382)**	**(70,334)**
Vehicles	(2,584)	**(121)**	**(2,705)**
Facilities	(42,190)	**(1,922)**	**(44,112)**
Other	(6,048)	**(96)**	**(6,144)**
	(1,048,821)	**(62,601)**	**(1,111,422)**
Property and equipment, net	3,112,345	**68,971**	**3,181,316**

Significant changes in the quarter were:

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

(ii) Spending on the construction of Hospital São Caetano, remodeling of Hospital Niteroi D'or and completion of the works at Hospital Copa Star.

There was no indication of impairment of property and equipment in the quarter.

10. Intangible assets

	Annual rate	Parent Company		Consolidated	
		03/31/2018	12/31/2017	03/31/2018	12/31/2017
Finite useful lives					
Software	20%	**111,310**	110,242	**123,819**	120,173
Exclusive agreement	20%	**12,425**	11,597	**49,324**	47,679
Indefinite useful life					
Goodwill (a)					
Acquisition of Copa D'Or		**80,058**	80,058	**80,058**	80,058
Acquisition of HMSL		**668,339**	668,339	**668,339**	668,339
Acquisition of Hospital Brasil		**121,398**	121,398	**121,398**	121,398
Acquisition of Hospital Prontolinda		**30,595**	30,595	**30,595**	30,595
Acquisition of Vivalle		**38,692**	38,692	**38,692**	38,692
Acquisition of São Marcos		**-**	-	**10,807**	10,807
Acquisition of Santa Luzia		**199,333**	199,333	**199,333**	199,333
Acquisition of Sinisgalli		**156,646**	156,646	**156,646**	156,646
Acquisition of Hospital Esperança		**-**	-	**108,408**	108,408
Acquisition of Norte D'Or		**-**	-	**28,450**	28,450
Acquisition of IFOR		**85,724**	85,724	**85,724**	85,724
Acquisition of Sino Brasileiro		**241,947**	241,947	**241,947**	241,947
Acquisition of Villa-Lobos		**136,074**	136,074	**136,074**	136,074
Acquisition of Bartira		**105,584**	105,584	**105,584**	105,584
Acquisition of Onco ABC/Cardeal/JLD		**-**	-	**52,174**	52,174
Acquisition of Oncoholding		**-**	-	**159,445**	159,445
Acquisition of Hospital Fluminense		**-**	-	**10,658**	10,658
Acquisition of Hospital Santa Helena		**-**	-	**125,802**	125,802
Acquisition of Acreditar		**-**	-	**155,720**	155,720
Acquisition of Memorial São José (c)		**112,528**	-	**112,528**	112,528
Acquisition of Alpha-Med		**-**	-	**43,815**	43,815
Acquisition of CEHON		**-**	-	**68,757**	68,757
Acquisition of Maximagem		**-**	-	**46,742**	46,742
Acquisition of Ribeirão Pires		**-**	-	**129,739**	129,739
Acquisition of NEOH		**-**	-	**33,422**	33,422
Acquisition of JTO		**-**	-	**12,567**	12,567
Acquisition of Salus		**-**	-	**8,956**	8,956
Acquisition of Prontimagem		**-**	-	**6,220**	6,220
Acquisition of Sator		**-**	-	**163,089**	163,089
Acquisition of Hospital UDI		**-**	-	**344,131**	-
Other goodwill		**48,649**	48,649	**57,001**	57,001
Trademarks and patents (b)		**190,810**	190,810	**190,810**	190,810
		2,340,112	2,225,688	**3,906,774**	3,557,352

(a) Goodwill was generated on business combinations performed. See Note 3 for additional information on acquisitions performed in 2018 and 2017.

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

(c) Hospital merged in January 2018.

10. Intangible assets (Continued)

Impairment

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

The recoverable amount of a CGU is determined based on the calculation of the amount in use. Value in use calculations use cash flow projections before income and social contribution taxes based on financial budgets approved by management covering a five-year period. The cash flows beyond the five-year period did not consider a growth rate, since they were based on an actual projection model.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC - Actual). Actual WACC takes into account both debt and equity cost. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing financing the Company is obliged to honor. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

There was no impairment indication of intangible assets for the period ended March 31, 2018.

11. Deferred gain on property disposal

On October 11, 2013 and December 26, 2012, the Company conducted property sale and leaseback transactions, and property lease was accounted for as operating lease.

Part of the gain referring to the excess of sales proceeds and fair value was deferred, as required by CPC 06/IAS 17 - Leases, and has been amortized over the lease term. At March 31, 2018, deferred gains were recorded as follows:

	Parent Company and Consolidated	
	03/31/2018	**12/31/2017**
Caxias D'Or	**35,690**	36,120
Hospital Brasil	**43,450**	44,000
	79,140	80,120
Current	**3,920**	3,920
Noncurrent	**75,220**	76,200

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

12. Loans, financing and debentures

Banks	Indexes	Spread	Currency	Principal (R$)	Beginning of of maturity	Maturity	Amortization	Guarantees	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31/2017
BNDES/FINEP	TJLP	0.60%	R$	315,042	Aug/2012	Feb/2025	Monthly	N/A	**350,424**	307,498	**357,616**	315,968
IFC-I (a)	LIBOR	3.30%	US$	93,790	Sept/2011	Apr/2020	Half-yearly	Shares and receivables	**49,115**	48,283	**49,115**	48,283
IFC-II-A Loan (a)	LIBOR	3.00%	US$	135,349	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**112,743**	112,576	**112,743**	112,576
IFC-II-B1 Loan (a)	LIBOR	3.00%	US$	386,712	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**322,091**	321,607	**322,091**	321,607
IFC II B2 Loan (a)	LIBOR	2.70%	US$	58,007	Dec/2014	Nov/2022	Half-yearly	Shares and receivables	**39,159**	39,102	**39,159**	39,102
IFC II C Loan (a)	LIBOR	6.00%	US$	57,863	Dec/2014	Nov/2027	Half-yearly	N/A	**51,803**	51,365	**51,803**	51,365
IFC II MCPP Loan (a)	LIBOR	3.00%	US$	101,512	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**84,548**	84,421	**84,548**	84,421
IFC III A1 Loan (a)	LIBOR	3.30%	US$	157,685	May/2017	Apr/2025	Half-yearly	N/A	**168,463**	166,693	**168,463**	166,693
IFC III A2 Loan (a)	LIBOR	3.30%	US$	157,685	May/2017	Apr/2026	Half-yearly	Shares and receivables	**161,409**	158,037	**161,409**	158,037
IFC III B Loan (a)	LIBOR	3.00%	US$	252,296	May/2017	Apr/2024	Half-yearly	N/A	**268,436**	266,100	**268,436**	266,100
IFC III C Loan (a)	LIBOR	5.50%	US$	94,611	May/2017	Apr/2026	Single	N/A	**108,730**	108,013	**108,730**	108,013
Proparco Loan (a)	EURIBOR	3.00%	EUR	212,221	Dec/2014	Nov/2024	Half-yearly	Shares and receivables	**199,017**	193,390	**199,017**	193,390
JP Morgan (a)	Fixed rate	3.35%	US$	300,000	Apr/2016	Apr/2020	Quarterly	N/A	**282,577**	288,692	**282,577**	288,692
Citibank (a)	LIBOR	0.99%	US$	203,190	Aug/2017	Aug/2022	Single	N/A	**219,430**	221,041	**219,430**	221,041
CCB	Fixed rate	5.22%/3.50%	R$	17,813	N/A	N/A	N/A	N/A	**-**	40	**6,773**	7,239
Debentures - 3th issue	100% of DI	2.30%	R$	650,000	Dec/2011	Dec/2020	Monthly	N/A	**355,405**	388,255	**355,405**	388,255
Debentures - 5th issue	100% of DI	2.00%	R$	100,000	Dec/2013	Dec/2018	Yearly	N/A	**50,725**	49,691	**50,725**	49,691
Debentures - 7th issue 1st series	100% of DI	1.9%	R$	600,000	Jul/2016	Jul/2019	Bullet	Receivables	**604,006**	621,399	**604,006**	621,399
Debentures - 7th issue 2sd series	100% of DI	2.0%	R$	300,000	Jul/2016	Jul/2020	Bullet	Receivables	**302,064**	310,763	**302,064**	310,763
Debentures - 7th issue 3th series	100% of DI	2.1%	R$	300,000	Jul/2016	Jul/2021	Bullet	Receivables	**302,125**	310,825	**302,125**	310,825
Debentures - 9th issue 1st series	110% of DI	-	R$	800,000	Aug/2017	Aug/2020	Bullet	N/A	**832,530**	833,360	**832,530**	833,360
Debentures - 9th issue 2sd series	100% of DI	1.75%	R$	600,000	Aug/2017	Aug/2024	Half-yearly	N/A	**600,211**	600,810	**600,211**	600,810
Senior notes (a) / (b)	Fixed rate	4.95%	US$	,596,400	Jan/2018	Jan/2028	Single	N/A	**-**	**-**	**583,209**	**-**
Debentures - 10th issue (b)	Fixed rate	11.82%	R$	,628,100	Jan/2018	Jan/2028	Bullet	N/A	**706,717**	-	**32,339**	-
Mortgage-backed Securities ("CRIs")	99% of DI	-	R$	662,837	Mar/2018	Mar/2023	Bullet	N/A	**652,404**	-	**652,404**	-
Debentures - 1st issue - Medise	100% of DI	2.20%	R$	100,000	Dec/2011	Dec/2018	Monthly	Receivables	**-**	21,595	**-**	21,595
Debentures - 1st issue - Esperança	100% of DI	2.40%	R$	200,000	Oct/2012	Oct/2021	Monthly	Shares and receivables	**-**	-	**-**	150,525
Debentures - 2sd issue - Esperança	100% of DI	1.90%	R$	100,000	Dec/2013	Dec/2018	Half-yearly	Receivables	**-**	-	**27,214**	36,335
Debentures - 3th issue - Esperança	100% of DI	1.55%	R$	,000,000	Aug/2017	Aug/2024	Half-yearly	N/A	**-**	-	**000,199**	025,161
Debentures - 4th issue - Esperança	100% of DI	1.27%	R$	,000,000	Feb/2018	Dec/2025	Half-yearly	N/A	**-**	-	**000,274**	993,305
									824,132	503,556	**774,615**	724,551
								Current	**462,618**	475,361	**491,906**	588,037
								Noncurrent	**361,514**	028,195	**282,709**	136,514

(a) As mentioned in Note 26, the Company contracts derivative financial instruments to hedge foreign exchange differences and adopted the fair value hedge accounting as accounting practice; therefore, these debts are recorded at fair value through profit or loss.

(b) On January 17, 2018, through its wholly owned subsidiary Rede D'Or Finance, a Rede D'Or issued Senior Notes, in the total amount of US$500,000, restated by interest of 4.95% p.a., maturing on January 17, 2028, with semiannual interest payments from July 17, 2018 onwards and principal on a lump-sum payment on January 17, 2028. Concomitantly, also through its subsidiary Rede D'Or Finance, the Company took out a hedging transaction for exchange hedge and interest rate by reference to the CDI + 2.01% p.a. At the same time, the parent company issued debentures (10th issue), which were substantially acquired by the subsidiary Rede D'Or Finance.

Significant loans, financing and debentures were taken out for general corporate purposes, to perform acquisitions of companies, to expand the size of hospitals and for construction of new units.

12. Loans, financing and debentures (Continued)

Total capitalized costs related to the issue of loans, financing and debentures, in the amount of R$101,996 at March 31, 2018, was recorded as a reduction of the balances and have been amortized over the term of the agreements.

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

At March 31, 2018, the noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2019	**1,101,154**	2019	**1,105,619**
2020	**1,641,037**	2020	**1,643,574**
2021	**619,930**	2021	**869,942**
2022	**600,221**	2022	**1,097,600**
2023	**1,065,666**	2023	**1,562,472**
2024	**478,760**	2024	**975,552**
2025	**47,910**	2025	**296,306**
From 2026 to 2028	**1,806,836**	From 2026 to 2028	**1,731,644**
	7,361,514		**9,282,709**

13. Tax liabilities and taxes paid in installments

a) Taxes liabilities

	Parent Company		Consolidated	
	03/31/2018	**12/31/2017**	**03/31/2018**	**12/31/2017**
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**3,516**	2,785	**5,305**	3,341
Contribution tax on gross revenue for social security financing (COFINS)	**20,864**	18,405	**34,342**	27,249
Service Tax (ISS)	**49,179**	40,181	**75,064**	65,023
Withholding Income Tax (IRRF)	**12,980**	15,186	**17,103**	19,052
Income tax	**-**	-	**19,285**	49,902
Social contribution tax	**-**	-	**6,942**	15,180
Other	**14,614**	23,343	**47,864**	52,562
	101,153	99,900	**205,905**	232,309

b) Taxes paid in installments

	Parent Company		Consolidated	
Taxes paid in installments	**03/31/2018**	**12/31/2017**	**03/31/2018**	**12/31/2017**
Service Tax (ISS)	**15,818**	17,505	**41,348**	43,457
Installment payment - Law No. 11941/09	**63,167**	63,642	**76,321**	80,053
Social security installment payment	**70,663**	70,965	**182,451**	178,322
Other	**295**	329	**31,980**	20,599
	149,943	152,441	**332,100**	322,431
Current	**18,532**	19,663	**38,744**	39,950
Noncurrent	**131,411**	132,778	**293,356**	282,481

At March 31, 2018, the noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2019	**19,326**	2019	**41,115**
2020	**18,367**	2020	**39,075**
2021	**17,391**	2021	**36,999**
2022	**15,277**	2022	**32,501**
2023 to 2030	**61,050**	2023 to 2030	**143,666**
	131,411		**293,356**

14. Accounts payable for acquisitions

Acquisitions	Restatement index	Parent Company		Consolidated	
		03/31/2018	12/31/2017	03/31/2018	12/31/2017
Ribeirão Pires	CDI	**19,821**	19,510	**19,821**	19,510
IFOR	CDI	**11,815**	11,630	**11,815**	11,630
Acreditar	CDI	**14,047**	13,827	**14,047**	13,827
Alphamed	CDI	**6,865**	6,758	**6,865**	6,758
Oncologia RJ	CDI	**-**	-	**39,990**	39,364
Salus	IPCA	**-**	-	**6,961**	6,862
Sator	SELIC	**16,177**	15,923	**16,177**	15,923
UDI	CDI	**-**	-	**35,304**	-
Maximagem	CDI	**15,713**	15,467	**15,713**	15,467
Other acquisitions	CDI	**8,625**	8,681	**9,090**	9,163
		93,063	91,796	**175,783**	138,504
Current		**18,987**	18,904	**26,413**	26,249
Noncurrent		**74,076**	72,892	**149,370**	112,255

Accounts payable for acquisition of companies refer to the remaining balance of the considerations for acquisitions made. At March 31, 2018, the noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2019	**18,830**	2019	**18,830**
2020	**15,680**	2020	**55,670**
2021	**7,177**	2021	**7,177**
2022	**23,389**	2022	**41,193**
2023	**9,000**	2023	**9,000**
2024	**-**	2024	**17,500**
	74,076		**149,370**

15. 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 external legal advisors, management recorded a provision for losses deemed sufficient to cover probable losses, as stated below:

	Parent Company				Consolidated			
	03/31/2018		12/31/2017		03/31/2018		12/31/2017	
	Provision for contingencies	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**
Tax and social security	**32,321**	**(79,405)**	24,198	(76,755)	**55,981**	**(101,609)**	49,424	(99,169)
Labor claims	**50,020**	**(6,478)**	53,219	(5,240)	**63,031**	**(7,827)**	63,136	(7,718)
Civil	**44,580**	**(10,812)**	50,772	(10,812)	**67,207**	**(13,045)**	65,419	(12,585)
	126,921	**(96,695)**	128,189	(92,807)	**186,219**	**(122,481)**	177,979	(119,472)

15.1. Contingencies assessed as probable loss

Changes in provisions for contingencies for the periods ended March 31, 2018 and 2017 were as follows:

	Parent Company			
	Tax and social security	**Labor**	**Civil**	**Total**
Balances at December 31, 2016	58,944	50,170	26,311	135,425
Additions, net of reversals	(6,671)	(2,416)	11,609	2,522
Payments	-	(3,277)	(367)	(3,644)
Balances at March 31, 2017	52,273	44,477	37,553	134,303
Balances at December 31, 2017	24,198	53,219	50,772	128,189
Additions, net of reversals	**8,123**	**(2,520)**	**(5,603)**	**-**
Payments	**-**	**(3,551)**	**(589)**	**(4,140)**
Additions from mergers	**-**	**2,872**	**-**	**2,872**
Balances at March 31, 2018	**32,321**	**50,020**	**44,580**	**126,921**

15. Provision for contingencies and judicial deposits (Continued)

15.1 Contingencies assessed as probable loss (Continued)

	Consolidated			
	Tax and social security	**Labor**	**Civil**	**Total**
Balances at December 31, 2016	79,811	60,014	50,284	190,109
Additions, net of reversals	(5,095)	(5,495)	13,112	2,522
Payments	(1,479)	(3,788)	(493)	(5,760)
Balances at March 31, 2017	73,237	50,731	62,903	186,871
Balances at December 31, 2017	49,424	63,136	65,419	177,979
Additions, net of reversals	**(1,368)**	**4,997**	**(3,367)**	**262**
Payments	**-**	**(5,282)**	**(659)**	**(5,941)**
Additions from business combinations (*)	**7,925**	**180**	**5,814**	**13,919**
Balances at March 31, 2018	**55,981**	**63,031**	**67,207**	**186,219**

(*) Additions referring to the acquisition of UDI Hospital.

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

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

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

15. Provision for contingencies and judicial deposits (Continued)

15.2. Contingencies assessed as possible loss

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

	Parent Company		Consolidated	
	03/31/2018	**12/31/2017**	**03/31/2018**	**12/31/2017**
Tax and social security (a)	**1,075,625**	381,909	**1,165,604**	459,095
Labor (b)	**276,013**	263,482	**338,814**	325,258
Civil (c)	**114,177**	114,004	**180,759**	204,031
	1,465,815	759,395	**1,685,177**	988,384

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

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

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

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

16. Commitments

At March 31, 2018, Rede D'Or has operating leases referring substantially to buildings from third and related parties for an average period of eighteen years, whose amounts and schedule for non-cancelable minimum payments are as follows:

Year	Parent Company	Consolidated
	(Gross nominal amounts)	
2018	**215,680**	**262,827**
2019	**287,710**	**350,572**
2020	**279,877**	**342,739**
2021	**264,516**	**327,378**
2022 to 2050	**3,642,185**	**4,429,911**
	4,689,968	**5,713,427**

Lease expenses recognized in the quarter totaled R$71,638 (R$71,611 in the first quarter of 2017) in the Parent Company, and R$93,859 (R$95,081 in the first quarter of 2017) in the Consolidated, referring to all hospitals of Rede D'Or, except for owned buildings of Hospital e Maternidade Assunção, Hospital e Maternidade Nossa Senhora de Lourdes, Hospital Vivalle, Hospital Copa Star and Hospital Morumbi.

17. Equity

a) Capital stock

Breakdown of Company's capital stock is as follows:

	03/31/2018		12/31/2017	
Shareholders	Number of shares	Equity interest	Number of shares	Equity interest
Controlling family (a)	263,849,784	57.03%	263,849,784	57.03%
Pacific RDSL Participações (b)	119,269,748	25.78%	119,269,748	25.78%
Carlyle Group (c)	54,625,943	11.81%	54,625,943	11.81%
Other	22,166,942	4.79%	22,166,942	4.79%
Total common shares	459,912,417	99.41%	459,912,417	99.41%
Preferred shares	2,734,600	0.59%	2,734,600	0.59%
Total shares	462,647,017	100.00%	462,647,017	100.00%

(a) This represents equity interest directly held by the "Moll Family" (individuals) and by means of investment fund 'Delta FM&B Fundo Inv. em Participações'.

(b) This represents Singapore sovereign fund ("GIC"), which acquired equity interest directly from controlling shareholders and from BTG Pactual Saúde Fundo de Investimento em Participações in 2015.

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

Subscribed and paid-in capital at March 31, 2018 and December 31, 2017, amounts to R$867,776, represented by 459,912,417 registered common shares and 2,734,600 registered class A preferred shares, with no par value. As approved in the Company's Articles of Incorporation, the limit of authorized capital is up to 2 billion of shares (units).

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

17. Equity (Continued)

b) Allocation of income

Changes in the balances of dividends and interest on equity payable in the quarters ended March 31, 2018 and 2017 were as follows:

	2018	2017
Balance payable at December 31	**275,496**	427,259
Allocation of dividends and interest on equity	**101,804**	71,717
Payment of dividends and interest on equity	**(293,071)**	(234,001)
Withholding Income Tax (IRRF)	**(8,579)**	(8,437)
Balance payable at March 31	**75,650**	256,538

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

c) Treasury shares

At March 31, 2018, the Company had 19,262,373 registered common shares with no par value and 2,734,600 registered class A preferred shares with no par value of Rede D'Or, in the amount of R$345,097, recorded as treasury shares in equity.

Changes in treasury shares are as follows:

	2018			2017		
	Number of shares	Share value (in reais)	Total	Number of shares	Share value (in reais)	Total
Balance at December 31	19,222,619	17.66	339,468	19,734,399	16.80	331,525
Acquisitions	**2,774,354**	**47.22**	**131,006**	1,482,639	33.20	49,225
Sales	**-**	**-**	**-**	(1,994,419)	20.70	(41,282)
Balance at March 31	**21,996,973**	**21.39**	**470,474**	19,222,619	17.66	339,468

On February 23, 2018, Rede D'Or repurchased 2,734,600 preferred shares of noncontrolling shareholders, for the amount of R$130,506, recorded as treasury shares.

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

17. Equity (Continued)

d) Share-based payment (stock options)

First Stock Option Plan

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

On November 30, 2011, the stock option plan comprising the right to purchase 7,074,940 shares was granted, by means of an individual agreement and its amendments, entered into between the Company and each beneficiary.

In order to be entitled to the right to stock options, beneficiaries would have to be working for the Company for at least three years (vesting period). Company management and employees participating in this plan will be fully entitled to such options, at one-fifth of total shares available for the plan, after 12 months from the grant date, and to the following four, under the same conditions, after 24, 36, 48 and 60 months also from the grant date. The participants have a maximum of sixty months, as from the end of the vesting period, to exercise the options.

The strike price of options granted was R$8.09 per nominal share and should remain the same until the options are effectively exercised, subject to monetary restatement (CDI or IPCA).

Second and Third Stock Option Plans

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

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

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

17. Equity (Continued)

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

Fourth Stock Option Plan

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

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

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

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

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

Fifth Stock Option Plan

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

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

17. Equity (Continued)

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

Fifth Stock Option Plan (Continued)

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

For the beneficiaries of the second series, the stock option is composed of five lots of 39,756 common shares, to be granted annually and exercised as from January 31 of each subsequent year. At the end of 2016, two series have already been granted totaling 79,512 common registered shares, with no par value. The participants have a maximum forty-eight months from the end of the vesting period to exercise the options.

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

Sixth Stock Option Plan

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

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

The strike price of options granted in the first, second and third series is R$47.23 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

17. Equity (Continued)

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

Seventh Stock Option Plan

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

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

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

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

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

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

The strike price of options granted in the fourth series is R$53.69 per share, increased by the IPCA variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

17. Equity (Continued)

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

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

The result of the calculation of the fair value of options restated at this interim financial information date is as follows:

First Stock Option Plan

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

Second Stock Option Plan

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

Third Stock Option Plan

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

17. Equity (Continued)

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

Fourth Stock Option Plan

First series

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

Second series

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

Fifth Stock Option Plan

First series

Beginning of maturity	Number of shares	Annual volatility	Risk-free ate	Fair value of options (in reais)	Expiration
03/31/2015	88,342	30.94%	12.81%	22.91	Expired
03/30/2016	44,171	30.94%	12.67%	22.56	Expired
Total	132,513	Average risk-free rate	12.74%		

17. Equity (Continued)

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

Fifth Stock Option Plan (Continued)

Second series

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

Sixth Stock Option Plan

Beginning of maturity	Number of shares	Annual volatility	Risk-free ate	Fair value of options (in reais)	Expiration
01/31/2017	133,004	32.00%	15.95%	50.31	Expired
Total	133,004		15.95%		

Seventh Stock Option Plan

First series

Beginning of maturity	Number of shares	Annual volatility	Risk-free ate	Fair value of options (in reais)	Expiration
03/31/2017	70,000	33.72%	12.06%	52.37	Expired
Total	70,000		12.06%		

Second series

Beginning of maturity	Number of shares	Annual volatility	Risk-free ate	Fair value of options (in reais)	Expiration
03/31/2017	460,000	33.72%	11.98%	52.37	Expired
Total	460,000		11.98%		

17. Equity (Continued)

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

Seventh Stock Option Plan (Continued)

Third series

Beginning of maturity	Number of shares	Annual volatility	Risk-free ate	Fair value of options (in reais)	Expiration
03/31/2017	80,000	33.75%	11.87%	52.65	Expired
Total	80,000		11.87%		

Fourth series

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

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

	Fair value of options per year	Effects on profit or loss for the year	Cumulative effect on equity
2011	**1,457**	**1,457**	**1,457**
2012	**16,234**	**16,234**	**17,691**
2013	**20,656**	**20,656**	**38,347**
2014	**27,363**	**27,363**	**65,710**
2015	**51,949**	**51,949**	**117,659**
2016	**30,864**	**30,864**	**148,523**
2017	**32,599**	**32,599**	**181,122**
2018	**10,165**	**10,165**	**191,287**
2019	**3,614**		
2020	**2,977**		
2021	**1,216**		
2022	**257**		
2023	**64**		
	199,415		

17. Equity (Continued)

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

The Company grants a put option to each beneficiary on total shares that are acquired due to exercise of stock option. The periods for exercising the option are determined by individual agreements between the parties, and the acquisition price of the Company for exercising the put options will be determined differently, with specific measurement criteria. In 2015, first plan executives exercised their put options of shares expired, up to that time, against the Company, which purchased 3,572,896 shares and recorded them as treasury shares. Over the first quarter of 2016, those same executives exercised their put options of shares expired over the year against the Company, which purchased more 1,832,947 shares and recorded them as treasury shares. In 2017, second plan executives exercised their put options of all expired shares against the Company, which purchased 881,788 in shares and recorded them as treasury shares.

Should the beneficiary withdraw from his/her position, options not yet exercisable expire, with no right to compensation, and options already exercisable may be exercised in up to 90 days. If the beneficiary's employment contract is terminated for cause, all rights exercisable or not yet exercisable expire automatically, regardless of notice or compensation.

18. Income and social contribution taxes

Income and social contribution tax expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Deferred				
Income tax	287	13,366	17,955	22,607
Social contribution tax	103	4,812	6,436	8,130
	390	18,178	24,391	30,737
Current				
Income tax	(39,827)	(42,046)	(77,834)	(84,357)
Social contribution tax	(14,895)	(15,567)	(28,986)	(30,956)
	(54,722)	(57,613)	(106,820)	(115,313)
Income and social contribution tax expenses	(54,332)	(39,435)	(82,429)	(84,576)

Changes in deferred income and social contribution tax assets and liabilities for period ended March 31, 2018 were as follows:

	Parent Company				Consolidated			
	12/31/2017	Additional benefits (expenses) recorded	Additions from mergers	03/31/2018	12/31/2017	Additional benefits (expenses) recorded	Additions from business combinations	03/31/2018
Assets								
Tax losses	-	**-**	**-**	**-**	14,713	**6,482**	**-**	**21,195**
Social contribution tax loss	-	**-**	**-**	**-**	5,295	**2,333**	**-**	**7,628**
Allowance for doubtful accounts	116,545	**2,676**	**1,247**	**120,468**	154,567	**2,685**	**338**	**157,590**
Provision for disallowances	96,792	**5,000**	**5,270**	**107,064**	180,680	**17,259**	**1,014**	**198,953**
Contingencies	48,173	**(1,408)**	**173**	**46,937**	75,737	**(1,931)**	**5,409**	**79,215**
Provision for bonus	19,171	**4,448**	**60**	**23,679**	20,651	**4,942**	**-**	**25,593**
Foreign exchange differences	25,129	**4,756**	**-**	**29,885**	25,129	**4,757**	**-**	**29,886**
Deferred gain on property disposals	27,241	**(333)**	**-**	**26,908**	27,241	**(333)**	**-**	**26,908**
Taxes - Judicial deposits	4,970	**552**	**-**	**5,521**	969	**580**	**-**	**1,549**
Provision for overtime	1,619	**(621)**	**152**	**1,150**	4,087	**(695)**	**-**	**3,392**
Swap variation	27,065	**(3,169)**	**-**	**23,896**	27,065	**(3,168)**	**-**	**23,897**
Total deferred tax assets	366,705	**11,901**	**6,902**	**385,508**	536,134	**32,911**	**6,761**	**575,806**
Liabilities								
Differences between accounting and tax base of goodwill	(496,081)	**(11,511)**	**-**	**(507,592)**	(550,339)	**(11,512)**	**-**	**(561,851)**
Gain on acquisition in steps	(48,873)	**-**	**-**	**(48,873)**	(69,499)	**-**	**-**	**(69,499)**
Deferred income	-	**-**	**-**	**-**	(21,349)	**2,992**	**-**	**(18,357)**
Total deferred tax liabilities	(544,954)	**(11,511)**	**-**	**(556,465)**	(641,187)	**(8,520)**	**-**	**(649,707)**
Net effect - asset (liability)	(178,249)	**390**	**6,902**	**(170,957)**	(105,053)	**24,391**	**6,761**	**(73,901)**
Assets as per balance sheets	-			**-**	113,043			**177,611**
Liabilities as per balance sheets	(178,249)			**(170,957)**	(218,096)			**(251,512)**

18. Income and social contribution taxes (Continued)

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

	Parent Company			Consolidated		
	12/31/2016	Additional benefits (expenses) recorded	03/31/2017	12/31/2016	Additional benefits (expenses) recorded	03/31/2017
Assets						
Tax losses	2,383	-	2,383	3,731	-	3,731
Social contribution tax loss	857	-	857	1,341	-	1,341
Allowance for doubtful accounts	103,945	2,280	106,225	139,203	2,510	141,713
Provision for disallowances	65,791	24,636	90,427	133,528	38,145	171,673
Contingencies	50,633	(381)	50,252	79,830	(1,101)	78,729
Provision for inventories	1,159	-	1,159	1,159	-	1,159
Provision for bonus	15,510	3,866	19,376	15,941	4,015	19,956
Provision for losses	16,529	-	16,529	15,287	-	15,287
Deferred gain on property disposals	30,976	(333)	30,643	30,976	(333)	30,643
Taxes - Judicial deposits	6,380	461	6,841	7,786	515	8,301
Provision for overtime	3,856	(2,754)	1,102	5,925	(2,391)	3,534
Swap variation	54,211	17,942	72,153	54,211	17,942	72,153
Total deferred tax assets	352,230	45,717	397,947	488,918	59,302	548,220
Liabilities						
Differences between accounting and tax base of goodwill	(425,689)	(17,469)	(443,158)	(475,843)	(18,495)	(494,338)
Gain on acquisition in steps	(48,873)	-	(48,873)	(69,499)	-	(69,499)
Foreign exchange differences	-	(10,070)	(10,070)	-	(10,070)	(10,070)
Deferred income	-	-	-	(23,423)	-	(23,423)
Total deferred tax liabilities	(474,562)	(27,539)	(502,101)	(568,765)	(28,565)	(597,330)
Net effect - asset (liability)	(122,332)	18,178	(104,154)	(79,847)	30,737	(49,110)
Assets as per balance sheets	-		-	70,668		85,586
Liabilities as per balance sheets	(122,332)		(104,154)	(150,515)		(134,696)

18. Income and social contribution taxes (Continued)

The reconciliation of income and social contribution taxes and the amount determined at the statutory rate at March 31, 2018 and 2017 are as follows:

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Income before income and social contribution taxes	**261,325**	245,400	**293,603**	297,198
Income and social contribution tax expenses at statutory rates	**88,851**	83,436	**99,825**	101,047
Adjustments to determine the effective rate				
Equity pickup	**(11,739)**	(27,325)	**(1,298)**	(1,397)
Stock option expenses	**3,456**	2,771	**3,456**	2,771
Interest on equity	**(25,506)**	(24,289)	**(25,506)**	(24,289)
Other	**(730)**	4,842	**5,952**	6,444
Expenses recorded in the income statement	**54,332**	39,435	**82,429**	84,576

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

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

19. Net revenue

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Gross revenue	**1,899,976**	1,652,937	**2,744,643**	2,420,733
Deductions from revenue				
Cancellations and rebates	**(89,950)**	(72,458)	**(147,969)**	(112,190)
Taxes on revenues	**(108,033)**	(95,804)	**(163,619)**	(143,165)
	1,701,993	1,484,675	**2,433,055**	2,165,378

The Company has no revenues arising from customers outside Brazil.

20. Costs of services provided

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Personnel	**(488,500)**	(448,387)	**(705,702)**	(636,003)
Materials and medicines	**(330,192)**	(277,261)	**(500,168)**	(418,510)
Third-party services	**(246,635)**	(184,747)	**(440,391)**	(357,689)
Utilities and services	**(30,285)**	(26,029)	**(43,244)**	(37,498)
Rents	**(71,638)**	(71,611)	**(85,234)**	(86,789)
Depreciation and amortization	**(58,481)**	(45,988)	**(79,347)**	(61,704)
	(1,225,731)	(1,054,023)	**(1,854,086)**	(1,598,193)

21. General and administrative expenses

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Personnel	**(67,741)**	(48,817)	**(67,741)**	(48,817)
Third-party services	**(13,068)**	(10,784)	**(13,068)**	(10,784)
Trips and lodging	**(3,947)**	(2,861)	**(5,502)**	(3,970)
Depreciation and amortization	**(11,521)**	(5,018)	**(11,521)**	(5,018)
Contingencies	**-**	(2,522)	**(262)**	(2,522)
	(96,277)	(70,002)	**(98,094)**	(71,111)

22. Selling expenses

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Allowance for doubtful accounts	**(7,871)**	(6,707)	**(7,897)**	(7,383)
Marketing	**(3,503)**	(2,973)	**(4,558)**	(4,156)
	(11,374)	(9,680)	**(12,455)**	(11,539)

23. Other operating expenses, net

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Taxes, charges and penalties	**(12,704)**	(7,226)	**(17,448)**	(10,373)
Gain on disposal of properties	**980**	980	**980**	980
Equipment lease	**(3,354)**	(2,908)	**(4,500)**	(3,941)
Freight expenses	**(4,497)**	(5,433)	**(4,988)**	(5,728)
Legal fees	**(1,528)**	(1,016)	**(2,165)**	(2,323)
Other expenses and revenues	**(2,445)**	376	**(3,351)**	(4,013)
	(23,548)	(15,227)	**(31,472)**	(25,398)

24. Financial income (expenses), net

	Parent Company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Short-term investments yield	**30,420**	27,186	**60,168**	47,163
Net foreign exchange differences on financing	**(14,007)**	29,625	**(13,435)**	29,625
Fair value of debt	**(39,923)**	(1,057)	**(39,923)**	(1,057)
Derivatives' fair value (swaps)	**43,887**	(60,705)	**(47,295)**	(60,705)
Interest and monetary variation on financing and debentures	**(126,824)**	(146,766)	**(78,781)**	(158,198)
Taxes on financial income (expenses)	**(3,229)**	(3,809)	**(5,443)**	(4,770)
Other expenses and revenues	**(8,588)**	(15,186)	**(22,453)**	(18,106)
	(118,264)	(170,712)	**(147,162)**	(166,048)
Total financial income	**105,656**	58,328	**138,483**	80,393
Total financial expenses	**(223,920)**	(229,040)	**(285,645)**	(246,441)
	(118,264)	(170,712)	**(147,162)**	(166,048)

25. Earnings per share

a) Basic earnings per share

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

	03/31/2018	03/31/2017
Income attributable to the Company's controlling shareholders	206,993	205,965
Weighted average number of common shares issued (thousands)	442,783	440,432
Basic earnings per share (in R$)	0.4675	0.4676

b) Diluted earnings per share

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

	03/31/2018	03/31/2017
Income attributable to the Company's controlling shareholders	206,993	205,965
Weighted average number of common shares issued, including dilutive factors (thousands)	444,317	445,107
Diluted earnings per share (in R$)	0.4659	0.4627

26. Financial instruments and financial risk management

26.1. Financial instruments by category

Fair value hierarchy

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

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

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

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

The following tables present breakdown of financial assets and liabilities at March 31, 2018 and 2017:

	Parent Company			
		Fair value	Accounting balance	
Financial assets	**Classification by category**	**hierarchy**	**03/31/2018**	**12/31/2017**
Cash and cash equivalents	Fair value through P&L	Level 2	**39,107**	32,559
Marketable securities	Fair value through P&L	Level 2	**2,843,096**	1,006,117
Accounts receivable	Amortized cost		**2,027,026**	1,886,908
Dividends receivable	Amortized cost		**41,195**	41,195
Judicial deposits	Amortized cost		**96,695**	92,807
Derivatives	Fair value through P&L	Level 2	**162,924**	99,968
			5,210,043	3,159,554

		Fair value	Accounting balance	
Financial liabilities	**Classification by category**	**hierarchy**	**03/31/2018**	**12/31/2017**
Trade accounts payable	Amortized cost		**258,429**	278,647
Loans, financing and debentures	Amortized cost (a)	Level 2	**7,824,132**	5,503,556
Salaries, provisions and social charges	Amortized cost		**336,760**	281,994
Accounts payable for acquisitions	Amortized cost		**93,063**	91,796
Derivatives	Fair value through P&L	Level 2	**126,898**	113,342
			8,639,282	6,269,335

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

26. Financial instruments and financial risk management (Continued)

26.1. Financial instruments by category (Continued)

		Consolidated		
			Accounting balance	
Financial assets	**Classification by category**	**Fair value hierarchy**	**03/31/2018**	**12/31/2017**
Cash and cash equivalents	Fair value through P&L	Level 2	**157,717**	140,383
Marketable securities	Fair value through P&L	Level 2	**4,335,297**	3,120,454
Accounts receivable	Amortized cost		**2,995,438**	2,836,744
Judicial deposits	Amortized cost		**122,481**	119,472
Derivatives	Fair value through P&L	Level 2	**173,336**	99,968
			7,784,269	6,317,021

			Accounting balance	
Financial liabilities	**Classification by category**	**Fair value hierarchy**	**03/31/2018**	**12/31/2017**
Trade accounts payable	Amortized cost		**453,366**	475,546
Loans and financing	Amortized cost and fair value through P&L (a)	Level 2	**9,774,615**	7,724,551
Salaries, provisions and social charges	Amortized cost		**441,301**	370,030
Accounts payable for acquisitions	Amortized cost		**175,783**	138,504
Derivatives	Fair value through P&L	Level 2	**228,492**	113,342
			11,073,557	8,821,973

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

26.2. 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. The Company's risk management strategies and the corresponding effects on the individual and consolidated interim financial information may be summarized as follows:

a) Capital management

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

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

a) Capital management (Continued)

The Company uses own and third parties capital to finance its activities, and the use of third-party capital seeks to optimize its capital structure. The Company monitors its capital structure and makes adjustments according to changes in economic conditions. At March 31, 2018, the Company's capital structure is as follows:

	Parent Company		Consolidated	
	03/31/2018	**12/31/2017**	**03/31/2018**	**12/31/2017**
Cash and cash equivalents	**39,107**	32,559	**157,717**	140,383
Marketable securities	**2,843,096**	1,006,117	**4,335,297**	3,120,454
	2,882,203	1,038,676	**4,493,014**	3,260,837
Loans, financing and debentures	**(7,824,132)**	(5,503,556)	**(9,774,615)**	(7,724,551)
Net debt	**(4,941,929)**	(4,464,880)	**(5,281,601)**	(4,463,714)
Total equity	**4,296,170**	4,315,842	**4,465,625**	4,481,144
Total net debt and equity	**(645,759)**	(149,038)	**(907,145)**	17,430
Financial leverage ratio	**1.15**	1.03	**1.20**	1.00

b) Interest rate risk

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

The sensitivity analysis about interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at March 31, 2018, and Scenarios II and III take into consideration rate increase by 25% and 50%, respectively. The results, in nominal values, are as follows:

Scenarios	Scenario I current	Scenario II +25%	Scenario III +50%
CDI rate (p.a.)	6.39%	7.99%	9.59%
Projected interest expenses (*)	4,597	5,747	6,896

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

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

c) Credit risk

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

d) Liquidity risk

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

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

	Parent Company - 03/31/2018					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	**258,429**	**-**	**-**	**-**	**-**	**258,429**
Loans, financing and debentures	**257,080**	**213,943**	**1,277,900**	**3,937,521**	**3,343,313**	**9,029,757**
Salaries, provisions and social charges	**336,760**	**-**	**-**	**-**	**-**	**336,760**
Accounts payable for acquisitions	**16,181**	**2,920**	**19,997**	**53,213**	**10,997**	**103,308**
	868,450	**216,863**	**1,297,897**	**3,990,734**	**3,354,310**	**9,728,254**

	Consolidated - 03/31/2018					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	**453,366**	**-**	**-**	**-**	**-**	**453,366**
Loans, financing and debentures	**274,958**	**225,820**	**1,283,364**	**4,942,539**	**4,617,282**	**11,343,963**
Salaries, provisions and social charges	**441,301**	**-**	**-**	**-**	**-**	**441,301**
Accounts payable for acquisitions	**23,166**	**3,380**	**19,997**	**119,710**	**32,381**	**198,634**
	1,192,791	**229,200**	**1,303,361**	**5,062,249**	**4,649,663**	**12,437,264**

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

d) Liquidity risk (Continued)

	Parent Company - 03/31/2017					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	229,324	-	-	-	-	229,324
Loans, financing and debentures	349,664	463,250	848,766	3,666,058	556,970	5,884,708
Salaries, provisions and social charges	309,565	-	-	-	-	309,565
Accounts payable for acquisitions	51,360	86,289	13,055	46,237	4,979	201,920
Total	939,913	549,539	861,821	3,712,295	561,949	6,625,517

	Consolidated - 03/31/2017					
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total financial liabilities
Trade accounts payable	391,269	-	-	-	-	391,269
Loans, financing and debentures	390,737	504,326	923,732	3,797,860	556,971	6,173,626
Salaries, provisions and social charges	403,266	-	-	-	-	403,266
Accounts payable for acquisitions	69,384	86,289	20,058	82,719	4,979	263,429
Total	1,254,656	590,615	943,790	3,880,579	561,950	7,231,590

e) Foreign currency

The Company has loans and financing and trade accounts payable in foreign currency (mainly the US dollar). The risk related to those assets and liabilities arises from the possibility of the Company's incurring losses due to fluctuations in exchange rates. Liabilities in foreign currency represent 37% of total consolidated indebtedness at March 31, 2018. The Company has derivative financial instruments taken out for hedge against foreign exchange rate fluctuation (see topic below). Management understands that the risk of exposure to foreign currency is not significant in relation to its financial position.

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives

At March 31, 2018, the Company has swaps recorded based on fair value hedge accounting acquired to hedge the Company against financing in foreign currency. The swaps swapped the flow of interest and principal in foreign currency for CDI+ or a percentage of CDI in Brazilian reais. In addition, the Company also has other swaps that were acquired to cover exposure to indebtedness and variable interest, however they were not designated for the hedge accounting strategy.

The fair value of these instruments at the interim financial information date is as follows:

Description	Range of maturity month/year	Reference value (notional)		03/31/2018 Reference value fair value
Swap (CDI vs TJLP)	12/10/2018			
Long position	CDI + 2.30%			
Short position	TJLP + 7.46%	R$	18,750	**(263)**
Swap (currency)	04/15/2020			
Long position	Libor + 3.30%	US$	15,028	
Short position	CDI + 1.00%	R$	49,949	**22,232**
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US$	26,576	
Short position	CDI + 1.47%	R$	88,334	**(11,752)**
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US$	30,754	
Short position	CDI + 1.62%	R$	102,220	**(16,201)**
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US$	75,932	
Short position	CDI + 1.47%	R$	252,384	**(33,717)**
Swap (currency)	11/16/2022			
Long position	USD/BRL + 2.70%	US$	9,377	
Short position	CDI + 1.00%	R$	31,168	**(4,571)**

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

Description	Range of maturity month/year	Reference value (notional)		03/31/2018 Reference value fair value
Swap (currency)	16/11/2022			
Long position	USD/BRL + 2.70%	US$	2,344	
Short position	CDI + 1.23%	R$	7,792	**(1,356)**
Swap (currency)	11/16/2027			
Long position	USD/BRL + 6.00%	US$	15,419	
Short position	CDI - 1.71%	R$	51,251	**2,022**
Swap (currency)	11/18/2024			
Long position	USD/BRL + 3.00%	US$	19,932	
Short position	CDI + 1.47%	R$	66,151	**(8,850)**
Swap (currency)	11/18/2024			
Long position	EUR/BRL + 3.00%	EUR	37,706	
Short position	CDI + 2.30%	R$	154,030	**(2,689)**
Swap (currency)	11/18/2024			
Long position	EUR/BRL + 3.00%	US$	9,427	
Short position	CDI + 2.46%	R$	38,508	**(613)**
Swap (currency)	04/20/2020			
Long position	USD/BRL + 3.35%	US$	85,512	
Short position	115% CDI	R$	284,225	**(21,525)**
Swap (currency)	08/09/2022			
Long position	USD/BRL + 0.99%	US$	65,237	
Short position	CDI + 1.00%	R$	216,834	**14,326**
Swap (currency)	04/15/2025			
Long position	USD/BRL + 3.30%	US$	51,094	
Short position	CDI + 2.084%	R$	169,826	**7,325**
Swap (currency)	04/15/2024			
Long position	USD/BRL + 3.00%	US$	81,642	
Short position	CDI + 1.68%	R$	271,360	**11,071**
Swap (currency)	04/15/2026			
Long position	USD/BRL + 5.50%	US$	30,955	
Short position	CDI + 0.25%	R$	102,889	**7,752**
Swap (currency)	01/18/2028			
Long position	USD Fixed rate + (4.95%)	US$	504,813	
Short position	BRL Fixed rate (11.82%)	R$	1,677,896	**(91,182)**
Swap (currency)	01/18/2028			
Long position	BRL Fixed rate (11.82%)			
Short position	CDI + 2.01%	R$	1,628,037	**72,836**
Current assets position				**68,121**
Noncurrent assets position				**105,215**
Current liabilities position				**(172,213)**
Noncurrent liabilities position				**(56,279)**
Effect on P&L for the period (fair value of derivatives - swaps)				**43,887**

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

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

For derivative financial instruments, the Company considers as probable scenario (Scenario I) future exchange rates of the Brazilian real in relation to the US dollar, obtained from BM&FBOVESPA to instrument maturity, calculated on the nominal amount of the agreement.

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

Debt - International Finance Corporation (IFC)	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Depreciation of US$ (rate in R$)	-	2.675	1.7450	-	-
Appreciation of US$ (rate in R$)	3.490	-	-	4.362	5.235
Effect on liabilities in US$					
IFC - International Finance Corporation	8,156	(40,782)	(81,564)	40,782	81,564
Effect on derivatives					
Swap	489	(2,443)	(4,887)	2,443	4,887
Net effect	8,645	(43,225)	(86,451)	43,225	86,451

Debt - JP Morgan and Citibank	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
Exchange rate variation	5%	-25%	-50%	+25%	+50%
Depreciation of US$ (rate in R$)	-	2.675	1.7450	-	-
Appreciation of US$ (rate in R$)	3.490	-	-	4.362	5.235
Effect on liabilities in US$					
Loan 4131 - JP Morgan and Citibank	25,100	(125,502)	(251,003)	125,502	251,003
Effect on derivatives					
Swap	(25,100)	125,502	251,003	(125,502)	(251,003)
Net effect	-	-	-	-	-

27. Insurance coverage

At March 31, 2018, 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	2,312,501
Civil Liability (D&O)	60,000
Engineering risks	204,467
General civil liability	1,500

28. Subsequent events

On April 24, 2018, Rede D'Or issued a promissory note, in a single series, in the total amount of R$1,000,000, maturing on April 24, 2023, remunerated on a *pro rata temporis* basis with interest equivalent to 112.5% of the Interbank Deposit ("DI"). There are no expected guarantees.

On April 27, 2018, Rede D'Or prepaid the seventh issue of debentures comprising all three series, amounting to R$1,200,000, of which: (i) the first series of issue amounts to R$600,000, maturing on July 12, 2019, with remuneration equivalent to 100% of the Interbank Deposit Certificate (CDI) rate plus 1.9% p.a.; (ii) the second series of issue in the amount of R$300,000, maturing on July 12, 2020, with remuneration of 100% of the CDI plus 2.0% p.a.; and (iii) the third series of the issue in the amount of R$300,000, maturing on July 12, 2021, with remuneration of 100% of the CDI plus 2.1% p.a. Fiduciary transfer of credit rights was given in guarantee.