

# **Interim Financial Information**

## **Rede D'Or São Luiz S.A.**

June 30, 2019

with Independent Auditor's Review Report

# Rede D'Or São Luiz S.A.

## Interim financial information

June 30, 2019

### Contents

Independent auditor's review report on interim financial information .....	1
Interim financial information	
Balance sheets .....	3
Income statements.....	5
Statements of comprehensive income .....	6
Statements of changes in equity .....	7
Statements of cash flows .....	8
Statements of value added .....	9
Notes to interim financial information .....	10

**A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with CPC 21 (R1) and IAS 34.**

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## **Independent auditor's review report on interim financial information**

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

### **Introduction**

We have reviewed the accompanying individual and consolidated interim balance sheets of Rede D'Or São Luiz S.A. (the "Company") as at June 30, 2019, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the six-month 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 the 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**

Based on our review nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of interim financial information.



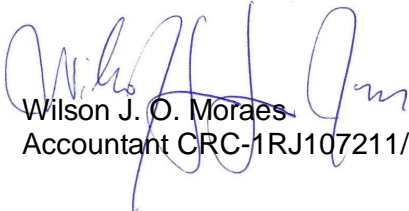
## Other matters

### Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 2019, prepared under the responsibility of Company's management, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies, but is 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, consistently with the overall individual and consolidated interim financial information.

Rio de Janeiro, August 6, 2019.

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

  
Wilson J. O. Moraes  
Accountant CRC-1RJ107211/O-1

## Rede D'Or São Luiz S.A.

Balance sheets  
June 30, 2019 and December 31, 2018  
(In thousands of Reais)

	Note	Parent Company		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Assets					
Current assets					
Cash and cash equivalents	4	29,279	47,782	63,331	192,008
Marketable securities	4	3,341,311	2,768,894	4,151,188	3,864,700
Trade accounts receivable	5	2,364,289	2,139,001	3,782,104	3,259,349
Inventories	6	158,382	169,688	291,386	284,429
Taxes recoverable		50,453	60,313	87,325	116,793
Derivative financial instruments	27	92,300	82,357	92,300	82,357
Related parties	7	14,800	9,206	-	-
Dividends receivable		73,656	53,195	-	-
Receivables from sale of property		17,500	17,500	17,500	17,500
Other		165,707	152,350	279,257	237,623
Total current assets		6,307,677	5,500,286	8,764,391	8,054,759
Noncurrent assets					
Related parties	7	606,018	405,782	29,421	23,466
Deposit for acquisition of property		-	-	96,776	92,373
Judicial deposits	16	127,687	113,168	167,811	147,810
Deferred income and social contribution taxes	19	-	-	238,628	195,597
Derivative financial instruments	27	367,200	185,276	603,805	478,602
Investments in subsidiaries, associates and jointly-controlled entities	8	4,563,648	3,808,176	259,481	144,529
Property and equipment	9	2,893,040	2,827,842	5,828,485	4,994,831
Intangible assets	10	2,540,572	2,523,451	5,246,563	4,812,604
Right of use	11	1,680,788	-	2,270,903	-
Other		51,128	50,849	128,627	84,333
Total noncurrent assets		12,830,081	9,914,544	14,870,500	10,974,145
Total assets		19,137,758	15,414,830	23,634,891	19,028,904

	Note	Parent Company		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Liabilities and equity					
Current liabilities					
Trade accounts payable		<b>230,677</b>	248,051	<b>533,234</b>	528,975
Derivative financial instruments	27	<b>8,796</b>	8,339	<b>99,635</b>	98,387
Loans, financing and debentures	13	<b>719,541</b>	621,388	<b>706,477</b>	607,704
Salaries, provisions and social charges		<b>364,414</b>	310,234	<b>553,358</b>	436,641
Tax obligations	14	<b>131,955</b>	154,870	<b>296,654</b>	343,611
Accounts payable for acquisitions	15	<b>23,405</b>	22,357	<b>157,786</b>	105,094
Dividends and interest on equity payable	18	<b>130,579</b>	1,101	<b>149,140</b>	8,940
Deferred gain on property sales	12	<b>3,920</b>	3,920	<b>3,920</b>	3,920
Lease agreements	17	<b>598,468</b>	-	<b>794,689</b>	-
Other		<b>18,056</b>	26,020	<b>56,890</b>	47,967
Total current liabilities		<b>2,229,811</b>	1,396,280	<b>3,351,783</b>	2,181,239
Noncurrent liabilities					
Loans, financing and debentures	13	<b>10,305,791</b>	9,010,443	<b>12,475,531</b>	11,238,881
Related parties	7	<b>23,319</b>	57,201	<b>1,643</b>	60
Tax liabilities	14	<b>83,785</b>	91,108	<b>254,523</b>	233,326
Accounts payable for acquisitions	15	<b>60,531</b>	57,875	<b>319,206</b>	258,288
Deferred income and social contribution taxes	19	<b>210,967</b>	190,424	<b>302,409</b>	263,203
Provision for legal proceedings	16	<b>132,920</b>	130,044	<b>210,321</b>	189,795
Provision for losses on investments	8	<b>14,888</b>	36,064	-	-
Deferred gain on property sales	12	<b>70,325</b>	72,280	<b>70,325</b>	72,280
Lease agreements	17	<b>1,143,743</b>	-	<b>1,551,691</b>	-
Other		<b>39,331</b>	37,592	<b>79,000</b>	64,105
Total noncurrent liabilities		<b>12,085,600</b>	9,683,031	<b>15,264,649</b>	12,319,938
Equity	18				
Capital		<b>867,776</b>	867,776	<b>867,776</b>	867,776
Capital reserves		<b>2,352,465</b>	2,343,782	<b>2,352,465</b>	2,343,782
Treasury shares		<b>(474,462)</b>	(473,193)	<b>(474,462)</b>	(473,193)
Income reserves		<b>1,448,267</b>	1,592,930	<b>1,448,267</b>	1,592,930
Retained earnings		<b>624,077</b>	-	<b>624,077</b>	-
Advances for future capital increase		<b>4,224</b>	4,224	<b>4,224</b>	4,224
Total equity attributable to controlling interests		<b>4,822,347</b>	4,335,519	<b>4,822,347</b>	4,335,519
Noncontrolling interests		-	-	<b>196,112</b>	192,208
Total equity		<b>4,822,347</b>	4,335,519	<b>5,018,459</b>	4,527,727
Total liabilities and equity		<b>19,137,758</b>	15,414,830	<b>23,634,891</b>	19,028,904

See accompanying notes.

## Rede D'Or São Luiz S.A.

### Income statements

Six-month periods ended June 30, 2019 and 2018  
(In thousands of Reais, unless otherwise stated)

	Note	Parent Company		Consolidated	
		06/30/2019	06/30/2018	06/30/2019	06/30/2018
Net revenue	20	<b>4,094,299</b>	3,624,954	<b>6,446,211</b>	5,168,989
Costs of services provided	21	<b>(2,786,497)</b>	(2,558,500)	<b>(4,699,143)</b>	(3,839,127)
Gross profit		<b>1,307,802</b>	1,066,454	<b>1,747,068</b>	1,329,862
General and administrative expenses	22	<b>(233,578)</b>	(171,988)	<b>(241,094)</b>	(175,628)
Sales expenses	23	<b>(6,336)</b>	(24,077)	<b>(9,975)</b>	(26,814)
Equity pickup	8	<b>170,754</b>	119,294	<b>11,731</b>	10,501
Other operating expenses	24	<b>(50,423)</b>	(37,184)	<b>(91,416)</b>	(48,874)
Profit before finance income (expenses) and income taxes		<b>1,188,219</b>	952,499	<b>1,416,314</b>	1,089,047
Financial income	25	<b>224,736</b>	151,712	<b>395,629</b>	525,212
Financial expenses	25	<b>(623,829)</b>	(406,560)	<b>(907,281)</b>	(833,020)
Income before income taxes		<b>789,126</b>	697,651	<b>904,662</b>	781,239
Income taxes	19	<b>(165,049)</b>	(151,166)	<b>(264,517)</b>	(224,952)
Net income for the period		<b>624,077</b>	546,485	<b>640,145</b>	556,287
Net income attributable to controlling shareholders		<b>624,077</b>	546,485	<b>624,077</b>	546,485
Net income attributable to noncontrolling shareholders		-	-	<b>16,068</b>	9,802
Basic earnings per share (In reais)	26	<b>0.7080</b>	0.6171	<b>0.7080</b>	0.6171
Diluted earnings per share (In reais)	26	<b>0.7066</b>	0.6150	<b>0.7066</b>	0.6150

See accompanying notes.

## Rede D'Or São Luiz S.A.

Statements of comprehensive income  
Six-month periods ended June 30, 2019 and 2018  
(In thousands of Reais)

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Net income for the period	<b>624,077</b>	546,485	<b>640,145</b>	556,287
Other comprehensive income	-	-	-	-
Total comprehensive income	<b>624,077</b>	546,485	<b>640,145</b>	556,287
Attributable to				
Controlling shareholders	<b>624,077</b>	546,485	<b>624,077</b>	546,485
Noncontrolling interest	-	-	<b>16,068</b>	9,802

See accompanying notes.

## Rede D'Or São Luiz S.A.

Statements of changes in equity  
Six-month periods ended June 30, 2019 and 2018  
(In thousands of Reais)

Description	Attributable to the Company shareholders											Noncontrolling shareholders	Total	
	Capital reserves				Income reserves					Retained earnings	Additional dividends in excess of mandatory minimum dividends			Total equity
	Capital stock	Premium reserves (issue of shares)	Goodwill on capital transactions	Share-based payment reserve	Treasury shares	Legal reserve	Investment reserve	Advances for future capital increase						
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 minority interest	-	-	(30,412)	-	-	-	-	-	-	-	(30,412)	(344)	(30,756)	
Capital transaction	-	-	7,493	-	-	-	-	-	-	-	7,493	-	7,493	
Dividends and interest on equity (Note 17)	-	-	-	-	-	-	(170,658)	-	-	-	(170,658)	(2,291)	(172,949)	
Treasury shares (Note 17)	-	-	-	-	(131,006)	-	-	-	-	-	(131,006)	-	(131,006)	
Net income for the period	-	-	-	-	-	-	-	-	546,485	-	546,485	9,802	556,287	
Share-based payment	-	-	-	20,331	-	-	-	-	-	-	20,331	-	20,331	
Balances at June 30, 2018	867,776	2,335,941	(206,450)	201,453	(470,474)	8,666	1,270,454	4,224	546,485	-	4,558,075	172,469	4,730,544	
Balances at December 31, 2018	867,776	2,335,941	(213,943)	221,784	(473,193)	8,666	1,584,264	4,224	-	-	4,335,519	192,208	4,527,727	
Capital transactions in subsidiaries	-	(6,003)	(5,644)	-	-	-	-	-	-	-	(11,647)	13,352	1,705	
Dividends and interest on equity (Note 18)	-	-	-	-	-	-	(144,663)	-	-	-	(144,663)	(25,516)	(170,179)	
Treasury shares (Note 18)	-	-	-	-	(1,269)	-	-	-	-	-	(1,269)	-	(1,269)	
Net income for the period	-	-	-	-	-	-	-	-	624,077	-	624,077	16,068	640,145	
Share-based payment	-	-	-	20,330	-	-	-	-	-	-	20,330	-	20,330	
Balances at June 30, 2019	867,776	2,329,938	(219,587)	242,114	(474,462)	8,666	1,439,601	4,224	624,077	-	4,822,347	196,112	5,018,459	

See accompanying notes.

## Rede D'Or São Luiz S.A.

### Statements of cash flows Six-month periods ended June 30, 2019 and 2018 (In thousands of Reais)

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Cash flows from operating activities				
Income before income tax and social contribution	789,126	697,651	904,662	781,239
Adjustments to reconcile the income before taxes to cash provided by operating activities				
Depreciation and amortization	231,904	138,802	319,165	181,848
Gain from properties sales	(1,960)	(1,960)	(1,960)	(1,960)
Fair value of debt	214,707	(180,258)	178,980	(180,258)
Interest, monetary and foreign exchange differences, net	124,511	404,177	287,298	250,580
Share-based payment	20,330	20,331	20,330	20,331
Provision for legal proceedings	18,000	-	18,147	347
Equity pickup	(170,754)	(119,294)	(11,731)	(10,501)
Allowance for doubtful accounts and disallowance	220,530	211,176	404,737	338,070
(Increase) decrease in assets and increase (decrease) in liabilities				
Accounts receivable	(445,818)	(376,756)	(877,956)	(528,527)
Inventories	11,306	14,609	336	10,890
Taxes recoverable	9,860	(935)	49,862	11,198
Judicial deposits	(14,519)	(10,403)	(14,819)	(6,365)
Other assets	26,093	(6,002)	(117,028)	(118,687)
Trade accounts payable	(17,374)	(1,668)	(36,034)	8,509
Payroll and social charges	54,180	41,348	98,695	57,797
Tax obligations	(60,393)	(10,500)	(120,107)	(100,720)
Related parties	(172,990)	(28,613)	(6,443)	(529)
Provision for legal proceedings	(15,124)	(6,698)	(11,289)	(7,641)
Other liabilities	(141,738)	(66,888)	(155,389)	1,125
	679,877	718,119	929,456	706,746
Payment of interest	(251,042)	(226,456)	(295,170)	(171,185)
Payment of income tax and social contribution	(118,723)	(114,730)	(240,289)	(164,382)
Net cash provided by operating activities	310,112	376,933	393,997	371,179
Cash flows from investing activities				
Consideration transferred in business combination, net of cash acquired	(192,501)	(303,000)	(310,041)	(404,167)
Advances for future capital increase	(577,227)	(121,210)	-	(1,500)
Additions to property and equipment	(239,478)	(256,530)	(939,616)	(715,074)
Additions to intangible assets	(47,669)	(29,404)	(92,291)	(42,791)
Cash from merger of subsidiary	-	12,404	-	-
Acquisitions of marketable securities	(5,926,081)	(10,321,371)	(8,401,769)	(14,612,431)
Redemption of marketable securities	5,425,870	9,197,171	8,217,402	14,181,653
Dividends and interest on equity received	109,680	23,188	-	3,888
Net cash provided by (used in) investing activities	(1,447,406)	(1,798,752)	(1,526,315)	(1,590,422)
Cash flows from financing activities				
Acquisition of treasury shares	(1,269)	(131,006)	(1,269)	(131,006)
Acquisition of noncontrolling interests	(11,647)	(35,252)	(6,536)	(49,196)
Payment of dividends and interest on equity	-	(293,071)	(14,797)	(293,805)
Loans, financing and debentures raised	1,300,000	3,346,537	1,300,000	3,347,387
Swap settlement	30,126	(32,465)	(18,112)	(32,465)
Payment of debentures, loans and financing	(198,300)	(1,394,428)	(241,610)	(1,589,431)
Accounts payable from acquisitions	(119)	(13,590)	(14,035)	(13,590)
Net cash provided by (used in) financing activities	1,118,791	1,446,725	1,003,641	1,237,894
Increase in cash and cash equivalents	(18,503)	24,906	(128,677)	18,651
Cash and cash equivalents at beginning of period	47,782	32,559	192,008	140,383
Cash and cash equivalents at end of period	29,279	57,465	63,331	159,034

See accompanying notes.

## Rede D'Or São Luiz S.A.

Statements of value added  
Six-month periods ended June 30, 2019 and 2018  
(In thousands of Reais, unless otherwise stated)

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Revenue	<b>4,338,515</b>	3,841,980	<b>6,860,521</b>	5,500,729
Sales of goods, products and services	<b>4,557,085</b>	4,051,196	<b>7,263,298</b>	5,836,839
Provision for disallowances and Allowance for doubtful accounts	<b>(220,530)</b>	(211,176)	<b>(404,737)</b>	(338,070)
Other revenues	<b>1,960</b>	1,960	<b>1,960</b>	1,960
Inputs acquired from third parties	<b>(1,380,571)</b>	(1,259,914)	<b>(2,439,589)</b>	(2,009,066)
Costs of services sold	<b>(1,274,492)</b>	(1,189,417)	<b>(2,288,731)</b>	(1,924,078)
Materials, energy, third-party services and other	<b>(88,079)</b>	(70,497)	<b>(132,711)</b>	(84,641)
Loss/recovery of assets	<b>(18,000)</b>	-	<b>(18,147)</b>	(347)
Gross value added	<b>2,957,944</b>	2,582,066	<b>4,420,932</b>	3,491,663
Depreciation and amortization	<b>(231,904)</b>	(138,802)	<b>(319,165)</b>	(181,848)
Net value added	<b>2,726,040</b>	2,443,264	<b>4,101,767</b>	3,309,815
Value added received in transfer	<b>395,490</b>	271,006	<b>407,360</b>	535,713
Equity pickup	<b>170,754</b>	119,294	<b>11,731</b>	10,501
Financial income	<b>224,736</b>	151,712	<b>395,629</b>	525,212
Total value added	<b>3,121,530</b>	2,714,270	<b>4,509,127</b>	3,845,528
Distribution of value added	<b>(3,121,530)</b>	(2,714,270)	<b>(4,509,127)</b>	(3,845,528)
Personnel and related charges	<b>(1,376,436)</b>	(1,154,037)	<b>(2,137,628)</b>	(1,603,725)
Taxes, charges and contributions	<b>(407,305)</b>	(382,809)	<b>(676,867)</b>	(571,592)
Interest, rents and other operating expenses	<b>(713,712)</b>	(630,939)	<b>(1,054,487)</b>	(1,113,924)
Dividends and interest on equity	<b>(144,663)</b>	(170,658)	<b>(144,663)</b>	(170,658)
Retained profits	<b>(479,414)</b>	(375,827)	<b>(495,482)</b>	(385,629)

See accompanying notes.

## Rede D'Or São Luiz S.A.

Notes to interim financial information

June 30, 2019

(In thousands of Reais, unless otherwise stated)

### 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, Brasília, Maranhão Bahia and Sergipe, has 45 own hospitals and 3 under construction, as well as oncology and radiotherapy clinics and a laboratory. Currently, the Group has 6,427 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 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, in 2018 in the states of Maranhão and Bahia and in 2019 in the state of Sergipe.

As from 2010, through the 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 business combinations 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
Hospital Santa Luzia	Brasília, DF	2012
Hospital do Coração	Brasília, DF	2012
Hospital Norte D'Or	Rio de Janeiro, RJ	2013
Hospital IFOR	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	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
Laboratório Richet	Rio de Janeiro, RJ	2018
Hospital São Rafael	Salvador, BA	2018
Hospital Samer	Rio de Janeiro, RJ	2018
Hospital de Clínicas Rio Mar	Rio de Janeiro, RJ	2019
Hospital São Lucas	Aracaju, SE	2019
Hospital Avicenna	São Paulo, SP	2019

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

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 1. Operations (Continued)

#### Seasonality

There is no significant seasonality in the Company's operations; however, a smaller volume of customers is observed in December, January and February, due to the year-end holidays and vacation period, and a larger volume during the winter.

### 2. Basis of preparation and presentation and significant accounting policies

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

The significant accounting policies adopted by the Group in this unaudited interim financial information are consistent with those adopted in the financial statements for the year ended December 31, 2018, disclosed on February 18, 2019, except for the adoption of IFRS 16/CPC 06 (R2) - Leases, effective from January 1, 2019, the impacts of which are summarized below.

P&L for the six-month period ended June 30, 2019 does not necessarily indicate the P&L expected for the entire year ending December 31, 2019. 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, 2018.

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

Authorization to complete the preparation of this financial information was provided by the Company's management on August 6, 2019.

#### IFRS 16/CPC 06 (R2) - Leases

IFRS 16/CPC 06 (R2) supersedes IAS 17 - Leases and IFRIC 4 - Determining whether an Arrangement contains a Lease. IFRS 16/ CPC06 (R2) establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single model in the statement of financial position, similar to accounting for finance leases under IAS 17. At the lease inception, the lessee recognizes a liability relating to lease payments and an asset that represents the right to use the underlying asset over the lease term (i.e. the right-of-use asset). Lessees recognize separately the interest expense on the liability over the lease period to produce a constant periodic interest rate, and the depreciation expense on the right-of-use asset.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

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

#### IFRS 16/CPC 06 (R2) - Leases (Continued)

Lessees shall also remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). In general, the lessee recognizes the revaluation amount of the lease liability as an adjustment to the right-of-use asset.

There is no substantial change in lessor accounting based on IFRS 16/CPC 06 (R2) in relation to the current accounting under IAS 17. Lessors will continue to classify all leases in accordance with the same IAS 17 classification principle, distinguishing them between two types: operating and finance leases.

The Company adopted IFRS 16/CPC 06 (R2) using the modified retrospective approach and elected to apply the standard to agreements that were previously identified as leases applying IAS 17 and IFRIC 4. The Company also elected to use the exemptions proposed by the standard on lease agreements for which the lease terms end within 12 months as of the first-time adoption date, and lease agreements for which the underlying asset is of low value.

Upon adoption of IFRS 16, the Company recognized the assets that represents the right to use and lease liabilities relating to leases that had already been classified as "operating leases" under IAS 17 principles. These liabilities were measured at present value of the remaining lease payments as discounted through the Company's incremental borrowing rate on January 1, 2019.

The first-time adoption impact of IFRS 16 on the first quarter of 2019 is as follows:

	Parent Company			Consolidated		
	Assets	Liabilities	Expense	Assets	Liabilities	Expense
First-time adoption - 12/31/2018	1,725,239	1,725,239	-	2,312,074	2,312,074	-
Addition	29,951	29,951	-	36,879	36,879	-
Payment	-	(139,367)	-	-	(173,417)	-
Amortization (Note 9)	(74,402)	-	(74,402)	(78,051)	-	(78,051)
Interest (Note 25)	-	126,388	(126,388)	-	170,844	(170,844)
Balances at June 30, 2019	<b>1,680,788</b>	<b>1,742,211</b>	<b>(200,790)</b>	<b>2,270,902</b>	<b>2,346,380</b>	<b>(248,895)</b>

The Company has lease transaction for assets such as real estate, machinery and equipment. In general, lease agreements are carried out for the average term of 18 years (mainly real estate), however, they may include extension options. The lease terms are negotiated individually and contain a wide range of different terms and conditions.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

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

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

	06/30/2019		12/31/2018	
	Direct		Indirect	
Parent Company - Rede D'Or São Luiz S.A. (a)				
Fully consolidated entities				
Rodin Empreendimentos e Participações S.A.	99.99	0.01	99.99	0.01
Hospital Esperança S.A. ("Esperança")	100.00	-	100.00	-
Hospital UDI (acquired in 2018 and merged in 2019)	-	-	-	100.00
UDI Cárdio - Unidade de Diagnóstico e Tratamento Cardiológico Ltda.	-	100.00	-	100.00
UDI Imagem - Unidade de Diagnóstico por Imagem Ltda.	-	100.00	-	100.00
Diagno São Marcos Ltda.	-	100.00	-	100.00
Hospital São Rafael S.A. (acquired in 2018)	-	75.00	-	75.00
São Lucas Médico Hospitalar S.A. (acquired in 2019)	-	75.00	-	-
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.	-	67.25	-	67.25
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	-	67.18	-	67.18
Núcleo Especializado em Oncologia e Hemato (NEOH)	-	67.15	-	67.15
Clínica de Oncologia Dr. Paulo Emílio Pinto Ltda.	-	49.45	-	49.45
Oncobrasilia - Inst. Bras. Onco Clínica Ltda.	0.10	97.91	0.10	97.91
Acreditar Oncologia S.A.	-	98.90	-	98.90
Onco Star SP Oncologia Ltda.	75.00	-	75.00	-
Jenner S.A.	50.00	41.25	50.00	41.25
Oncologia D'Or S.A.	7.39	83.35	7.39	83.35
Centro de Oncologia do RJ Ltda. ("Salus")	-	90.66	-	90.66
Onco D'Or Oncologia BA Ltda.	-	98.81	-	98.81
Centro Médico Jabaquara S.A.	97.58	-	97.58	-
Maxclínicas Clínicas e Diagnósticos Ltda.	99.99	0.01	99.99	0.01
TJK Empreendimentos Imobiliários 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.	100.00	-	100.00	-
ONCORAD - Serviços de Radioterapia Ltda.	0.02	99.98	0.02	99.98
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.	1.70	98.30	1.70	98.30
Café Verde da Quinta Ltda.	99.99	0.01	99.99	0.01
Campinas Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
Olimpia Projeto Rua do Rocio 86 SPE S.A. (acquired in 2018)	100.00	-	100.00	-
IFOR Empreendimentos Imobiliários S.A.	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

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

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

	06/30/2019		12/31/2018	
	Direct	Indirect	Direct	Indirect
RDSL Empreendimentos Imobiliários S.A.	100.00	-	100.00	-
Rede D'Or São Luiz Soluções Saúde e Segurança	85.00	-	85.00	-
JTO Holding S.A.	97.00	-	92.00	-
JTO-Fundadores Participações Ltda.	19.30	77.60	18.40	73.60
D'Or Consultoria Corretagem, Seguros e Benefícios	-	97.00	-	92.00
D'Or MG Consultoria em Corretagem de Seguros e Benefícios	-	97.00	-	92.00
D'Or PME Corretagem de Seguros e Serviços Online Ltda.	-	77.60	-	73.60
D'Or Rio em Corretagem de Seguros S.A.	-	72.75	-	69.00
New Trix Corretora de Seguros Ltda.	-	72.75	-	69.00
D'Or Bahia Consultoria em Corretagem de Seguros e Benefícios	-	77.60	-	73.60
D'Or Kappius Consultoria Empresarial e Corretagem de Seguros	-	49.47	-	46.92
Coriben Consultoria de Risco, Benefícios e Corretora de Seguros Ltda. (adquirida em 2019)	-	51.00	-	-
Hospital Santa Helena S.A.	100.00	-	100.00	-
Prontimagem Serviços Médicos Ltda. Laboratório Richet Pesquisas de Physiopathologia Humana Ltda. (acquired in 2018)	100.00	-	100.00	-
GNI01 Empreendimentos Imobiliários Ltda.	-	100.00	-	100.00
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. ("RDSL Farmácia")	99.99	0.01	99.99	0.01
GNI09 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI10 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI11 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI12 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI13 Empreendimentos Imobiliários Ltda.	99.99	0.01	99.99	0.01
GNI14 Empreendimentos Imobiliários Ltda. (created in 2019)	99.99	0.01	-	-
GNI15 Empreendimentos Imobiliários Ltda. (created in 2019)	99.99	0.01	-	-
GNI16 Empreendimentos Imobiliários Ltda. (created in 2019)	99.99	0.01	-	-
Maximagem com Diag. por imagem Ltda.	99.99	0.01	99.99	0.01
Hospital Alpha Med Ltda.	65.99	34.01	65.99	34.01
Gestão Total da 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
Hospital de Clínicas Rio Mar S.A. (acquired in 2019)	-	95.31	-	-
Centro Médico Rio Mar S.A. (acquired in 2019)	-	95.31	-	-
Hospital Jutta Batista (incorporated in 2019)	-	100.00	-	-
Samer Serviços de Assistência Médica de Resende Ltda.	0.01	99.99	-	100.00
Keiki Empreendimentos e Participações S.A.	100.00	-	100.00	-
Santa Luzia III Emp. Imobiliários Ltda.	99.99	0.01	99.99	0.01
Rede D'Or Finance S.A.	100.00	-	100.00	-
Califórnia investimentos Imobiliários Ltda.	0.01	99.99	-	-
Clínica Médica São Remo Ltda. (acquired in 2019)	0.01	99.99	-	-
Memorial Imagem e Diag Ltda. ("MediAx") (b)	70.00	-	15.00	-
Hospital Glória D'Or (organized in 2019)	100.00	-	-	-
Hospital DF Star (organized in 2019)	100.00	-	-	-
Hospital Aviccena S.A. (acquired in 2019)	100.00	-	-	-

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

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

	06/30/2019		12/31/2018	
	Direct	Indirect	Direct	Indirect
Companies accounted for under the equity method in the consolidated statements				
Fujidayclinic Ltda.	-	49.45	-	49.45
Acreditar Tocantins Oncologia S.A.	-	49.45	-	49.45
Centro Oncológico do Vale Ltda.	-	49.45	-	49.45
Instituto de Radioterapia do Vale do Paraíba Ltda. ("Onco São José dos Campos")	-	49.45	-	49.45
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
GGSH Part. S.A.	34.46	-	34.46	-
G2D Serviços Tecnológicos S.A. ("Boa Consulta")	15.00	-	15.00	-
Eldorado do Sul Participações Ltda.	-	33.33	-	33.33
Cárdio Pulmonar da Bahia S.A. (acquired in 2019)	-	47.66	-	-

- (a) This includes hospitals São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or, Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Santa Luzia, Hospital do Coração, Sinisgalli, Nossa Senhora de Lourdes, Hospital da Criança, Sino Brasileiro, Villa Lobos, Hospital e Maternidade Bartira, Ifor, Copa Star, Hospital São Caetano, Hospital Memorial São José Ltda. ("MSJ") and Hospital Ribeirão Pires Ltda.
- (b) On March 21, 2019, Rede D'Or acquired additional interest of 55.00% in Memorial Imagem e Diagnóstico Ltda. (Mediix). As of March 2019, Mediix has been fully consolidated. In 2018, this investment was accounted for by the equity method.
- (c) On April 25, 2019, D'Or Consultoria S.A. acquired 51% of Coriben Consultoria de Riscos, Benefícios e Corretora de Seguros Ltda. Through this acquisition, there was a 5% increase in the Company's interest in JTO Holding S.A.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 3. Business combination

The fair value of assets acquired and liabilities assumed as well as goodwill determined on significant acquisitions occurred in 2018 and in the six-month period ended June 30, 2019 are as follows:

	2019			2018			
	Hospital Aviccena (a)	Hospital São Lucas (a)	Hospital Clínicas Rio Mar (a)	Hospital Samer (a)	Hospital São Rafael (b)	Laboratório Richet (b)	Hospital UDI (b)
<b>Acquisition date</b>	<b>24/06/2019</b>	<b>01/22/2019</b>	<b>01/18/2019</b>	12/04/2018	08/01/2018	07/05/2018	07/02/2018
<b>Location</b>	<b>SP</b>	<b>SE</b>	<b>RJ</b>	RJ	BA	RJ	MA
<b>Interest acquired (%)</b>	<b>100.00</b>	<b>75.00</b>	<b>95.31</b>	100.00	75.00	100.00	100.00
<b>Total consideration</b>	<b>71,729</b>	<b>238,950</b>	<b>85,326</b>	78,322	607,500	191,964	441,480
Payment on acquisition date	71,729	188,950	25,326	66,574	417,500	177,464	406,480
Accounts payable (Note 15)	-	50,000	60,000	11,748	190,000	14,500	35,000
<b>Assets</b>							
Cash and cash equivalents	5,849	3,030	795	2,407	6,992	1,227	4,217
Trade accounts receivable	13,824	28,346	6,548	19,737	99,341	14,193	40,389
Inventories	-	4,362	2,803	822	12,048	1,340	2,491
Taxes recoverable	1,362	15,856	3,079	848	-	338	373
Related parties	-	-	-	-	171,643	-	4,120
Judicial deposits	3,100	649	1,418	-	-	-	551
Deferred income and social contribution taxes	-	2,656	8,378	-	-	1,363	5,943
Indemnifiable assets	-	-	6,336	-	-	1,427	13,919
Property and equipment	1,456	57,712	6,255	2,658	33,465	32,341	122,252
Intangible assets	-	-	197	-	10,489	392	1,070
Other	1,815	313	686	72	5,473	165	3,164
	<b>27,406</b>	<b>112,924</b>	<b>36,495</b>	26,544	339,451	52,786	198,489
<b>Liabilities</b>							
Trade accounts payable	(2,609)	(33,277)	(4,176)	(6,776)	(82,781)	(13,709)	(10,606)
Loans and financing	(42)	(21,111)	(9,982)	(3,149)	(109,265)	(21,424)	(13,726)
Salaries, provisions and social charges	(3,943)	(9,614)	(4,045)	(2,848)	(39,540)	(3,166)	(7,243)
Deferred income and social contribution taxes	(4,182)	(46,690)	(25,915)	(7,668)	(2,046)	(5,805)	(37,747)
Related parties	-	-	-	(6,339)	-	-	(4,120)
Provision for legal proceedings	(4,639)	(1,207)	(7,823)	(343)	-	(3,989)	(13,919)
Other	(371)	(1,777)	(6,356)	(277)	(13,753)	(222)	(5,531)
	<b>(15,786)</b>	<b>(113,676)</b>	<b>(58,297)</b>	(27,400)	(247,385)	(48,315)	(92,892)
<b>Total identifiable assets, net</b>	<b>11,620</b>	<b>(752)</b>	<b>(21,802)</b>	(856)	130,849	7,732	105,597
<b>Total net indemnifiable assets - noncontrolling interests</b>	<b>-</b>	<b>188</b>	<b>917</b>	-	(32,712)	-	-
<b>Goodwill on acquisition (Note 10)</b>	<b>60,109</b>	<b>239,514</b>	<b>606,211</b>	79,178	509,363	184,232	335,883
Revenue contributed to the Group since the acquisition date	-	75,110	12,534	9,526	262,695	46,756	302,551
Income (loss) before taxes contributed to the Group since the acquisition date	-	7,963	(6,566)	4,324	(14,687)	3,496	61,763
Acquiree's revenues since the beginning of the year	47,743	75,110	12,534	103,566	262,695	100,092	354,282
Acquiree's income (loss) before taxes since the beginning of the year	11,257	7,963	(6,566)	14,585	(14,687)	12,803	86,677

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

(b) The assessment of the assets and liabilities was concluded and generated an adjustment in the fixed assets' fair value, against goodwill, in the hospitals São Rafael and Richet, in the amount of R\$ 38,783 e R\$ 3,261, respectively.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 3. Business combination (Continued)

In addition to the business combinations stated above, in 2019 the Company acquired Clínica Médica São Remo Ltda. and additional interest of 55% in Memorial Imagem e Diagnóstico Ltda. (Mediix) and acquisition of 51% of Coriben Consultoria de Risco, Benefícios e Corretora de Seguro Ltda., and goodwill generated in these acquisitions totaled R\$3,592 and R\$2,805, respectively. In 2018, the Company acquired New Trix Corretora de Seguros Ltda. and Kappius Consultoria Empresarial e Corretagem de Seguros Ltda., and goodwill generated in these acquisitions totaled R\$23,977 and R\$1,125, respectively.

The amounts payable of R\$50,000, R\$60,000 and R\$750 related to Hospital São Lucas, Hospital Rio Mar and Clínica Médica São Remo, respectively (R\$115,000, R\$14,500, R\$35,000 and R\$11,748 related to Hospital São Rafael, Laboratório Richet, Hospital UDI and Samer, respectively in 2018), serve as guarantees for the potential liabilities assumed by the sellers, and will be paid within six years after execution dates, restated by reference to the Interbank Deposit Certificate (CDI), Extended Consumer Price Index (IPCA) and Brazil's Central Bank benchmark rate (SELIC) included in the balance of "Accounts payable for acquisitions" (Note 15). The amount payable of R\$850 relating to Coriben Consultoria will be settled by February 15, 2020, restated by the IPCA, provided that the contractual payment conditions for the second installment, relating to contract renewals or inclusion of new clients, are met.

As part of the acquisition of Hospital São Rafael in 2018, a contingent consideration was agreed based on achieving certain financial goals in the subsequent twelve months. This amount was measured at R\$75 million, included in the balance of "Accounts payable for acquisitions" (Note 15).

On June 18, 2019, the Company signed a purchase agreement of Casa de Saúde Laranjeiras Ltda., Unidade Neonatal da Lagoa Ltda. e CSEU - Cia de Serviços Especiais Unificados Ltda., located in Rio de Janeiro. The conclusion of this transaction still depends on the approval from the Administrative Council for Economic Defense (CADE).

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 4. Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Cash and cash equivalents				
Cash and banks	<b>25,542</b>	45,121	<b>44,246</b>	87,063
Short-term investments	<b>3,737</b>	2,661	<b>19,085</b>	104,945
Cash and cash equivalents	<b>29,279</b>	47,782	<b>63,331</b>	192,008
Marketable securities				
Non-boutique investment funds	<b>1,179,813</b>	1,589,583	<b>1,492,247</b>	2,163,056
Repurchase agreements	<b>398,576</b>	288,360	<b>573,814</b>	484,566
Bank Deposit Certificates (CDBs)	<b>1,762,922</b>	890,951	<b>2,085,127</b>	1,217,078
Marketable securities	<b>3,341,311</b>	2,768,894	<b>4,151,188</b>	3,864,700

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 government securities, which are part of the "FI Plataforma" and "FIC Plataforma Star" boutique fund portfolio, issued by first-tier financial institutions, and with average yield of 100.1% (100.2% in 2018) of the Interbank Deposit Certificate (CDI).

### 5. Trade accounts receivable

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

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Accounts receivable from health insurance and health plans	<b>2,890,297</b>	2,646,828	<b>4,822,750</b>	4,199,603
Accounts receivable from individuals	<b>58,901</b>	51,137	<b>79,922</b>	67,934
Allowance for doubtful accounts and provision for disallowances	<b>(584,909)</b>	(558,964)	<b>(1,120,568)</b>	(1,008,188)
	<b>2,364,298</b>	2,139,001	<b>3,782,104</b>	3,259,349

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 5. Trade accounts receivable (Continued)

#### Changes in provision for disallowances and allowance for doubtful accounts

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>06/30/2019</b>	<b>06/30/2018</b>	<b>06/30/2019</b>	<b>06/30/2018</b>
Balance at beginning of year	<b>(558,964)</b>	(417,340)	<b>(1,008,188)</b>	(705,980)
Recognition of provision for disallowances	<b>(220,530)</b>	(194,599)	<b>(404,737)</b>	(321,210)
Write-off of uncollectible amounts	<b>194,585</b>	151,604	<b>307,909</b>	231,021
Set up of allowance for doubtful accounts	-	(16,577)	-	(16,860)
Provision arising from acquisitions	-	-	<b>(15,552)</b>	-
Balance at end of year	<b>(584,909)</b>	(476,912)	<b>(1,120,568)</b>	(813,029)

At June 30, 2019 and December 31, 2018, the aging list of trade accounts receivable is as follows:

	<b>Parent Company</b>								
	<b>Total</b>	<b>Falling due</b>	<b>Overdue</b>						<b>360 - 720 days</b>
			<b>1 - 30 days</b>	<b>31 - 60 days</b>	<b>61 - 90 days</b>	<b>91 - 120 days</b>	<b>121 - 180 days</b>	<b>181 - 360 days</b>	
<b>06/30/2019</b>	<b>2,949,198</b>	<b>1,979,524</b>	<b>84,423</b>	<b>59,867</b>	<b>52,115</b>	<b>46,802</b>	<b>81,300</b>	<b>240,072</b>	<b>405,095</b>
<b>12/31/2018</b>	2,697,965	1,763,781	85,660	61,307	45,527	52,200	82,850	240,751	365,889

	<b>Consolidated</b>								
	<b>Total</b>	<b>Falling due</b>	<b>Overdue</b>						<b>360 - 720 days</b>
			<b>1 - 30 days</b>	<b>31 - 60 days</b>	<b>61 - 90 days</b>	<b>91 - 120 days</b>	<b>121 - 180 days</b>	<b>181 - 360 days</b>	
<b>06/30/2019</b>	<b>4,902,672</b>	<b>3,220,641</b>	<b>162,531</b>	<b>109,825</b>	<b>94,670</b>	<b>86,077</b>	<b>150,652</b>	<b>407,122</b>	<b>671,154</b>
<b>12/31/2018</b>	4,267,537	2,701,045	160,141	111,571	82,186	87,433	135,903	390,555	598,703

### 6. Inventories

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>06/30/2019</b>	<b>12/31/2018</b>	<b>06/30/2019</b>	<b>12/31/2018</b>
Medicines	<b>39,321</b>	48,570	<b>100,473</b>	110,573
Special materials	<b>51,255</b>	44,429	<b>67,618</b>	59,181
Disposable materials	<b>40,394</b>	44,027	<b>55,691</b>	55,050
Laboratory materials	<b>1,204</b>	1,363	<b>4,762</b>	7,597
Materials for use and consumption	<b>6,532</b>	12,713	<b>26,019</b>	25,351
Food items	<b>3,082</b>	2,550	<b>3,654</b>	2,881
Dressing room materials	<b>646</b>	581	<b>2,495</b>	1,437
Surgical sutures	<b>3,364</b>	3,596	<b>4,448</b>	4,579
Other	<b>12,584</b>	11,859	<b>26,226</b>	17,780
	<b>158,382</b>	169,688	<b>291,386</b>	284,429

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 7. Transactions with related parties

#### Significant related-party transactions

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

- (i) *Lease* - the Group lease properties owned by the controlling interests, namely: 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 six-month period ended June 30, 2019 amounting to R\$11,074 (R\$10,987 in June 30, 2018). Leases are annually restated by reference to the Extended Consumer Price Index (IPCA).
- (ii) *Transfers of funds between companies* - in order to support the operations of certain investees and provide funds for expansion and/or acquisitions, the Parent Company transfers funds to its investees. The balances are substantially eliminated in the consolidated interim financial information. These balances are not restated, do not have a maturity, and the collection is expected for the subsequent fiscal year. The remaining consolidated balances refer to the transfer of funds to affiliates and joint ventures.
- (iii) *Shared services* - these are centralized services rendered by the Parent Company, such as legal services, marketing, accounting, treasury, accounts payable and accounts receivable. These services are shared among the other entities of the group and have specific allocation criteria based on the contribution of each entity to the consolidated revenue. These balances are substantially eliminated for consolidation purposes.
- (iv) *Debentures* - certain subsidiaries issued nonconvertible debentures, which were fully acquired by the Parent Company. These issues were intended to provide funds to the investees for investment in operations and expansion. These balances are substantially eliminated for consolidation purposes.

In addition to the balances presented in the tables below, the Parent Company and subsidiary Rede D'Or Finance carried out a transaction of issue and purchase of debentures on January 17, 2018. As described in Note 13, subsidiary Rede D'Or Finance issued senior notes totaling US\$500,000, and at the same time, the Parent Company issued debentures (10<sup>th</sup> issue), which were substantially acquired by subsidiary Rede D'Or Finance.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 7. Transactions with related parties (Continued)

#### Balances with related parties

Company	Parent Company								
	06/30/2019				12/31/2018				06/30/2018
	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	P&L
Norte D'Or Debentures	14,800	-	-	578	9,206	-	-	1,326	780
São Lucas Debentures (d)	-	38,000	-	-	-	-	-	-	-
Shared Services									
Medise Medicina Diagnóstico e Serviços Ltda.	-	17,409	-	5,525	-	23,874	-	10,531	5,402
Hospital Esperança S.A.	-	49,901	-	16,288	-	33,605	-	32,291	16,297
Hospital São Marcos S.A.	-	9,961	-	8,098	-	6,905	-	5,240	2,576
Hospital Norte D'Or de Cascadura S.A.	-	700	-	3,055	-	-	-	6,438	3,227
Rede D'Or São Luiz Serviços Médicos S.A.	-	-	-	3,969	-	-	-	13,824	7,653
J. Badim S.A.	-	6,935	-	1,219	-	5,447	-	2,254	600
Oncologia D'Or S.A.	-	1,608	-	816	-	1,088	-	1,631	816
Hospital Fluminense S.A.	-	-	-	2,264	-	-	-	4,730	2,387
Clínica São Vicente	-	-	-	3,358	-	-	-	7,088	3,488
Hospital Santa Helena S.A.	-	-	-	8,056	-	-	-	16,729	8,438
Hospital Alpha-Med Ltda	-	1,756	-	1,495	-	645	-	2,680	1,362
Centro Médico Jabaquara S.A.	-	368	-	-	-	368	-	-	-
Diagno SM	-	71	-	68	-	-	-	-	69
URC	-	419	-	419	-	-	-	-	143
Hospital UD	-	6,941	-	6,941	-	-	-	-	-
Others	-	1,388	-	1,308	-	146	-	2,070	3
São Luiz Serviços Médicos S.A. (a)	-	-	-	-	-	-	2,405	-	-
Hospital Norte D'Or de Cascadura S.A. (a)	-	-	389	-	-	-	856	-	-
Hospital Alpha Med (a)	-	-	38	-	-	-	-	-	-
Unidade de Radiologia Clínica Ltda. (a)	-	12,562	-	-	-	12,132	-	-	-
Medise Medicina Diagnóstico e Serviços Ltda. (a)	-	62	-	-	-	-	14,285	-	-
Jenner S.A (a)	-	16,688	-	-	-	16,668	-	-	-
Oncologia D'Or S.A. (a)	-	80	-	-	-	1,441	-	-	-
Hospital Fluminense S.A. (a)	-	-	-	-	-	-	99	-	-
Hospital Esperança S.A. (a)	-	-	11,382	-	-	-	28,759	-	-
JMJB Diagnósticos e Serviços Hospitalares S.A. (a)	-	7,578	-	-	-	7,578	-	-	-
Proncordis PA Cardiológico Ltda. (a)	-	548	-	-	-	157	-	-	-
Onco D'Or Oncologia S.A. (a)	-	29,345	-	-	-	81,086	-	-	-
Campinas Empreendimentos Imobiliários Ltda. (a)	-	3,667	-	-	-	3,230	-	-	-
Hospital Santa Helena S.A. (a)	-	-	5,701	-	-	-	3,262	-	-
Santa Luzia II Emp. Imobiliários Ltda. (a)	-	3,064	-	-	-	-	-	-	-
GNI01 Emp. Imob. Ltda. (a)	-	-	-	-	-	10	-	-	-
Opuner do Brasil Ltda. (a)	-	-	5,809	-	-	-	5,808	-	-
Instituto D'Or de Pesquisa e Ensino (a)	-	7,477	-	-	-	7,454	-	-	-
JM&AM Empreendimentos Imobiliários S.A. (b)	-	360	-	11,074	-	-	-	19,570	10,987
Onco Star SP (c)	-	347,144	-	-	-	167,484	-	-	-
JTO Holding S.A. (a)	-	27,850	-	-	-	-	-	-	-
Others	-	14,136	-	-	-	36,464	1,727	-	-
	<b>14,800</b>	<b>606,018</b>	<b>23,319</b>	<b>74,531</b>	<b>9,206</b>	<b>405,782</b>	<b>57,201</b>	<b>126,402</b>	<b>64,228</b>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 7. Transactions with related parties (Continued)

#### Balances with related parties (Continued)

Company	Consolidated								
	06/30/2019				12/31/2018				06/30/2018
	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	Current assets	Noncurrent assets	Noncurrent liabilities	P&L	P&L
Shared services	-	6,935	-	1,219	-	-	-	-	-
J Badim S.A.	-	7,578	-	-	-	5,447	-	2,254	780
JMJB Diagnósticos e Serviços Hospitalares S.A.	-	7,477	-	-	-	7,578	-	-	-
Instituto D'Or de Pesquisa e Ensino	-	1,983	-	-	-	7,454	-	-	-
J Badim S.A. (a)	-	360	-	11,074	-	1,302	-	-	-
JM&AM Empreendimentos Imobiliários S.A. (b)	-	1,646	-	-	-	-	-	19,570	10,987
Other	-	3,442	1,643	-	-	1,685	60	-	-
	-	29,421	1,643	12,293	-	23,466	60	21,824	11,767

- (a) Transfers of funds for acquisitions of companies, properties, for expansion of operations, among others. The balances are substantially eliminated in the consolidated interim financial information. There are no maturity or monetary restatement on these balances.
- (b) Lease of properties owned by the controlling interests of Rede D'Or.
- (c) Onco Star SP was created in 2017. Rede D'Or has been providing resources for acquisition of machinery and equipment, as part of operational routine.
- (d) On May 28, 2019, Hospital São Lucas conducted a private issue of non-convertible registered debentures, in a single series, in the amount of R\$38,000, maturing on May 28, 2024, having its parent company Rede D'Or as the debenture holder. The debentures bear interest on a pro rata temporis basis at 100% of DI (Interbank Deposits) plus 2.5% per annum. Interest is paid annually, and the nominal amount will be paid in full on the maturity date. There are no guarantees for the debentures.

#### Key management personnel's compensation

The Group considers "Key management personnel" only the members of its Statutory Board and Board of Directors. At June 30, 2019 and 2018, key management personnel compensation is summarized as follows:

	06/30/2019	06/30/2018
Salaries and bonuses	32,858	25,663
Benefits	61	61
Share-based compensation	20,330	20,331
	53,249	46,055

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 8. Investments

#### Breakdown of and changes in investments - Parent Company

Company	12/31/2018	Equity pickup	Dividends	Acquisition of interest	Capital increase/Future capital contribution	Transfer	Other	06/30/2019
Medise Medicina Diagnóstico e Serviços S.A.	211,761	17,749	(27,055)	-	-	-	-	202,455
Hospital Esperança S.A.	140,130	73,507	(21,220)	-	-	-	-	192,417
Hospital São Marcos (incluindo ágio)	85,845	9,440	-	-	-	-	-	95,285
PMJ Empreendimentos Imobiliários S.A.	394,927	1	-	-	114,469	-	-	509,397
Norte D'Or Participações S.A. (incluindo ágio)	85,417	7,806	-	-	19	-	-	93,242
Onco D'Or Oncologia S.A.	321,160	32,181	-	-	-	-	-	353,341
Jenner S.A. (incluindo ágio)	113,123	6,995	-	-	-	-	-	120,118
JMJB Diagnósticos e Serviços Hospitalares	28,405	2,085	-	-	-	-	-	30,490
Rodin Empreendimentos e Participações S.A.	54,209	(104)	-	-	919	-	-	55,024
Quinta Empreendimentos Imobiliários Ltda.	51,467	5,647	(5,000)	-	-	-	-	52,114
Hospital Fluminense S.A. (incluindo ágio)	82,200	4,464	(22,000)	-	4,417	-	-	69,081
Cardial Serviços Médicos (incluindo ágio)	61,703	1,997	(5,440)	-	-	-	-	58,260
Hospital Santa Helena S.A. (incluindo ágio)	402,743	5,707	(7,000)	-	8,056	-	-	409,506
TJK Empreendimentos Imobiliários Ltda.	22,340	377	(1,569)	-	-	-	-	21,148
Villa Lobos Empreendimentos Imobiliários Ltda.	204,125	3,519	(9,534)	-	-	-	-	198,110
Santa Luzia II Empreendimentos Imobiliários Ltda.	160,633	(5,162)	-	-	111,057	(203,961)	-	62,567
Campinas Empreendimentos Imobiliários Ltda.	46,442	(101)	-	-	-	-	-	46,341
Sator Empreendimentos e Participações Ltda.	328,187	(2,074)	-	-	255,649	-	-	581,762
Rede D'Or Finance	5,369	-	-	-	-	-	-	5,369
Rede D'Or São Luiz Serviços Médicos S.A.	67,168	4,760	-	-	699	-	-	72,627
GGSH Participações S.A.	47,354	7,519	-	-	-	-	(5,643)	49,230
Olimpia Projeto Rua do Rocio 86 SPE S.A. (a)	306,007	-	-	-	333	-	-	306,340
Proncordis Pronto Atendimento Cardiológico Ltda.	11,194	(10)	-	-	-	-	-	11,184
Prontimagem Serviços Médicos Ltda.	208,867	4,175	-	-	-	-	-	213,042
Maximagem com Diag. por imagem Ltda.	74,319	7,738	-	-	-	-	-	82,057
Califórnia Investimentos Imobiliários Ltda. (b)	-	-	-	60,000	-	-	-	60,000
Hospital Aviccena S.A.	-	-	-	71,729	-	-	-	71,729
Santa Luzia III Empreendimentos Imobiliários Ltda	37,080	-	-	-	15,468	203,961	-	256,509
Onco Star SP Oncologia Ltda.	-	(26,603)	-	-	54,256	(23,431)	-	4,222
Other	256,001	11,716	(10,862)	446	17,015	-	6,365	280,682
	<b>3,808,176</b>	<b>173,329</b>	<b>(109,680)</b>	<b>132,175</b>	<b>582,357</b>	<b>(23,431)</b>	<b>722</b>	<b>4,563,648</b>
Onco Star SP Oncologia Ltda.	(23,431)	-	-	-	-	23,431	-	-
Centro Hospitalar São Marcos S.A.	(11,595)	(354)	-	-	-	-	-	(11,949)
Café Verde da Quinta Ltda.	(1,038)	(2,221)	-	-	-	-	320	(2,939)
	<b>(36,064)</b>	<b>(2,575)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,431</b>	<b>320</b>	<b>(14,888)</b>
Equity pickup		<b>170,754</b>						

(a) Acquisition of land in 2018 through subsidiary.

(b) On June 3, 2019, the Company purchased 47.66% of Hospital Cardio Pulmonar da Bahia for the total consideration of R\$110,000, generating a goodwill on acquisition of R\$58,136

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

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

Company	12/31/2017	Equity pickup	Dividends	Acquisition of equity interest	Capital increase / Advance for future capital increase	Transfer	Other	Merger	06/30/2018
Medise Medicina Diagnóstico e Serviços S.A.	173,056	20,196	-	-	-	-	-	-	193,252
Hospital Esperança S.A.	71,346	35,123	-	-	-	-	-	-	106,469
Hospital São Marcos (including goodwill)	65,705	6,078	-	-	-	-	-	-	71,783
PMJ Empreendimentos Imobiliários S.A.	180,403	1,213	-	-	113,878	-	-	-	295,494
Norte D'Or Participações S.A. (including goodwill)	71,695	5,997	-	-	52	-	-	-	77,744
Onco D'Or Oncologia S.A.	275,950	30,175	-	-	5,296	-	(8,954)	-	302,467
Jenner S.A. (including goodwill)	101,233	4,499	-	-	-	-	-	-	105,732
JMJB Diagnósticos e Serviços Hospitalares	23,291	2,271	-	-	1,500	-	-	-	27,062
Rodin Empreendimentos e Participações S.A.	54,285	(38)	-	-	-	-	-	-	54,247
Quinta Empreendimentos Imobiliários Ltda.	55,137	3,677	-	-	-	-	-	-	58,814
Hospital Fluminense S.A. (including goodwill)	58,588	7,372	-	-	6,390	-	-	-	72,350
Cardial Serviços Médicos (including goodwill)	62,308	2,449	(9,987)	962	5,296	-	-	-	61,028
Hospital Santa Helena S.A. (including goodwill)	332,878	12,043	-	-	42,547	-	-	-	387,468
TJK Empreendimentos Imobiliários Ltda.	21,926	145	-	-	-	-	-	-	22,071
Memorial São José Ltda. (including goodwill) (a)	173,401	-	-	-	-	-	-	(173,401)	-
Hospital Ribeirão Pires Ltda. (including goodwill) (a)	173,807	1,098	-	-	-	-	-	(174,905)	-
Villa Lobos Empreendimentos Imobiliários Ltda.	209,818	2,514	(12,000)	-	-	-	-	-	200,332
Santa Luzia II Empreendimentos Imobiliários Ltda.	33,538	(1,216)	-	-	52,580	-	-	-	84,902
Campinas Empreendimentos Imobiliários Ltda.	45,882	-	-	-	-	-	-	-	45,882
Sator Empreendimentos e Participações Ltda.	168,819	2,460	-	-	28,713	-	-	-	199,992
Rede D'or Finance	-	(9,018)	-	-	14,387	-	-	-	5,369
Rede D'or São Luiz Serviços Médicos S.A.	-	(15,750)	-	-	147,675	(59,630)	-	-	72,295
GGSH Participações S.A.	18,925	3,963	-	12,833	-	-	7,347	-	43,068
Olimpia Projeto Rua do Rocio 86 SPE S.A.	-	-	-	303,000	-	-	-	-	303,000
Other	330,613	6,444	(1,201)	-	29,558	-	(2,442)	-	362,972
	<u>2,702,604</u>	<u>121,695</u>	<u>(23,188)</u>	<u>316,795</u>	<u>447,872</u>	<u>(59,630)</u>	<u>(4,049)</u>	<u>(348,306)</u>	<u>3,153,793</u>
Rede D'or São Luiz Serviços Médicos S.A.	(59,630)	-	-	-	-	59,630	-	-	-
Centro Hospitalar São Marcos S.A.	(16,121)	(629)	-	-	-	-	-	-	(16,750)
Proncordis Pronto Atendimento Cardiológico Ltda.	(31)	(14)	-	-	-	-	-	-	(45)
Café Verde	(2,021)	(1,758)	-	-	2,776	-	89	-	(914)
	<u>(77,803)</u>	<u>(2,401)</u>	<u>-</u>	<u>-</u>	<u>2,776</u>	<u>59,630</u>	<u>89</u>	<u>-</u>	<u>(17,709)</u>
Equity pickup		<u>119,294</u>							

(a) Subsidiary merged into the Company in 2018.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

#### Breakdown of and changes in investments - Consolidated

<u>Company</u>	<u>12/31/2018</u>	<u>Equity pickup</u>	<u>Acquisition of control</u>	<u>Dividends</u>	<u>Capital increase/ Advances for future capital increase</u>	<u>Other</u>	<u>06/30/2019</u>
JMJB Diagnósticos e Serviços Hospitalares S.A.	28,405	2,085	-	-	-	-	30,490
Instituto de Radioterapia do Vale do Paraíba Ltda.	40,134	4,896	-	-	-	-	45,030
GGSH Participações S.A.	47,354	7,519	-	-	-	(5,643)	49,230
Eldorado do Sul Participações Ltda.	14,595	583	-	-	-	-	15,178
Cárdio Pulmonar da Bahia S.A.	-	(3,356)	100,000	-	10,000	-	106,644
Other	14,041	4	-	-	-	(1,136)	12,909
	<u>144,529</u>	<u>11,731</u>	<u>100,000</u>	<u>-</u>	<u>10,000</u>	<u>(6,779)</u>	<u>259,481</u>

<u>Company</u>	<u>12/31/2017</u>	<u>Equity pickup</u>	<u>Acquisition of interest</u>	<u>Dividends</u>	<u>Capital increase/ Advances for future capital increase</u>	<u>Other</u>	<u>06/30/2018</u>
JMJB Diagnósticos e Serviços Hospitalares S.A.	23,291	2,271	-	-	1,500	-	27,062
Instituto de Radioterapia do Vale do Paraíba Ltda.	34,206	3,561	-	(2,577)	-	-	35,190
GGSH Participações S.A.	18,925	3,963	12,833	-	-	7,347	43,068
Other	13,549	706	-	(1,311)	-	(452)	12,492
	<u>89,971</u>	<u>10,501</u>	<u>12,833</u>	<u>(3,888)</u>	<u>1,500</u>	<u>6,895</u>	<u>117,812</u>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

#### Summary of information of significant subsidiaries

	06/30/2019					06/30/2018		
	% Total	% Voting capital	Assets	Liabilities	Equity	Operating income	P&L for the year	P&L for the year
<b>Direct and indirect subsidiaries</b>								
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	98.00	98.00	496,206	283,019	213,187	29,312	19,807	22,537
Hospital Esperança S.A. ("Esperança")	100.00	100.00	3,301,898	3,215,105	86,793	139,585	25,117	35,124
PMJ Empreendimentos Imobiliários S.A.	100.00	100.00	513,021	3,196	509,825	1,702	1	1,213
Norte D'Or Participações S.A.	100.00	100.00	66,909	2,119	64,790	7,804	7,806	5,997
Onco D'Or Oncologia S.A.	98.90	98.90	286,862	115,530	171,332	30,857	15,171	9,756
Jenner S.A.	87.50	87.50	154,910	2,000	152,910	13,990	12,242	7,874
Rodin Empreendimentos e Participações S.A.	100.00	100.00	55,143	147	54,996	(96)	(104)	(38)
Quinta Empreendimentos Imobiliários Ltda.	100.00	100.00	53,235	1,121	52,114	7,032	5,647	3,678
Hospital Fluminense S.A.	100.00	100.00	79,100	23,241	55,859	8,295	4,464	7,372
Cardial Serviços Médicos Ltda.	100.00	100.00	39,496	17,951	21,545	4,393	1,997	2,449
Hospital Santa Helena S.A.	100.00	100.00	543,568	254,973	288,595	31,638	5,707	12,043
TJK Empreendimentos Imobiliários Ltda.	100.00	100.00	23,746	2,597	21,149	777	377	145
Villa Lobos Empreendimentos Imobiliários S.A.	100.00	100.00	198,901	792	198,109	8,384	3,519	2,515
Santa Luzia II Emp. Imobiliários Ltda.	100.00	100.00	67,176	4,609	62,567	(3,409)	(5,162)	(1,216)
Campinas Empreendimentos Imob.	100.00	100.00	50,008	3,667	46,341	-	(101)	-
Sator Empreendimentos e Participações Ltda.	100.00	100.00	1	(119,865)	119,866	(2,074)	(2,074)	2,460
Rede D'Or Finance	100.00	100.00	2,215,196	2,210,240	4,956	-	(414)	-
Rede D'Or São Luiz Serviços Médicos S.A.	100.00	100.00	243,994	171,448	72,546	9,121	4,760	(15,750)
Olimpia Projeto Rua do Rocio 86 SPE S.A.	100.00	100.00	119,217	504	118,713	281	250	-
Proncordis Pronto Atendimento Cardiológico Ltda.	100.00	100.00	8,654	1,261	7,393	(289)	(578)	(819)
Prontimagem Serviços Médicos Ltda.	100.00	100.00	231,156	21,852	209,304	4,823	4,175	2,886
Maximagem com Diag. por imagem Ltda.	100.00	100.00	36,717	5,178	31,539	8,506	7,738	621
Onco Star SP Oncologia Ltda.	75.00	75.00	488,880	507,571	(18,691)	(18,252)	(26,603)	(12,775)
Centro Hospitalar São Marcos S.A.	100.00	100.00	934	12,883	(11,949)	(353)	(354)	(629)
Hospital Aviccena S.A.	100.00	100.00	27,406	15,786	11,620	-	-	-
Santa Luzia III Empreendimentos Imobiliários Ltda.	100.00	100.00	314,535	59,506	255,029	-	(1,480)	-

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 8. Investments (Continued)

#### Summary of information of associates and jointly-controlled entities

	06/30/2019					06/30/2018		
	% 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.	49.95	49.95	70,323	9,342	60,981	4,171	2,085	3,561
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	50.00	40,231	24,767	15,464	12,177	5,221	2,271
GGSH Participações S.A.	34.46	34.46	179,310	47,346	131,964	22,294	7,519	4,456
Eldorado do Sul Participações Ltda.	33.33	33.33	19,114	-	19,114	1,749	583	-
Cárdio Pulmonar da Bahia S.A	47.66	47.66	299,411	197,567	101,844	(5,575)	(3,355)	-

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 9. Property and equipment

#### Breakdown of balances

Description	Depreciation rate	Parent Company					
		06/30/2019			12/31/2018		
		Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	975,470	(555,680)	419,790	923,373	(509,296)	414,077
Surgical instruments	20%	50,084	(29,555)	20,529	48,994	(25,990)	23,004
Machinery and equipment	7% to 10%	342,251	(214,786)	127,465	315,354	(191,814)	123,540
Buildings	2,5% to 4%	597,462	(110,800)	486,662	595,058	(99,790)	495,268
Improvements in own buildings	4%	171,537	(44,417)	127,120	169,801	(35,994)	133,807
Leasehold improvements	3% to 4%	1,143,924	(319,747)	824,177	1,131,558	(297,415)	834,143
Furniture and fixtures	10%	149,767	(81,590)	68,177	140,496	(74,144)	66,352
Vehicles	20%	4,044	(3,256)	788	3,988	(3,081)	907
Facilities	10%	115,553	(42,751)	72,802	110,470	(38,228)	72,242
Land	-	155,547	-	155,547	155,530	-	155,530
Construction in progress	-	581,799	-	581,799	501,378	-	501,378
Other	5% to 10%	13,144	(4,960)	8,184	12,430	(4,836)	7,594
		<b>4,300,582</b>	<b>1,407,542</b>	<b>2,893,040</b>	<b>4,108,430</b>	<b>(1,280,588)</b>	<b>2,827,842</b>

Description	Depreciation rate	Consolidated					
		06/30/2019			12/31/2018		
		Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
Hospital machinery and equipment	12% to 20%	1,492,854	(677,309)	815,545	1,204,717	(608,634)	596,083
Surgical instruments	20%	69,197	(34,942)	34,255	57,586	(30,342)	27,244
Machinery and equipment	7% to 10%	536,220	(301,809)	234,411	474,285	(265,693)	208,592
Buildings	2,5% to 4%	1,593,315	(164,958)	1,428,357	1,067,049	(140,907)	926,142
Improvements in own buildings	4%	186,446	(47,525)	138,921	184,234	(38,636)	145,598
Leasehold improvements	3% to 4%	1,451,358	(432,833)	1,018,525	1,432,885	(401,454)	1,031,431
Furniture and fixtures	10%	221,424	(114,021)	107,403	195,542	(99,936)	95,606
Vehicles	20%	6,607	(6,367)	240	4,717	(4,717)	-
Facilities	10%	175,070	(70,848)	104,222	167,142	(65,273)	101,869
Land	-	880,246	-	880,246	802,896	-	802,896
Construction in progress	-	1,018,766	-	1,018,766	1,016,424	-	1,016,424
Other	5% to 10%	54,590	(6,996)	47,594	49,338	(6,392)	42,946
		<b>7,686,093</b>	<b>1,857,608</b>	<b>5,828,485</b>	<b>6,656,815</b>	<b>(1,661,984)</b>	<b>4,994,831</b>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Parent Company

	12/31/2018	Additions	Transfer	06/30/2019
<b>Cost</b>				
Hospital machinery and equipment	923,373	52,097	-	975,470
Surgical instruments	48,994	1,090	-	50,084
Machinery and equipment	315,354	26,897	-	342,251
Buildings	595,058	2,427	(23)	597,462
Improvements in own buildings	169,801	1,736	-	171,537
Leasehold improvements	1,131,558	12,366	-	1,143,924
Furniture and fixtures	140,496	9,278	(7)	149,767
Vehicles	3,988	56	-	4,044
Facilities	110,470	5,119	(36)	115,553
Land	155,530	17	-	155,547
Construction in progress	501,378	152,207	(71,786)	581,799
Other	12,430	714	-	13,144
	<u>4,108,430</u>	<u>264,004</u>	<u>(71,852)</u>	<u>4,300,582</u>
<b>Depreciation</b>				
Hospital machinery and equipment	(509,296)	(46,384)	-	(555,680)
Surgical instruments	(25,990)	(3,565)	-	(29,555)
Machinery and equipment	(191,814)	(22,972)	-	(214,786)
Buildings	(99,790)	(11,010)	-	(110,800)
Improvements in own buildings	(35,994)	(8,423)	-	(44,417)
Leasehold improvements	(297,415)	(22,332)	-	(319,747)
Furniture and fixtures	(74,144)	(7,446)	-	(81,590)
Vehicles	(3,081)	(175)	-	(3,256)
Facilities	(38,228)	(4,523)	-	(42,751)
Other	(4,836)	(124)	-	(4,960)
	<u>(1,280,588)</u>	<u>(126,954)</u>	<u>-</u>	<u>(1,407,542)</u>
Property and equipment, net	<u>2,827,842</u>	<u>137,050</u>	<u>(71,852)</u>	<u>2,893,040</u>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Parent Company (Continued)

	12/31/2017	Additions	Sales/ disposals	Additions from mergers	06/30/2018
<b>Cost</b>					
Hospital machinery and equipment	784,172	40,029	-	12,708	836,909
Surgical instruments	39,749	1,643	-	2,108	43,500
Machinery and equipment	227,864	19,333	-	1,387	248,584
Properties	848,716	3,161	(257,500)	-	594,377
Improvements in own properties	99,610	1,481	-	14	101,105
Leasehold improvements	816,341	10,429	(10,000)	3,308	820,078
Furniture and fixtures	115,418	7,991	-	4,941	128,350
Vehicles	3,939	45	-	-	3,984
Facilities	85,242	7,876	-	1,316	94,434
Land	130,020	-	-	25,510	155,530
Construction in progress	582,239	171,518	-	11,727	765,484
Other	11,799	306	-	10	12,115
	<u>3,745,109</u>	<u>263,812</u>	<u>(267,500)</u>	<u>63,029</u>	<u>3,804,450</u>
<b>Depreciation</b>					
Hospital machinery and equipment	(430,982)	(38,128)	-	-	(469,110)
Surgical instruments	(18,224)	(4,053)	-	-	(22,277)
Machinery and equipment	(144,110)	(18,769)	-	-	(162,879)
Properties	(77,508)	(21,079)	5,150	-	(93,437)
Improvements in own properties	(22,738)	(5,054)	-	-	(27,792)
Leasehold improvements	(244,250)	(25,710)	200	-	(269,760)
Furniture and fixtures	(60,013)	(6,877)	-	-	(66,890)
Vehicles	(2,690)	(180)	-	-	(2,870)
Facilities	(30,804)	(3,246)	-	-	(34,050)
Other	(4,612)	(238)	-	-	(4,850)
	<u>(1,035,931)</u>	<u>(123,334)</u>	<u>5,350</u>	<u>-</u>	<u>(1,153,915)</u>
Property and equipment, net	<u>2,709,178</u>	<u>140,478</u>	<u>(262,150)</u>	<u>63,029</u>	<u>2,650,535</u>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Consolidated

	12/31/2018	Additions	Disposals	Transfer	Business combination	06/30/2019
<b>Cost</b>						
Hospital machinery and equipment	1,204,717	288,233	(38)	(1,266)	1,208	1,492,854
Surgical instruments	57,586	11,611	-	-	-	69,197
Machinery and equipment	474,285	45,670	(37)	-	16,302	536,220
Real estate properties	1,067,049	70,451	-	421,119	34,696	1,593,315
Improvements in own buildings	184,234	2,355	(147)	-	4	186,446
Leasehold improvements	1,432,885	18,738	(266)	-	1	1,451,358
Furniture and fixtures	195,542	22,186	(5)	(28)	3,729	221,424
Vehicles	4,717	1,888	-	-	2	6,607
Facilities	167,142	7,219	(1)	(36)	746	175,070
Land	802,896	76,255	-	-	1,095	880,246
Construction in progress	1,016,424	416,020	(1,368)	(419,789)	7,479	1,018,766
Other	49,338	3,516	-	-	1,736	54,590
	6,656,815	964,142	(1,862)	-	66,998	7,686,093
<b>Depreciation</b>						
Hospital machinery and equipment	(608,634)	(69,480)	-	-	-	(677,309)
Surgical instruments	(30,342)	(4,600)	-	-	-	(34,942)
Machinery and equipment	(265,693)	(36,116)	-	-	-	(301,809)
Real estate properties	(140,907)	(24,051)	-	-	-	(164,958)
Improvements in own properties	(38,636)	(8,889)	-	-	-	(47,525)
Leasehold improvements	(401,454)	(31,379)	-	-	-	(432,833)
Furniture and fixtures	(99,936)	(14,085)	-	-	-	(114,021)
Vehicles	(4,717)	(845)	-	-	-	(6,367)
Facilities	(65,273)	(5,575)	-	-	-	(70,848)
Other	(6,392)	(604)	-	-	-	(6,996)
	(1,661,984)	(195,624)	-	-	-	(1,857,608)
Property and equipment, net	4,994,831	768,518	(1,862)	-	66,998	5,828,485

Significant changes in the six-month period ended June 30, 2019 were:

- (i) Acquisition of Hospital Rio Mar, Hospital São Lucas and Hospital Aviccena;
- (ii) Acquisition of land through acquisition of California Investimentos Imobiliários for the amount of R\$60,000;
- (iii) Purchases of hospital machinery and equipment as part of the Company's operational routine and reformulation and remodeling of Hospital Niterói D'Or, Hospital Bartira, Hospital DF Star, Hospital Gloria D'Or and Onco Star;
- (iv) Interest capitalized at June 30, 2019 amounted to R\$24,526 (R\$44,732 at December 31, 2018).

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 9. Property and equipment (Continued)

#### Changes in Consolidated (Continued)

	<b>12/31/2017</b>	<b>Additions</b>	<b>Sales/ disposals</b>	<b>Transfers</b>	<b>Business combination</b>	<b>06/30/2018</b>
<b>Cost</b>						
Hospital machinery and equipment	992,902	64,146	-	-	-	1,057,048
Surgical instruments	48,636	1,973	-	-	-	50,609
Machinery and equipment	291,036	22,533	-	-	19,169	332,738
Properties	1,258,561	15,016	(257,500)	-	34,404	1,050,481
Improvements in own properties	104,053	1,699	-	-	-	105,752
Leasehold improvements	1,032,436	18,073	(10,000)	9,285	21,098	1,070,892
Furniture and fixtures	157,720	10,059	-	-	5,624	173,403
Vehicles	4,495	31	-	-	-	4,526
Facilities	139,140	10,373	-	-	-	149,513
Land	463,442	304,080	-	-	24,356	791,878
Construction in progress	743,591	274,019	-	(9,285)	9,353	1,017,678
Other	48,645	354	-	-	-	48,999
	<b>5,284,657</b>	<b>722,356</b>	<b>(267,500)</b>	<b>-</b>	<b>114,004</b>	<b>5,853,517</b>
<b>Depreciation</b>						
Hospital machinery and equipment	(511,585)	(48,405)	-	-	-	(559,990)
Surgical instruments	(21,655)	(4,556)	-	-	-	(26,211)
Machinery and equipment	(196,134)	(26,016)	-	-	-	(222,150)
Properties	(99,842)	(30,055)	5,150	-	-	(124,747)
Improvements in own properties	(24,517)	(5,467)	-	-	-	(29,984)
Leasehold improvements	(331,362)	(31,217)	200	-	-	(362,379)
Furniture and fixtures	(81,750)	(8,708)	-	-	-	(90,458)
Vehicles	(3,054)	(1,208)	-	-	-	(4,262)
Facilities	(52,972)	(5,624)	-	-	-	(58,596)
Other	(6,146)	(105)	-	-	-	(6,251)
	<b>(1,329,017)</b>	<b>(161,361)</b>	<b>5,350</b>	<b>-</b>	<b>-</b>	<b>(1,485,028)</b>
Property and equipment, net	<b>3,955,640</b>	<b>560,995</b>	<b>(262,150)</b>	<b>-</b>	<b>114,004</b>	<b>4,368,489</b>

Significant changes in the six-month period ended June 30, 2019 were:

- (i) Merger of Hospital Memorial São José Ltda.;
- (ii) Acquisition of Hospital UDI.;
- (iii) Purchase of hospital machinery and equipment, as part of the Company's operational routine and reformulation of Niterói D'Or.

There is no indication of property and equipment impairment.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 10. Intangible assets

	Annual amortization rate	Parent Company		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Finite useful life					
Software	20%	177,482	160,361	197,740	183,240
Exclusive agreements	20%	16,974	16,974	95,094	60,664
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 Jose		112,528	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	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 São Rafael (Nota 3)		-	-	509,363	538,449
Acquisition of Laboratório Richet (Nota 3)		-	-	184,232	187,493
Acquisition of UDI (Nota 3)		-	-	335,883	335,883
Acquisition of Samer (Nota 3)		-	-	79,178	79,178
Acquisition of Hospital Rio Mar (Nota 3)		-	-	106,211	-
Acquisition of Hospital São Lucas (Nota 3)		-	-	239,514	-
Acquisition of Hospital Aviccena (Nota 3)		-	-	60,109	-
Other goodwill		48,649	48,649	106,740	95,198
Trademarks and patents (b)		190,810	190,810	190,810	190,810
		<b>2,540,572</b>	<b>2,523,451</b>	<b>5,246,563</b>	<b>4,812,604</b>

(a) Goodwill was generated on business combinations performed. See Note 3 for additional information on acquisitions performed in 2019 and 2018.

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

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 10. Intangible assets (Continued)

#### Impairment loss

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 Group 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 Group 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 six-month period ended June 30, 2019.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 11. Right of use

#### Breakdown of balances

Description	Parent Company			Consolidated		
	Cost	Amortization	Net	Cost	Amortization	Net
Hospital machinery and equipment	21,483	(1,572)	19,911	28,452	(2,070)	26,382
Properties	1,733,707	(72,830)	1,660,877	2,320,501	(75,980)	2,244,521
	<b>1,755,190</b>	<b>(74,402)</b>	<b>1,680,788</b>	<b>2,348,953</b>	<b>(78,050)</b>	<b>2,270,903</b>

#### Changes in Parent Company

	First-time adoption	Additions (a)	Amortization	30/06/2019
	- 12/31/2018			
<b>Cost</b>				
Hospital machinery and equipment	21,483	-	-	21,483
Properties	1,703,756	29,951	-	1,733,707
	<b>1,725,239</b>	<b>29,951</b>	-	<b>1,755,190</b>
<b>Amortization</b>				
Hospital machinery and equipment	-	-	(1,572)	(1,572)
Properties	-	-	(72,830)	(72,830)
	-	-	<b>(74,402)</b>	<b>(74,402)</b>
Right of use, net	<b>1,725,239</b>	<b>29,951</b>	<b>(74,402)</b>	<b>1,680,788</b>

#### Changes in Consolidated

	First-time adoption	Additions (a)	Amortization	30/06/2019
	- 12/31/2018			
<b>Cost</b>				
Hospital machinery and equipment	28,452	-	-	28,452
Properties	2,283,622	36,879	-	2,320,501
	<b>2,312,074</b>	<b>36,879</b>	-	<b>2,348,953</b>
<b>Amortization</b>				
Hospital machinery and equipment	-	-	(2,070)	(2,070)
Properties	-	-	(75,980)	(75,980)
	-	-	<b>(78,050)</b>	<b>(78,050)</b>
Right of use, net	<b>2,312,074</b>	<b>36,879</b>	<b>(78,050)</b>	<b>2,270,903</b>

(a) In the six-month period ended June 30, 2019, new contracts were added and existing contracts were renewed.

The rights of use are amortized during the lease agreement term and take into consideration the expected renewal, when the management intends to exercise this right, and in accordance with the terms of the agreements.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 12. Deferred gain on property sales

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 June 30, 2019, deferred gains were recorded as follows:

	<u>Parent Company and Consolidated</u>	
	<u>06/30/2019</u>	<u>12/31/2018</u>
Caxias D'Or	<b>33,545</b>	34,400
Hospital Brasil	<b>40,700</b>	41,800
	<b>74,245</b>	76,200
Current	<b>3,920</b>	3,920
Noncurrent	<b>70,325</b>	72,280

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of reais, unless otherwise stated)

### 13. Loans, financing and debentures

Banks	Indexes	Spread	Currency	Principal raised (R\$)	Beginning of maturity	Maturity	Amortization	Guarantees	Parent Company		Consolidated	
									06/30/2019	12/31/2018	06/30/2019	12/31/2018
BNDES/FINEP	TJLP	2.70%	R\$	315,042	Aug/2012	Feb/2025	Monthly	Secure warranty	119,734	156,490	121,241	163,409
Loan IFC III A1 (a)	LIBOR	3.30%	US\$	157,685	May/2017	Apr/2025	Semiannually	n/a	180,361	194,132	180,361	194,132
Loan IFC III A2 (a)	LIBOR	3.30%	US\$	157,685	May/2017	Apr/2026	Semiannually	Shares and receivables	155,124	155,398	155,124	155,398
Loan IFC III B (a)	LIBOR	3.00%	US\$	252,296	May/2017	Apr/2024	Semiannually	n/a	281,786	308,943	281,786	308,943
Loan IFC III C (a)	LIBOR	5.50%	US\$	94,611	May/2017	Apr/2026	Lump-sum payment	n/a	120,908	122,201	120,908	122,201
JP Morgan (a)	Fixed rate	3.35%	US\$	300,000	Apr/2016	Apr/2020	Quarterly	n/a	263,858	331,601	263,858	331,601
Bank Credit Bill (CCB)	Fixed rate	10.10%	R\$	17,813	n/a	n/a	Monthly	Fiduciary Alienation and receivables	-	-	8,040	4,627
Debentures - 3rd issue	100% of ID	2.30%	R\$	650,000	Dec/2011	Dec/2020	Monthly	n/a	192,238	261,220	192,238	261,220
Debentures - 9th issue 1st series	110% of DI	-	R\$	800,000	Aug/2017	Aug/2020	Lump-sum payment	n/a	898,689	878,454	898,689	878,454
Debentures - 9ª issue 2nd series	100% of ID	1.75%	R\$	600,000	Aug/2017	Aug/2024	Semiannually	n/a	607,032	614,031	607,032	614,031
Senior notes (a) / (b)	Fixed rate	4.95%	US\$	1,596,400	Jan/2018	Jan/2028	Lump-sum payment	n/a	-	-	2,119,345	1,935,389
Debentures - 10th issue (b)	Fixed rate	11.82%	R\$	1,628,100	Jan/2018	Jan/2028	Lump-sum payment	n/a	2,006,954	1,765,979	33,376	33,397
Mortgage-backed Securities (CRIs) - 1st issue	99% of ID	-	R\$	662,837	Mar/2018	Mar/2023	Lump-sum payment	n/a	670,099	667,919	670,099	667,919
Debentures - 3rd issue - Esperança	110.85% of ID	-	R\$	1,000,000	Aug/2017	Aug/2024	Semiannually	n/a	-	-	1,011,591	1,011,362
Debentures - 4th issue - Esperança	100% of ID	1.27%	R\$	1,000,000	Feb/2018	Dec/2025	Semiannually	n/a	-	-	989,771	989,039
Promissory note - 3rd issue	112.5% of ID	-	R\$	1,000,000	Apr/2018	Apr/2023	Lump-sum payment	n/a	1,085,076	1,045,386	1,085,076	1,045,386
Mortgage-backed Securities (CRIs) - 2nd issue	IPCA	6.06%	R\$	300,000	Jul/2018	Jul/2025	Lump-sum payment	n/a	316,184	307,306	316,184	307,306
Debentures - 13th issue	100% of ID	1.02%	R\$	1,400,000	Sep/2018	Sep/2024	Yearly	n/a	1,404,458	1,418,105	1,404,458	1,418,105
Citibank II (a)	LIBOR	0.46%	US\$	301,200	Nov/18	Nov/23	Lump-sum payment	n/a	309,809	310,591	309,809	310,591
Debentures - 14th issue	106% of ID	-	R\$	500,000	Oct/18	Oct/26	Yearly	Property	496,588	500,408	496,588	500,408
Mortgage-backed Securities (CRIs) - 3rd issue	96.5% of ID	-	R\$	227,051	Dec/18	Dec/23	Lump-sum payment	n/a	225,755	224,701	225,755	224,701
Mortgage-backed Securities (CRIs) - 3rd issue	IPCA	4.65%	R\$	372,949	Dec/18	Dec/25	Lump-sum payment	n/a	387,611	368,966	387,611	368,966
Mortgage-backed Securities (CRIs) - 4th issue (c)	95.75% of ID	-	R\$	269,900	Feb/19	Feb/23	Lump-sum payment	n/a	273,077	-	273,077	-
Mortgage-backed Securities (CRIs) - 4th issue (c)	IPCA	3.93%	R\$	30,100	Feb/19	Feb/23	Lump-sum payment	n/a	30,783	-	30,783	-
Debentures - 17th issue (d)	112% of DI	-	R\$	1,000,000	Jun/19	Jun/29	Yearly	n/a	999,208	-	999,208	-
									<b>11,025,332</b>	<b>9,631,831</b>	<b>13,182,008</b>	<b>11,846,585</b>
								Current	719,541	621,388	706,477	607,704
								Noncurrent	10,305,791	9,010,443	12,475,531	11,238,881

- (a) As mentioned in Note 26, the Group 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, 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 starting on July 17, 2018 and the principal in a lump-sum payment on January 17, 2028. At the same time, also through its subsidiary Rede D'Or Finance, the Company contracted derivative financial instruments to hedge the foreign exchange differences and interest rates, exchanging for Reais plus CDI + 2,01% p.a. Additionally, the Parent Company issued debentures (10th issue), which were substantially acquired by subsidiary Rede D'Or Finance.
- (c) On February 15, 2019, through a securitization company, Rede D'Or issued registered book-entry Mortgage-backed Securities ("CRIs") amounting to R\$300,000. The 1st series of issue amounts to R\$269,900, maturing on February 15, 2023 in a lump-sum payment, semiannually remunerated on a *pro rata* temporis basis, with interest equivalent to 95.75% of the CDI, and 2nd series amounts to R\$30,100, maturing on February 15, 2026 in a lump-sum payment, remunerated by IPCA + 3.9317% to be paid semiannually. There are no guarantees.
- (d) On June 20, 2019, Rede D'Or issued Unsecured Non-Convertible Debentures in up to three (3) series of the 17th Issue, in the amount of up to R\$2 billion. On June 24, 2019 Rede D'Or disbursed the 3rd series of the issue in the amount of R\$1,000 million, maturing on June 20, 2029, in installments to be paid annually in 2027, 2028 and 2029, bearing interest semi-annually on a *pro rata* temporis basis at 112% of the CDI. There are no guarantees.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 13. Loans, financing and debentures (Continued)

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

Total capitalized costs related to the issues of loans, financing and debentures, in the amount of R\$129,816 at June 30, 2019 (R\$135,695 at December 31, 2018), were recorded as a reduction of the balances and have been amortized over the term of the agreements.

In addition to the guarantees given, there are covenants required in certain debentures, loan and financing contracts, related ratios based on net debt, EBITDA and net financial result. To date, the Group is in compliance with all debt covenants.

At June 30, 2019, the noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2020	1,028,295	2020	1,029,742
2021	190,514	2021	439,251
2022	249,391	2022	744,283
2023	3,644,864	2023	4,139,603
2024	1,160,604	2024	1,655,330
2025	828,723	2025	1,076,137
2026	283,303	2026	283,349
2027	333,069	2027	333,069
2028 to 2029	2,587,028	2028 to 2029	2,774,767
	<u>10,305,791</u>		<u>12,475,531</u>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 14. Tax liabilities

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	<b>3,992</b>	3,531	<b>6,098</b>	4,982
Contribution tax on gross revenue for social security financing (COFINS)	<b>23,122</b>	24,394	<b>46,797</b>	38,264
Service Tax (ISS)	<b>64,367</b>	68,449	<b>129,297</b>	114,867
Withholding Income Tax (IRRF)	<b>11,263</b>	15,959	<b>15,622</b>	23,507
Income tax	<b>2,083</b>	-	<b>18,129</b>	53,717
Social contribution tax	<b>658</b>	-	<b>5,730</b>	16,980
Other	<b>11,601</b>	26,237	<b>28,996</b>	47,217
Tax refinancing programs:				
Service Tax (ISS)	<b>11,711</b>	14,420	<b>48,656</b>	36,532
Refinancing - Law No. 11941/09	<b>15,099</b>	15,969	<b>34,447</b>	30,025
Social security payable	<b>50,733</b>	55,333	<b>159,610</b>	158,966
Other	<b>21,111</b>	21,686	<b>57,795</b>	51,880
	<b>215,740</b>	245,978	<b>551,177</b>	576,937
Current	<b>131,955</b>	154,870	<b>296,654</b>	343,611
Noncurrent	<b>83,785</b>	91,108	<b>254,523</b>	233,326

At June 30, 2019, the noncurrent maturity schedule is as follows:

	Parent Company		Consolidated	
	Year	Amount	Year	Amount
2020		<b>13,892</b>	2020	<b>37,418</b>
2021		<b>11,106</b>	2021	<b>29,167</b>
2022		<b>9,321</b>	2022	<b>23,923</b>
2023		<b>9,321</b>	2023	<b>23,412</b>
2024 to 2030		<b>40,145</b>	2024 to 2030	<b>140,603</b>
		<b>83,785</b>		<b>254,523</b>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 15. Accounts payable for acquisitions

Acquisitions	Restatement index	Parent Company		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Ribeirão Pires	CDI	<b>21,825</b>	20,763	<b>21,825</b>	20,763
IFOR	CDI	<b>12,757</b>	12,377	<b>12,757</b>	12,377
Alphamed	CDI	<b>7,413</b>	7,192	<b>7,413</b>	7,192
Oncologia RJ	CDI	-	-	<b>43,181</b>	41,894
Salus	IPCA	-	-	<b>5,254</b>	5,139
Sator	SELIC	<b>17,468</b>	16,461	<b>17,468</b>	16,461
UDI	CDI	-	-	<b>38,120</b>	36,983
São Rafael	SELIC	-	-	<b>178,840</b>	173,506
Richet	CDI	-	-	<b>9,022</b>	10,820
Samer	CDI	-	-	<b>8,109</b>	11,800
Maximagem	CDI	<b>16,967</b>	16,947	<b>16,967</b>	16,947
Hospital Rio Mar	IPCA	-	-	<b>67,404</b>	-
Hospital São Lucas	CDI	-	-	<b>41,078</b>	-
Other	CDI/IPCA	<b>7,506</b>	6,492	<b>9,554</b>	9,500
		<b>83,936</b>	80,232	<b>476,992</b>	363,382
Current		<b>23,405</b>	22,357	<b>157,786</b>	105,094
Noncurrent		<b>60,531</b>	57,875	<b>319,206</b>	258,288

Accounts payable from acquisitions refer to the remaining balance payable of the considerations of the business combinations. At June 30, 2019, the noncurrent maturity schedule is as follows:

Parent Company		Consolidated	
Year	Amount	Year	Amount
2020	<b>17,170</b>	2020	<b>20,217</b>
2021	<b>8,468</b>	2021	<b>16,222</b>
2022	<b>25,439</b>	2022	<b>106,905</b>
2023	<b>9,000</b>	2023	<b>11,500</b>
2024 to 2030	<b>454</b>	2024 to 2030	<b>164,362</b>
	<b>60,531</b>		<b>319,206</b>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 16. Provision for legal proceedings 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 obtained. Based on the opinion of its internal and external legal advisors, management set up a provision deemed sufficient to cover probable losses, as follows:

	Parent Company				Consolidated			
	06/30/2019		12/31/2018		06/30/2019		12/31/2018	
	Provision for legal proceedings	Judicial deposits	Provision for legal proceedings	Judicial deposits	Provision for legal proceedings	Judicial deposits	Provision for legal proceedings	Judicial deposits
Tax and social security	35,032	(95,752)	39,489	(88,067)	60,265	(129,670)	61,728	(117,222)
Labor	50,038	(20,408)	41,474	(11,878)	73,526	(24,773)	54,837	(15,105)
Civil	47,850	(11,527)	49,081	(13,223)	76,530	(13,368)	73,230	(15,483)
	<b>132,920</b>	<b>(127,687)</b>	130,044	(113,168)	<b>210,321</b>	<b>(167,811)</b>	189,795	(147,810)

#### 16.1. Proceedings assessed as probable loss

Changes in provisions for legal proceedings in the six-month periods ended June 30, 2019 and 2018 are as follows:

	Parent Company			
	Tax and social security	Labor	Civil	Total
Balances at December 31, 2017	24,198	53,219	50,772	128,189
Additions, net of reversals	5,159	(4,583)	(576)	-
Payments	-	(3,611)	(3,065)	(6,676)
Additions from mergers	7,344	2,865	-	10,209
<b>Balances at June 30, 2018</b>	<b>36,701</b>	<b>47,890</b>	<b>47,131</b>	<b>131,722</b>
Balances at December 31, 2018	39,489	41,474	49,081	130,044
Additions, net of reversals	(4,064)	12,557	9,507	18,000
Payments	(393)	(3,993)	(10,738)	(15,124)
<b>Balances at June 30, 2019</b>	<b>35,032</b>	<b>50,038</b>	<b>47,850</b>	<b>132,920</b>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 16. Provision for legal proceedings and judicial deposits (Continued)

#### 16.1. Proceedings assessed as probable loss (Continued)

	Consolidated			
	Tax and social security	Labor	Civil	Total
Balances at December 31, 2017	49,424	63,136	65,419	177,979
Additions, net of reversals	2,287	(1,307)	(633)	347
Payments	-	(4,650)	(2,737)	(7,387)
Additions from business combination (b)	8,505	71	5,089	13,665
<b>Balances at June 30, 2018</b>	<b>60,216</b>	<b>57,250</b>	<b>67,138</b>	<b>184,604</b>
Balances at December 31, 2018	61,728	54,837	73,230	189,795
Additions, net of reversals	(7,287)	17,140	8,294	18,147
Payments	(4,477)	(1,868)	(10,663)	(17,008)
Additions from business combination	10,301	3,417	5,669	19,387
<b>Balances at June 30, 2019</b>	<b>60,265</b>	<b>73,526</b>	<b>76,530</b>	<b>210,321</b>

Tax proceedings arise mainly from challenges of State VAT (ICMS) on imports of medical equipment, Service Tax (ISS) payable based on a different tax rate, and of Federal VAT (IPI) on imports.

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

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

#### 16.2. Proceedings assessed as possible loss

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

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Tax and social security (a)	<b>1,120,470</b>	1,128,187	<b>1,163,940</b>	1,210,075
Labor (b)	<b>174,013</b>	168,369	<b>225,435</b>	224,981
Civil (c)	<b>149,447</b>	86,150	<b>237,009</b>	170,988
	<b>1,443,930</b>	1,382,706	<b>1,626,384</b>	1,606,044

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 16. Provision for legal proceedings and judicial deposits (Continued)

#### 16.2. Proceedings assessed as possible loss (Continued)

(a) The significant challenges refer to administrative proceedings in the total amount of R\$1.2 billion, of which R\$415 million refers to assessments received in 2016 and 2017 and R\$759 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 tax authorities assessed the Company demanding the payment of the Social Security Tax (INSS). The Company is currently challenging such allegations.

In addition, the Company is a party to various tax proceedings involving PIS, COFINS, ISS and Real Estate Tax (IPTU), whose amounts are not individually significant.

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

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

### 17. Lease agreements

At June 30, 2019, lease liabilities are as follows:

	<u>Parent Company</u> <u>06/30/2019</u>	<u>Consolidated</u> <u>06/30/2019</u>
Nominal value of future payments	5,138,482	7,950,052
Present value adjustment	<u>(3,396,271)</u>	<u>(5,603,672)</u>
	<u>1,742,211</u>	<u>2,346,380</u>
Current	598,468	794,689
Noncurrent	1,143,743	1,551,691

The liabilities were measured at the present value of the remaining lease payments discounted by the rate of 16.26%.

At June 30, 2019, the noncurrent maturity schedule is as follows:

<u>Parent Company</u>		<u>Consolidated</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2020	35,509	2020	48,309
2021	69,863	2021	98,871
2022	76,528	2022	107,025
2023	79,700	2023	111,554
2024 to 2055	882,143	2024 to 2055	1,185,932
	<u>1,143,743</u>		<u>1,551,691</u>

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 18. Equity

#### a) Capital

Breakdown of Company's capital is as follows:

Shareholders	06/30/2019		12/31/2018	
	Number of shares	Equity interest	Number of shares	Equity interest
Controlling family (a)	527,699,568	57.37%	527,699,568	57.37%
Pacific Mezz Investco S.A.R.L. (b)	238,539,496	25.93%	238,539,496	25.93%
Carlyle Group (c)	109,251,886	11.88%	109,251,886	11.88%
Other	44,333,884	4.82%	44,333,884	4.82%
<b>Total common shares</b>	<b>919,824,834</b>	<b>100.00%</b>	<b>919,824,834</b>	<b>100.00%</b>

(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).

(c) Represented by funds HPT Fundo de Investimento em Participações, HPT II Fundo de Investimento em Participações, RDSL Investimento Secundário FIP, Fundo Brasil de Internacionalização de Empresas - FIP and Fundo Brasil de Internacionalização de Empresas - FIP II.

Subscribed and paid-in capital at June 30, 2019 and December 31, 2018, amounts to R\$867,776, represented by 459,912,417 registered common shares with no par value, already considering the common shares' split made on April 1, 2019, in the proportion of two common shares for each pre-existing share. This split was reflected retrospectively, as required by CPC 41.

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

#### b) Distribution of profit

Changes in the balances of dividends and interest on equity payable in the six-month periods ended June 30, 2019 and 2018 were as follows:

	2019	2018
<b>Balance payable at December 31</b>	8,940	275,496
Allocation of dividends and interest on equity	<b>170,179</b>	172,949
Payment of dividends and interest on equity	<b>(14,797)</b>	(293,071)
IRRF – Withholding Income Tax	<b>(15,182)</b>	(18,104)
<b>Balance payable at June 30</b>	<b>149,140</b>	137,270

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

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)  
June 30, 2019  
(Amounts in thousands of Reais, unless otherwise stated)

### 18. Equity (Continued)

#### c) Treasury shares

At June 30, 2019, the Company had 38,337,656 registered common shares with no par value of Rede D'Or, in the amount of R\$474,462, recorded as treasury shares in equity.

Changes in treasury shares are as follows:

	2019			2018		
	Number of shares (*)	Share value (in reais)	Total	Number of shares (*)	Share value (in reais)	Total
Balance at December 31	38,357,334	12,34	473,193	38,445,238	8,83	339,468
Purchases	92,870	21,82	2,026	5,548,708	23,61	131,006
Sales	(112,548)	6,73	(757)	-	-	-
Balance at June 30	38,337,656	12,38	474,462	43,993,946	10,69	470,474

(\*) The beginning balances were adjusted to reflect the aforementioned common shares' split;

On February 23, 2018, Rede D'Or repurchased the preferred shares of noncontrolling interests, for the amount of R\$130,506, recorded as treasury shares. With this purchase, third parties no longer hold any preferred shares.

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

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

The number of shares and amounts described below already reflect the common shares' split made on April 1, 2019.

##### *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 14,149,880 shares was granted, by means of an individual agreement and its amendments, entered into between the Company and each beneficiary.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 18. Equity (Continued)

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

##### *First Stock Option Plan (Continued)*

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 managing officers 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\$4.05 per 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*

The Company granted to beneficiaries of these plans the option for the purchase of 4,780,160 and 7,869,600 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\$4.62 per share for the Second Plan and R\$4.67 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.

##### *Fourth Stock Option Plan*

The Company granted to beneficiaries of the first series of the Four Plan the option to purchase 115,230 common registered shares, with no par value, through an individual contract between each beneficiary and the Company. The contracts follow the same conditions of the First Stock Option Plan.

The Company granted to beneficiaries of the second series of the Fourth Plan the option to purchase 2,406,994 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-month term from the end of the vesting period to exercise the options.

The strike price of options granted in the first series is R\$7.00 per share and for the second series is R\$4.50 per shares, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 18. Equity (Continued)

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

##### *Fifth Stock Option Plan*

The Company granted to beneficiaries of the first series of the Fifth Plan the option to purchase 265,026 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 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 79,512 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 159,024 common registered shares, with no par value. 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 series is R\$4.50 per share and for the second series is R\$6.34 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*

The Company granted to beneficiaries of the Sixth Plan the option to purchase 1,330,040 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 266,008 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\$23.62 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

##### *Seventh Stock Option Plan*

The Company granted to beneficiaries of the first series of the Seventh Plan the option to purchase 1,400,000 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.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 18. Equity (Continued)

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

##### *Seventh Stock Option Plan (Continued)*

The Company granted to the beneficiaries of the second and third series of the Seventh Plan the option to purchase 5,400,000 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 1,080,000 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\$25.16 per share, increased by the CDI variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

The Company granted to beneficiaries of the fourth series of the Seventh Plan the option to purchase 1,539,506 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 1,539,506 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\$26.85 per share, increased by the IPCA variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

The Company granted to beneficiaries of the fifth series of the Seventh Plan the option to purchase 2,345,020 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 2,345,020 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 fifth series is R\$27.19 per share, increased by the IPCA variation, on a *pro rata* day basis, until the effective date of exercise of any Stock Option.

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

# Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

## 18. Equity (Continued)

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

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

Beginning of maturity	Number of shares (*)	Annual volatility	Risk-free rate	Fair value of options (in reais) (*)	Vesting
First Stock Option Plan					
01/01/2012	2,829,976	39.60%	10.50%	3.81	Vested
01/01/2013	2,829,976	39.60%	10.50%	3.95	Vested
01/01/2014	2,829,976	39.60%	10.60%	4.14	Vested
01/01/2015	2,829,976	39.60%	10.70%	4.32	Vested
01/01/2016	2,829,976	39.60%	10.70%	4.49	Vested
Second Stock Option Plan					
03/31/2013	956,032	32.39%	7.10%	6.96	Vested
03/31/2014	956,032	32.39%	7.25%	6.84	Vested
03/31/2015	956,032	32.39%	7.61%	6.77	Vested
03/31/2016	956,032	32.39%	8.06%	6.75	Vested
03/31/2017	956,032	32.39%	8.39%	6.75	Vested
Third Stock Option Plan					
03/31/2014	1,573,920	31.74%	9.11%	7.13	Vested
03/31/2015	1,573,920	31.74%	10.23%	7.11	Vested
03/31/2016	1,573,920	31.74%	10.89%	7.08	Vested
03/31/2017	1,573,920	31.74%	11.34%	7.08	Vested
03/31/2018	1,573,920	31.74%	11.53%	7.05	Vested
Fourth Stock Option Plan - First series					
03/31/2015	14,906	30.27%	10.81%	8.00	Vested
03/31/2016	25,080	30.27%	11.16%	7.93	Vested
03/31/2017	25,080	30.27%	11.50%	7.92	Vested
03/31/2018	25,082	30.27%	11.66%	7.90	Vested
03/31/2019	25,082	30.27%	11.82%	7.91	Vested
Fourth Stock Option Plan - Second series					
06/02/2015	240,700	30.17%	10.76%	9.85	Vested
06/02/2016	240,700	30.17%	10.91%	9.71	Vested
06/02/2017	481,398	30.17%	11.09%	9.59	Vested
06/02/2018	481,398	30.17%	11.18%	9.49	Vested
06/02/2019	481,398	30.17%	11.29%	9.40	Unvested
06/02/2020	240,700	30.17%	11.41%	9.33	Unvested
06/02/2021	240,700	30.17%	11.40%	9.25	Unvested
Fifth Stock Option Plan - First series					
03/31/2015	176,684	30.94%	12.81%	11.46	Vested
03/30/2016	88,342	30.94%	12.67%	11.28	Vested
Fifth Stock Option Plan - Second series					
03/31/2015	79,512	30.94%	13.12%	10.26	Vested
03/30/2016	79,512	30.94%	13.00%	10.11	Vested
Sixth Stock Option Plan					
01/31/2017	266,008	32.00%	15.95%	25.16	Vested
Seventh Stock Option Plan - First series					
03/31/2017	140,000	33.72%	12.06%	26.19	Vested
Seventh Stock Option Plan - Second series					
03/31/2017	920,000	33.72%	11.98%	26.19	Vested
Seventh Stock Option Plan - Third series					
03/31/2017	160,000	33.75%	11.87%	26.33	Vested
Seventh Stock Option Plan - Fourth series					
01/01/2021	1,026,502	25.65%	10.73%	34.51	Vested
01/01/2022	373,004	25.65%	10.73%	34.51	Vested
01/01/2023	140,000	25.65%	10.73%	34.51	Vested
Seventh Stock Option Plan - Fifth series					
01/01/2018	469,004	25.95%	7.57%	35.20	Vested
01/01/2019	469,004	25.95%	7.57%	35.20	Vested
01/01/2020	469,004	25.95%	7.57%	35.20	Unvested
01/01/2021	469,004	25.95%	7.57%	35.20	Unvested
01/01/2022	469,004	25.95%	7.57%	35.20	Unvested
	<u>35,116,448</u>				

(\*) The number of shares and fair values were adjusted to reflect the aforementioned common shares' split;

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 18. Equity (Continued)

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

The effects of the share-based compensation (stock option plan), covering all granted and outstanding options, in equity and profit or loss for the years, 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	40,662	40,662	221,784
2019	20,330	20,330	242,114
2020	2,977		
2021	1,216		
2022	257		
2023	64		
	<u>246,628</u>		

The Company grants a put option to each beneficiary on total shares that are acquired. The periods for exercising the option are determined by individual agreements between the parties, and the acquisition price by the Company will be determined based on specific measurement criteria involving multiples of the Company's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization).

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

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 19. Income and social contribution taxes

Income and social contribution tax expenses for the six-month periods ended June 30, 2019 and 2018 are as follows:

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Deferred				
Income tax	(15,105)	(9,465)	(5,290)	7,313
Social contribution	(5,438)	(3,408)	(1,919)	2,615
	<b>(20,543)</b>	<b>(12,873)</b>	<b>(7,209)</b>	<b>9,928</b>
Current				
Income tax	(105,060)	(100,256)	(186,907)	(170,612)
Social contribution	(39,446)	(38,037)	(70,401)	(64,268)
	<b>(144,506)</b>	<b>(138,293)</b>	<b>(257,308)</b>	<b>(234,880)</b>
Income and social contribution tax expenses	<b>(165,049)</b>	<b>(151,166)</b>	<b>(264,517)</b>	<b>(224,952)</b>

Changes in deferred income and social contribution tax assets and liabilities for the six-month period ended June 30, 2019 were as follows:

	Parent Company			Consolidated		
	12/31/2018	Additional benefits (expenses) 06/30/2019	06/30/2019	12/31/2018	Additional benefits (expenses) 06/30/2019	Additions from business combinations 06/30/2019
Assets						
Tax losses	-	-	-	25,976	1,265	2,737
Social contribution tax loss	-	-	-	9,350	455	985
Allowance for doubtful accounts	117,562	-	117,562	154,350	-	-
Provision for disallowances	140,434	8,821	149,255	248,532	27,427	5,251
Provision for legal proceedings	51,400	978	52,378	79,637	387	2,061
Provision for bonus	21,333	(10,620)	10,713	22,937	(9,830)	-
Foreign exchange gains	101,910	(10,357)	91,553	101,910	(10,357)	-
Deferred gain on property sales	25,908	(666)	25,242	25,908	(666)	-
Lease depreciation (IFRS 16)	-	25,297	25,297	-	31,406	-
Present value effect (IFRS 16)	-	42,972	42,972	-	55,366	-
Other provisions	6,392	622	7,014	4,510	642	-
Total deferred tax assets	464,939	57,047	521,986	673,110	96,095	11,034
Liabilities						
Differences between book balance and tax base of goodwill	(554,310)	(31,144)	(585,454)	(608,568)	(42,564)	-
Gain on acquisition in steps	(48,873)	-	(48,873)	(69,499)	-	-
Swap variation	(52,180)	7,921	(44,259)	(52,180)	7,921	-
IFRS 16 - Leases	-	(54,367)	(54,367)	-	(69,953)	-
Deferred revenue	-	-	-	(10,469)	1,292	-
Total deferred tax liabilities	(655,363)	(77,590)	(732,953)	(740,716)	(103,304)	-
Net effect - asset (liability)	(190,424)	(20,543)	(210,967)	(67,606)	(7,209)	11,034
Assets as per balance sheet			-	195,597		238,628
Liabilities as per balance sheet	(190,424)		(210,967)	(263,203)		(302,409)

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 19. Income and social contribution taxes (Continued)

Changes in deferred income and social contribution tax assets and liabilities for six-month period ended June 30, 2018 were as follows:

	Parent Company				Consolidated			
	12/31/2017	Additional benefits (expenses) recorded	Additions from mergers	06/30/2018	12/31/2017	Additional benefits (expenses) recorded	Additions from business combination	06/30/2018
<b>Assets</b>								
Tax losses	-	-	-	-	14,713	6,696	-	21,409
Social contribution tax loss	-	-	-	-	5,295	2,411	-	7,706
Allowance for doubtful accounts	116,545	5,636	1,015	123,196	154,567	5,732	-	160,299
Provision for disallowances	96,792	14,618	6,540	117,950	180,680	22,489	1,385	204,554
Provision for legal proceedings	48,173	(2,270)	6,067	51,970	75,737	(2,394)	5,409	78,752
Provision for bonus	19,171	(8,107)	110	11,174	20,651	(8,508)	-	12,143
Foreign exchange differences	25,129	96,733	-	121,862	25,129	96,733	-	121,862
Deferred gain on disposal of properties	27,241	(666)	-	26,575	27,241	(666)	-	26,575
Taxes - Judicial deposits	4,970	1,172	-	6,142	969	1,232	-	2,201
Swap difference	27,065	-	-	27,065	27,065	(27,065)	-	-
Other provisions	1,619	(2,307)	152	(536)	4,087	(875)	-	3,212
<b>Total deferred tax assets</b>	<b>366,705</b>	<b>104,809</b>	<b>13,884</b>	<b>485,398</b>	<b>536,134</b>	<b>95,785</b>	<b>6,794</b>	<b>638,713</b>
<b>Liabilities</b>								
Differences between book balance and tax base of goodwill	(496,081)	(27,085)	-	(523,166)	(550,339)	(27,085)	-	(577,424)
Swap variation	-	(90,597)	-	(90,597)	-	(63,532)	-	(63,532)
Gain from step acquisitions	(48,873)	-	-	(48,873)	(69,499)	-	-	(69,499)
Deferred income	-	-	-	-	(21,349)	4,760	-	(16,589)
<b>Total deferred tax liabilities</b>	<b>(544,954)</b>	<b>(117,682)</b>	<b>-</b>	<b>(662,636)</b>	<b>(641,187)</b>	<b>(85,857)</b>	<b>-</b>	<b>(727,044)</b>
<b>Net effect - asset (liability)</b>	<b>(178,249)</b>	<b>(12,873)</b>	<b>13,884</b>	<b>(177,238)</b>	<b>(105,053)</b>	<b>9,928</b>	<b>6,794</b>	<b>(88,331)</b>
Assets in the balance sheets	-	-	-	-	113,043	-	-	167,703
Liabilities in statements of financial position	(178,249)	-	-	(177,238)	(218,096)	-	-	(256,034)

The reconciliation of income and social contribution taxes to the amount determined at the statutory rate at June 30, 2019 and 2018 is as follows:

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Income before income tax and social contribution	<b>789,126</b>	697,651	<b>904,662</b>	781,239
Income tax and social contribution expenses at statutory rates	<b>268,303</b>	237,201	<b>307,585</b>	265,621
Adjustments to determine the effective rate:				
Equity pickup	<b>(58,056)</b>	(40,560)	<b>(3,989)</b>	(3,570)
Stock option expenses	<b>6,913</b>	6,913	<b>6,913</b>	6,913
Interest on equity	<b>(48,928)</b>	(48,926)	<b>(48,928)</b>	(48,926)
Other	<b>(3,183)</b>	(3,462)	<b>2,936</b>	4,914
Expenses recorded in the income statement	<b>165,049</b>	151,166	<b>264,517</b>	224,952
Effective rate	<b>21%</b>	22%	<b>29%</b>	29%

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

The Company expects that deferred tax assets calculated on income and social contribution tax losses will be realized within 2 years. Management expects that other temporary differences will be realized between 1 and 5 years, except for deferred gain from property sales, the realization of which will be along the lease agreement term.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 20. Net revenue

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross revenue	<b>4,557,085</b>	4,051,196	<b>7,263,298</b>	5,836,839
Deductions from revenue				
Cancellations and rebates	<b>(220,530)</b>	(194,599)	<b>(404,737)</b>	(321,210)
Taxes on revenues	<b>(242,256)</b>	(231,643)	<b>(412,350)</b>	(346,640)
	<b>4,094,299</b>	3,624,954	<b>6,446,211</b>	5,168,989

The Company has no revenues arising from customers outside Brazil.

### 21. Costs of services rendered

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Personnel	<b>(1,232,063)</b>	(1,031,066)	<b>(1,993,255)</b>	(1,480,754)
Materials and medicines	<b>(744,753)</b>	(674,892)	<b>(1,310,036)</b>	(1,035,192)
Third-party services	<b>(529,739)</b>	(514,525)	<b>(978,695)</b>	(888,886)
Utilities and services	<b>(75,670)</b>	(62,945)	<b>(116,877)</b>	(89,803)
Rentals and lease	<b>(3,014)</b>	(153,451)	<b>(11,761)</b>	(179,825)
Depreciation and amortization	<b>(201,258)</b>	(121,621)	<b>(288,519)</b>	(164,667)
	<b>(2,786,497)</b>	(2,558,500)	<b>(4,699,143)</b>	(3,839,127)

### 22. General and administrative expenses

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Personnel	<b>(144,373)</b>	(122,971)	<b>(144,373)</b>	(122,971)
Third-party services	<b>(29,360)</b>	(23,853)	<b>(29,360)</b>	(23,853)
Trips and lodging	<b>(11,199)</b>	(7,983)	<b>(18,568)</b>	(11,276)
Depreciation and amortization	<b>(30,646)</b>	(17,181)	<b>(30,646)</b>	(17,181)
Legal proceedings	<b>(18,000)</b>	-	<b>(18,147)</b>	(347)
	<b>(233,578)</b>	(171,988)	<b>(241,094)</b>	(175,628)

### 23. Selling expenses

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Allowance for doubtful accounts	-	(16,577)	-	(16,860)
Marketing	<b>(6,336)</b>	(7,500)	<b>(9,975)</b>	(9,954)
	<b>(6,336)</b>	(24,077)	<b>(9,975)</b>	(26,814)

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 24. Other operating expenses, net

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Taxes, charges and penalties	<b>(28,530)</b>	(23,045)	<b>(45,178)</b>	(32,896)
Gain from property sales	<b>1,960</b>	1,960	<b>1,960</b>	1,960
Equipment lease	<b>(4,308)</b>	(7,123)	<b>(8,035)</b>	(9,676)
Freight expenses	<b>(8,802)</b>	(9,360)	<b>(12,864)</b>	(10,386)
Legal fees	<b>(3,751)</b>	(3,061)	<b>(6,029)</b>	(4,077)
Advisory service expenses	<b>(10,625)</b>	(10,620)	<b>(10,625)</b>	(10,260)
Other	<b>3,633</b>	14,065	<b>(10,645)</b>	16,461
	<b>(50,423)</b>	(37,184)	<b>(91,416)</b>	(48,874)

### 25. Finance income (costs), net

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Interest on short-term investments	<b>83,016</b>	70,503	<b>113,289</b>	122,448
Foreign exchange difference, net	<b>11,928</b>	(296,407)	<b>35,204</b>	(619,555)
Fair value of debt	<b>(214,707)</b>	180,258	<b>(178,980)</b>	180,258
Derivatives' fair value (swaps)	<b>221,535</b>	89,697	<b>115,786</b>	320,348
Interest and monetary variation on financing and debentures	<b>(345,269)</b>	(272,150)	<b>(382,379)</b>	(270,376)
Taxes on financial income	<b>(6,278)</b>	(6,483)	<b>(9,053)</b>	(9,947)
Other	<b>(22,930)</b>	(20,266)	<b>(34,675)</b>	(30,984)
Interest on lease liability	<b>(126,388)</b>	-	<b>(170,844)</b>	-
	<b>(399,093)</b>	(254,848)	<b>(511,652)</b>	(307,808)
Total financial income	<b>224,736</b>	151,712	<b>395,629</b>	525,212
Total financial expenses	<b>(623,829)</b>	(406,560)	<b>(907,281)</b>	(833,020)
	<b>(399,093)</b>	(254,848)	<b>(511,652)</b>	(307,808)

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 26. Earnings per share

#### a) Basic earnings per share

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

	<u>06/30/2019</u>	<u>06/30/2018</u>
Income attributable to the Company's controlling shareholders	<b>624,077</b>	546,485
Weighted average number of common shares issued (in thousands)	<b>881,487</b>	885,592
Basic earnings per share (in R\$)	<u><b>0.7080</b></u>	<u>0.6171</u>

\* On April 01, 2019, the Company performed a common shares' split in the proportion of two shares for each existing share; we reflected the retrospective adjustment for the six-month period ended June 30, 2018, according to CPC 41.

#### 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.

	<u>06/30/2019</u>	<u>06/30/2018</u>
Income attributable to the Company's controlling shareholders	<b>624,077</b>	546,485
Weighted average number of common shares issued, including dilutive factors (in thousands) *	<b>883,201</b>	888,660
Diluted earnings per share (in R\$)	<u><b>0.7066</b></u>	<u>0.6150</u>

\* On April 01, 2019, the Company performed a common shares' split in the proportion of two shares for each existing share; we reflected the retrospective adjustment for the six-month period ended June 30, 2018, according to CPC 41.

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

## 27. Financial instruments and financial risk management

### 27.1. 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 tables below present breakdown of financial assets and liabilities at June 30, 2019 and December 31, 2018:

		<b>Parent Company</b>		
<b>Financial assets</b>	<b>Classification by category</b>	<b>Fair value hierarchy</b>	<b>Accounting balance</b>	
			<b>06/30/2019</b>	<b>12/31/2018</b>
Cash and cash equivalents	Fair value through P&L	Level 2	<b>29,279</b>	47,782
Marketable securities	Fair value through P&L	Level 2	<b>3,341,311</b>	2,768,894
Trade accounts receivable	Amortized cost		<b>2,364,289</b>	2,139,001
Dividends receivable	Amortized cost		<b>73,656</b>	53,195
Judicial deposits	Amortized cost		<b>127,687</b>	113,168
Derivatives	Fair value through P&L	Level 2	<b>459,500</b>	267,633
			<b>6,395,722</b>	5,389,673
		<b>Parent Company</b>		
<b>Financial liabilities</b>	<b>Classification by category</b>	<b>Fair value hierarchy</b>	<b>Accounting balance</b>	
			<b>06/30/2019</b>	<b>12/31/2018</b>
Trade accounts payable	Amortized cost		<b>230,677</b>	248,051
Loans, financing and debentures	Amortized cost (a)	Level 2	<b>11,025,332</b>	9,631,831
Salaries, provisions and social charges	Amortized cost		<b>364,414</b>	310,234
Accounts payable for acquisitions	Amortized cost		<b>83,936</b>	80,232
Derivatives	Fair value through P&L	Level 2	<b>8,796</b>	8,339
			<b>11,713,155</b>	10,278,687

(a) The debt portion recorded as hedge accounting is measured at fair value through profit or loss, amounting to R\$ 1,209,437 at June 30, 2019 (R\$1,320 at December 31, 2018).

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.1. Financial instruments by category (Continued)

##### Fair value hierarchy (Continued)

<b>Consolidated</b>				
<b>Financial assets</b>	<b>Classification by category</b>	<b>Fair value hierarchy</b>	<b>Accounting balance</b>	
			<b>06/30/2019</b>	<b>12/31/2018</b>
Cash and cash equivalents	Fair value through P&L	Level 2	<b>63,331</b>	192,008
Marketable securities	Fair value through P&L	Level 2	<b>4,151,188</b>	3,864,700
Trade accounts receivable	Amortized cost		<b>3,782,104</b>	3,259,349
Judicial deposits	Amortized cost		<b>167,811</b>	147,810
Derivatives	Fair value through P&L	Level 2	<b>696,105</b>	560,959
			<b>8,860,539</b>	8,024,826
<b>Consolidated</b>				
<b>Financial liabilities</b>	<b>Classification by category</b>	<b>Fair value hierarchy</b>	<b>Accounting balance</b>	
			<b>06/30/2019</b>	<b>12/31/2018</b>
Trade accounts payable	Amortized cost		<b>533,234</b>	528,975
Loans, financing and debentures	Amortized cost (a)	Level 2	<b>13,182,008</b>	11,846,585
Salaries, provisions and social charges	Amortized cost		<b>553,358</b>	436,641
Accounts payable for acquisitions	Fair value through P&L		<b>476,992</b>	363,382
Derivatives	Amortized cost	Level 2	<b>99,635</b>	98,387
			<b>14,845,227</b>	13,273,970

(a) The debt portion recorded as hedge accounting is measured at fair value through profit or loss, amounting to R\$ 3,328,838 at June 30, 2019 (R\$3,294,278 at December 31, 2018).

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management

The Company's financial transactions are carried out through the financial team 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.

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 June 30, 2019 and December 31, 2018, the Company has the following capital structure:

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Cash and cash equivalents	29,279	47,782	63,331	192,008
Marketable securities	3,341,311	2,768,894	4,151,188	3,864,700
	<b>3,370,590</b>	2,816,676	<b>4,214,519</b>	4,056,708
	<b>(11,025,332)</b>		<b>(13,182,008)</b>	
Loans, financing and debentures	)	(9,631,831)	)	(11,846,585)
Net debt	<b>(7,654,742)</b>	(6,815,155)	<b>(8,967,489)</b>	(7,789,877)
Total equity	<b>4,766,082</b>	4,335,959	<b>4,952,498</b>	4,479,972
Total net debt and equity	<b>(2,888,660)</b>	(2,479,196)	<b>(4,014,991)</b>	(3,309,905)
Financial leverage ratio	1.61	1.57	1.81	1.74

##### b) Interest rate risk

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

The sensitivity analysis about interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with B3 at June 30, 2019, and Scenarios II and III take into consideration rate increase by 25% and 50%, respectively. The results, in nominal values, are as follows:

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

## 27. Financial instruments and financial risk management (Continued)

### 27.2. Risk management (Continued)

#### b) Interest rate risk (Continued)

Scenarios	Scenario I current	Scenario II +25%	Scenario III +50%
CDI rate (p.a.)	6.40%	8.00%	9.60%
IPCA rate (p.a.)	3.37%	4.21%	5.06%
Projected interest expenses (*)	5,059	6,324	7,589

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

#### c) Credit risk

Credit risk is the risk that a counterparty to a business arrangement will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily regarding trade 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 - 06/30/2019					Total financial liabilities
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Trade accounts payable	230,677	-	-	-	-	230,677
Loans, financing and debentures	460,189	271,787	1,164,437	4,723,790	6,308,238	12,928,441
Salaries, provisions and social charges	364,414	-	-	-	-	364,414
Accounts payable for acquisitions	23,180	235	27,286	39,826	559	91,086
Accounts payable for acquisitions	4,511	4,285	-	-	-	8,796
Derivatives	1,082,971	276,307	1,191,723	4,763,616	6,308,797	13,623,414
	Consolidated - 06/30/2019					
	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	533,234	-	-	-	-	533,234
Loans, financing and debentures	445,009	273,992	1,298,749	6,297,669	7,148,306	15,463,725
Salaries, provisions and social charges	553,358	-	-	-	-	553,358
Accounts payable due to acquisitions	114,033	45,607	31,859	166,132	179,214	536,845
Derivatives	45,489	54,146	-	-	-	99,635
	1,691,123	373,745	1,330,608	6,463,801	7,327,520	17,186,797

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management (Continued)

##### d) Liquidity risk (Continued)

	Parent Company - 12/31/2018					Total financial liabilities
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Trade accounts payable	248,051	-	-	-	-	248,051
Loans, financing and debentures	367,636	264,511	1,359,589	4,391,384	4,843,769	11,226,889
Salaries, provisions and social charges	310,234	-	-	-	-	310,234
Accounts payable for acquisitions	4,405	18,714	17,633	47,768	-	88,520
Derivatives	4,138	4,201	-	-	-	8,339
	<b>934,464</b>	<b>287,426</b>	<b>1,377,222</b>	<b>4,439,152</b>	<b>4,843,769</b>	<b>11,882,033</b>

	Consolidated - 12/31/2018					Total financial liabilities
	Within 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Trade accounts payable	528,975	-	-	-	-	528,975
Loans, financing and debentures	351,764	266,791	1,363,283	5,824,412	6,057,033	13,863,283
Salaries, provisions and social charges	436,641	-	-	-	-	436,641
Accounts payable due to acquisitions	18,131	90,651	67,437	140,068	90,831	407,118
Derivatives	46,375	52,012	-	-	-	98,387
	<b>1,381,886</b>	<b>409,454</b>	<b>1,430,720</b>	<b>5,964,480</b>	<b>6,147,864</b>	<b>15,334,404</b>

##### 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 22.5% of total consolidated indebtedness (corresponding to the sum of the balances of loans, financing and debentures and derivative financial instruments, net - current and noncurrent) at June 30, 2019 (25.4% at December 31, 2018). The Company has derivative financial instruments to hedge the 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.

##### f) Derivatives

At June 30, 2019, the Company has swaps recorded based on fair value hedge accounting acquired to hedge the Company against financing in foreign currency. The swaps exchange the flow of interest and principal in foreign currency for CDI+ spread or a percentage of CDI in Brazilian reais. In addition, the Company also has other swaps that were contracted to cover exposure to indebtedness and variable interest, however they were not designated for the hedge accounting strategy. The fair value of these instruments is as follows:

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management (Continued)

##### f) Derivatives (Continued)

Description	Range of Maturity month/year	Reference value (notional)	06/30/2019		06/30/2018	
			Reference value fair value	Reference value fair value	Reference value fair value	Reference value fair value
Swap (currency)	04/20/2020					
Long position	USD/BRL + 3.35%	US\$ 68,422				
Short position	115% CDI	R\$ 262,208	20,644		20,644	
Swap (currency)	11/21/2023					
Long position	USD Libor + 0.46%	US\$ 80,252				
Short position	109% CDI	R\$ 307,541	6,419		6,419	
Swap (currency)	04/15/2025					
Long position	USD/BRL + 3.30%	US\$ 46,717				
Short position	CDI + 2.084%	R\$ 179,027	38,342		38,342	
Swap (currency)	04/15/2024					
Long position	USD/BRL + 3.00%	US\$ 73,569				
Short position	CDI + 1.68%	R\$ 281,932	58,179		58,179	
Swap (currency)	04/15/2026					
Long position	USD/BRL + 5.50%	US\$ 30,501				
Short position	CDI + 0.25%	R\$ 116,888	8,610		8,610	
Swap (currency)	01/18/2028					
Long position	USD Fixed (4.95%)	US\$ 511,069				
Short position	BRL Fixed (11.82%)	R\$ 1,958,518	-		145,766	
Swap (currency)	01/18/2028					
Long position	BRL Fixed (11.82%)	R\$ 1,680,788				
Short position	CDI + 2.01%	R\$ 1,680,788	318,510		318,510	
Current assets position						
Noncurrent assets position			92,300		92,300	
Current liabilities position			367,200		603,805	
Noncurrent liabilities position			(8,796)		(99,635)	
Effect on P&L for the period (fair value of derivatives - swaps)			221,535		115,786	

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management (Continued)

##### f) Derivatives (Continued)

Description	Range of Maturity month/year	Reference value (notional)		06/30/2019	06/30/2018
		Reference value	Reference value	Reference value fair value	Reference value fair value
Swap (currency)	04/20/2020				
Long position	USD/BRL + 3.35%	US\$	85,582		
Short position	115% CDI	R\$	331,612	27,491	27,491
Swap (currency)	08/09/2022				
Long position	USD/BRL + 0.99%	US\$	65,212		
Short position	CDI + 1.00%	R\$	215,720	-	-
Swap (currency)	04/15/2025				
Long position	USD/BRL + 3.30%	US\$	51,369		
Short position	CDI + 2.084%	R\$	199,045	39,932	39,932
Swap (currency)	04/15/2024				
Long position	USD/BRL + 3.00%	US\$	82,077		
Short position	CDI + 1.68%	R\$	318,032	62,434	62,434
Swap (currency)	04/15/2026				
Long position	USD/BRL + 5.50%	US\$	31,134		
Short position	CDI + 0.25%	R\$	120,638	8,512	8,512
Swap (currency)	11/21/2023				
Long position	USD/Libor + 0.46%	US\$	80,311		
Short position	109% CDI	R\$	311,188	7,121	7,121
Swap (currency)	01/18/2028				
Long position	USD/PRÉ + (4.95%)	US\$	505,044		
Short position	BRL PRÉ 11.82%	R\$	1,956,944	-	203,278
Swap (interest)	01/18/2028				
Long position	BRL Fixed rate (11.82%)	R\$	1,633,615		
Short position	CDI + 2.01%	R\$	1,633,615	113,804	113,804
Current assets position				82,357	82,357
Noncurrent assets position				185,276	478,602
Current liabilities position				(8,339)	(98,387)
Effect on P&L for the period (fair value of derivatives - swaps)				313,880	517,158

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.2. Risk management (Continued)

##### f) Derivatives (Continued)

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

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 B3 for 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.

	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
<b>Debt - International Finance Corporation (IFC)</b>					
Exchange rate variation	5%	(25%)	(50%)	25%	50%
Depreciation of US\$ (rate in R\$)	-	3.0179	2.0119	-	-
Appreciation of US\$ (rate in R\$)	4.0238	-	-	5.0298	6.0357
Effect on liabilities in US\$	6,241	(31,205)	(62,410)	31,205	62,410
Effect on derivatives					
Swap	431	(2,153)	(4,305)	2,153	4,305
Net effect	6,671	(33,357)	(66,715)	33,357	66,715
<b>Debt 4131 - JP Morgan and Citibank</b>					
Exchange rate variation	5%	(25%)	(50%)	25%	50%
Depreciation of US\$ (rate in R\$)	-	3.0179	2.0119	-	-
Appreciation of US\$ (rate in R\$)	4.0238	-	-	5.0298	6.0357
Effect on liabilities in US\$	28,683	(143,417)	(286,834)	143,417	286,834
Effect on derivatives					
Swap	(28,683)	143,417	286,834	(143,417)	(286,834)
Net effect	-	-	-	-	-
<b>Debt - Senior Notes</b>					
Exchange rate variation	5%	(25%)	(50%)	25%	50%
Depreciation of US\$ (rate in R\$)	-	3.0179	2.0119	-	-
Appreciation of US\$ (rate in R\$)	4.0238	-	-	5.0298	6.0357
Effect on liabilities in US\$	105,970	(529,850)	(1,059,701)	529,850	1,059,701
Effect on derivatives					
Swap - Senior Notes	(105.970)	529.850	1.059.701	(529.850)	(1.059.701)
Net effect	-	-	-	-	-

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.3. Changes in liabilities from financing activities

		Parent Company								
Parent Company	12/31/2018	Loans, financing and debentures taken out	Interest, monetary and foreign exchange differences, net	Payment / receipt of loans, financing and debentures	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity	Other	06/30/2019
Loans, financing and debentures	9,631,831	1,300,214	324,340	(198,300)	(251,023)	214,707	-	-	3,563	11,025,332
Accounts payable for acquisitions	80,232	750	3,092	(119)	(19)	-	-	-	-	83,936
Derivatives	8,339	-	(29,669)	30,126	-	-	-	-	-	8,796
Dividends and interest on equity payable	1,101	-	-	-	-	-	144,663	-	(15,185)	130,579
	<u>9,721,503</u>	<u>1,300,964</u>	<u>297,763</u>	<u>(168,293)</u>	<u>(251,042)</u>	<u>214,707</u>	<u>144,663</u>	<u>-</u>	<u>(11,622)</u>	<u>11,248,643</u>
<b>Current</b>	653,185									882,321
<b>Noncurrent</b>	9,068,318									10,366,322

		Parent Company								
Consolidated	12/31/2017	Loans, financing and debentures taken out	Interest, monetary and foreign exchange differences, net	Payment / receipt of loans, financing and debentures	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity	Other	06/30/2018
Loans, financing and debentures	5,503,556	3,346,537	568,563	(1,394,428)	(223,194)	(180,258)	-	-	2,494	7,623,270
Accounts payable for acquisitions	91,796	-	3,096	(13,590)	(3,262)	-	-	-	-	78,040
Derivatives	113,342	-	114,709	(32,465)	-	-	-	-	-	195,586
Dividends and interest on equity payable	268,282	-	-	-	-	-	163,423	(293,071)	(8,578)	130,056
	<u>5,976,976</u>	<u>3,346,537</u>	<u>686,368</u>	<u>(1,440,483)</u>	<u>(226,456)</u>	<u>(180,258)</u>	<u>163,423</u>	<u>(293,071)</u>	<u>(6,084)</u>	<u>8,026,952</u>
<b>Current</b>	831,059									2,881,035
<b>Noncurrent</b>	5,145,917									5,145,917

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 27. Financial instruments and financial risk management (Continued)

#### 27.3. Changes in liabilities from financing activities

Parent Company	Consolidated								06/30/2019	
	12/31/2018	Loans, financing and debentures taken out	Interest, monetary and foreign exchange differences, net	Payment / receipt of loans, financing and debentures	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity		Other
Loans, financing and debentures	11,846,585	1,328,426	358,541	(241,610)	(294,811)	178,980	-	-	5,897	13,182,008
Accounts payable for acquisitions	363,382	117,115	10,889	(14,035)	(359)	-	-	-	-	476,992
Derivatives	98,387	-	19,360	(18,112)	-	-	-	-	-	99,635
Dividends and interest on equity payable	8,940	-	-	-	-	-	170,200	(14,797)	(15,203)	149,140
	<u>12,317,294</u>	<u>1,445,541</u>	<u>388,790</u>	<u>(273,757)</u>	<u>(295,170)</u>	<u>178,980</u>	<u>170,200</u>	<u>(14,797)</u>	<u>(9,306)</u>	<u>13,907,775</u>
<b>Current</b>	820,125									1,113,038
<b>Noncurrent</b>	11,497,169									12,794,737

Consolidated	Consolidated								06/30/2018	
	12/31/2017	Loans, financing and debentures taken out	Interest, monetary and foreign exchange differences, net	Payment / receipt of loans, financing and debentures	Payment of interest	Fair value of debt	Allocation of dividends and interest on equity	Payment of dividends and interest on equity		Other
Loans, financing and debentures	7,724,551	3,347,387	700,646	(1,589,431)	(168,126)	(180,258)	-	-	35,958	9,870,727
Accounts payable for acquisitions	138,504	35,000	5,372	(13,590)	(3,059)	-	-	-	-	162,227
Derivatives	113,342	-	204,614	(32,465)	-	-	-	-	-	285,491
Dividends and interest on equity payable	275,496	-	-	-	-	-	101,804	(293,071)	(8,579)	75,650
	<u>8,251,893</u>	<u>3,382,387</u>	<u>910,632</u>	<u>(1,635,486)</u>	<u>(171,185)</u>	<u>(180,258)</u>	<u>101,804</u>	<u>(293,071)</u>	<u>27,379</u>	<u>10,394,095</u>
<b>Current</b>	958,294									3,100,496
<b>Noncurrent</b>	7,293,599									7,293,599

## Rede D'Or São Luiz S.A.

Notes to interim financial information (Continued)

June 30, 2019

(Amounts in thousands of Reais, unless otherwise stated)

### 28. Insurance coverage

At June 30, 2019, the Company maintains insurance coverage at amounts deemed sufficient by management to cover risks, if any, on its assets and/or liabilities.

<u>Insurance line</u>	<u>Amount insured</u>
Property risk	3,771,162
Civil Liability (D&O)	200,000
General civil liability	1,500
Engineering risks	783,325