

Financial Statements

Rede D'Or São Luiz S.A.

December 31, 2013, 2012 and 2011
with Independent Auditor's Report on Financial Statements

Rede D'Or São Luiz S.A.

Financial statements

December 31, 2013, 2012 and 2011

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and with accounting practices adopted in Brazil

Independent auditor's report on financial statements

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

We have audited the accompanying individual and consolidated financial statements of Rede D'Or São Luiz S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2013, and the related statements of income, of comprehensive income, of changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

A member firm of Ernst & Young Global Limited

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Rede D'Or São Luiz S.A. at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rede D'Or São Luiz S.A. as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and in accordance with the accounting practices adopted in Brazil.

Emphases

Individual financial statements

As described in Note 2, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Rede D'Or São Luiz S.A., these practices differ from IFRS applicable to separate financial statements solely with respect to the measurement of investments in subsidiaries, jointly-controlled subsidiaries and affiliates under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. Our opinion is not qualified in respect of this matter.

Restatement of the financial statements for 2012 and 2011

On March 28, 2013, we issued an unmodified independent auditor's report on the financial statements of Rede D'Or São Luiz S.A. for the year ended December 31, 2012, which are now being restated. As described in Note 2, due to the change in the presentation of the statement of income in 2013 and the correction of certain errors corresponding to prior years, the related amounts for 2012 and 2011, presented for comparative purposes, were adjusted and are being restated as provided for in CPC 23 – Accounting Practices, Changes in Estimates and Correction of Errors. Our opinion continues unqualified since the financial statements and their amounts for the prior period were retrospectively adjusted.

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Other matters - statements of value added

We have also reviewed the individual and consolidated statements of added value (SAV) for the year ended December 31, 2013, prepared under the responsibility of Company management, presentation of which is required by the Brazilian Corporation Law for publicly-held companies, however not required for privately-held entities. These statements have been subjected to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements taken as whole.

Rio de Janeiro, March 31, 2014.

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ

Wilson J. O. Moraes
Accountant CRC - 1RJ-107.211/O-1

Leonardo Amaral Donato
Accountant CRC – 1RJ 090.794/O-0

Rede D'Or São Luiz S.A.

Balance sheets
December 31, 2013, 2012 and 2011
(In thousands of reais)

	Note	Company			Consolidated		
		12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Assets							
Current assets							
Cash and cash equivalents	4	**57,788**	45,469	289,690	**89,522**	199,648	389,737
Marketable securities	4	**662,637**	772,425	649,724	**869,142**	801,468	649,724
Accounts receivable	5	**837,065**	662,345	430,703	**1,049,281**	818,644	475,195
Inventories	6	**66,708**	60,830	48,143	**84,316**	72,812	56,860
Taxes recoverable		**61,681**	49,640	28,430	**78,930**	56,442	31,298
Related parties	7	**24,416**	45,697	7,607	**13,046**	24,499	-
Dividends receivable		**27,977**	26,975	-	**-**	-	-
Receivables from disposal of properties	23	**123,000**	49,000	-	**123,000**	49,000	-
Other		**50,454**	67,544	35,754	**63,906**	74,490	33,495
Total current assets		**1,911,726**	1,779,925	1,490,051	**2,371,143**	2,097,003	1,636,309
Noncurrent assets							
Related parties	7	**345,498**	190,702	100,606	**105,542**	122,758	85,065
Marketable securities	4	**-**	-	-	**63,000**	-	-
Judicial deposits	15	**42,773**	34,179	22,820	**51,904**	38,927	25,970
Deferred income and social contribution taxes	18	**-**	26,173	53,003	**5,972**	7,792	55,821
Investments	8	**326,780**	168,632	167,438	**116,222**	85,227	63,048
Property and equipment	9	**948,691**	1,035,465	587,037	**1,255,094**	1,235,453	708,249
Intangible assets	10	**1,486,465**	1,462,677	1,103,814	**1,639,325**	1,606,099	1,120,339
Derivative financial instruments	26	**23,650**	-	-	**23,650**	-	-
Other		**4,452**	14,383	4,280	**4,766**	14,689	4,558
Total noncurrent assets		**3,178,309**	2,932,211	2,038,998	**3,265,475**	3,110,945	2,063,050
Total assets		**5,090,035**	4,712,136	3,529,049	**5,636,618**	5,207,948	3,699,359

	Note	Company			Consolidated		
		12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Liabilities and equity							
Current liabilities							
Trade accounts payable		**196,152**	155,007	109,304	**265,441**	247,832	120,378
Loans and financing	**11**	**24,656**	48,949	6,946	**28,645**	57,031	7,448
Debentures	**12**	**20,428**	165,549	24,840	**55,386**	199,683	24,601
Salaries, provisions and social charges		**207,090**	180,289	104,161	**243,259**	203,761	117,044
Tax liabilities	**13**	**40,940**	40,628	23,387	**55,899**	50,522	26,424
Taxes paid in installments	**13**	**14,452**	6,537	6,800	**17,015**	8,615	8,059
Accounts payable for acquisitions	**14**	**30,172**	37,404	23,224	**30,172**	37,404	23,224
Dividends payable		**78,498**	26,424	16,497	**83,512**	29,572	19,109
Deferred income	**23**	**3,920**	2,200	-	**3,920**	2,200	-
Related parties	**7**	**-**	364	-	**-**	849	-
Other		**42,431**	14,112	15,840	**56,700**	25,666	26,326
Total current liabilities		**658,739**	677,463	330,999	**839,949**	863,135	372,613
Noncurrent liabilities							
Loans and financing	**11**	**85,507**	89,191	123,411	**88,323**	99,345	128,932
Debentures	**12**	**2,468,694**	2,388,570	1,740,359	**2,817,073**	2,666,095	1,839,861
Related parties	**7**	**14,482**	9,009	1,604	**604**	4,087	477
Taxes paid in installments	**13**	**126,305**	123,920	61,162	**140,332**	138,081	71,272
Accounts payable for acquisitions	**14**	**210,312**	284,483	219,924	**210,312**	284,483	219,924
Deferred income and social contribution taxes	**18**	**47,793**	-	-	**79,413**	14,140	-
Provision for contingencies	**15**	**154,159**	144,611	105,713	**162,806**	150,243	112,970
Provision for loss on investments	**8**	**48,552**	8,267	2,206	**3,960**	3,294	2,206
Deferred income	**23**	**91,880**	52,800	-	**91,880**	52,800	-
Other		**22,539**	36,469	8,980	**31,480**	33,577	9,510
Total noncurrent liabilities		**3,270,223**	3,137,320	2,263,359	**3,626,183**	3,446,145	2,385,152
Equity	**17**						
Capital		**261,531**	44,849	43,318	**261,531**	44,849	43,318
Capital reserves		**171,284**	164,415	189,016	**171,284**	164,415	189,016
Treasury shares		**(157,117)**	(129,594)	-	**(157,117)**	(129,594)	-
Income reserves		**281,151**	213,459	98,133	**281,151**	213,459	98,133
Other reserves		**600,000**	600,000	600,000	**600,000**	600,000	600,000
Total equity		**1,156,849**	893,129	930,467	**1,156,849**	893,129	930,467
Advance for future capital increase		**4,224**	4,224	4,224	**4,224**	4,224	4,224
Noncontrolling interest		**-**	-	-	**9,413**	1,315	6,903
Total equity attributable to Company shareholders		**1,161,073**	897,353	934,691	**1,170,486**	898,668	941,594
Total liabilities and equity		**5,090,035**	4,712,136	3,529,049	**5,636,618**	5,207,948	3,699,359

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of income
Years ended December 31, 2013, 2012 and 2011
(In thousands of reais)

		Company			Consolidated		
	Note	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Net revenue	19	**3,239,833**	2,368,350	1,718,635	**4,128,400**	3,127,673	2,092,231
Cost of services rendered	20	**(2,464,085)**	(1,847,580)	(1,352,626)	**(3,312,995)**	(2,546,374)	(1,675,432)
Gross profit		**775,748**	520,770	366,009	**815,405**	581,299	416,799
General and administrative expenses	21	**(192,210)**	(155,600)	(78,529)	**(210,165)**	(169,488)	(84,895)
Equity pickup	8	**(6,650)**	(9,403)	17,113	**10,593**	2,371	8,943
Other operating expenses, net	22	**(56,220)**	10,842	(68,243)	**(66,286)**	62,970	(80,280)
Income before financial income (expenses)		**520,668**	366,609	236,350	**549,547**	477,152	260,567
Financial income	24	**66,920**	57,162	41,878	**77,922**	62,554	43,951
Financial expenses	24	**(305,328)**	(270,959)	(198,560)	**(341,155)**	(296,448)	(211,520)
Income before income and social contribution taxes		**282,260**	152,812	79,668	**286,314**	243,258	92,998
Income and social contribution taxes	18	**(73,966)**	(26,830)	7,666	**(76,255)**	(122,061)	(2,351)
Net income for the year		**208,294**	125,982	87,334	**210,059**	121,197	90,647
Net income attributed to controlling shareholders		**208,294**	125,982	87,334	**208,294**	125,982	87,334
Net income attributed to noncontrolling shareholders		**-**	-	-	**1,765**	(4,785)	3,313
Basic earnings per share	25	**0.8649**	0.5434	0.3546	**-**	-	-
Diluted earnings per share	25	**0.8426**	0.5325	0.3535	**-**	-	-

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of comprehensive income
Years ended December 31, 2013, 2012 and 2011
(In thousands of reais)

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Net income for the year	**208,294**	125,982	87,334	**210,059**	121,197	90,647
Other comprehensive income	-	-	-	**-**	-	-
Total comprehensive income	**208,294**	125,982	87,334	**210,059**	121,197	90,647
Attributable to:						
Controlling shareholders	**-**	-	-	**208,294**	125,982	87,334
Noncontrolling shareholders	**-**	-	-	**1,765**	(4,785)	3,313

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of changes in equity
Years ended December 31, 2013, 2012 and 2011
(In thousands of reais, unless otherwise stated)

	Attributable to Company shareholders												
		Capital reserves				Income reserves							
Description	Capital	Goodwill reserves (issue of shares)	Goodwill on capital transactions	Share-based payment reserve	Treasury shares	Legal reserve	Investment reserve	Other reserves (Note 17e)	Retained earnings (accumulated losses)	Total equity	Advances for future capital increase	Noncontrolling interest	Total
Balances at December 31, 2010	42,169	196,029	-	-	-	-	53,305	600,000	(26,738)	864,765	-	5,903	870,668
Capital increase from merger of subsidiaries	1,149									1,149	-	(1,149)	-
Acquisition of noncontrolling interest	-	-	(8,470)	-	-	-	-	-	-	(8,470)	-	(480)	(8,950)
Net income for the year	-	-	-	-	-	-	-	-	87,334	87,334	-	3,313	90,647
Advances for future capital increase	-	-	-	-	-	-	-	-	-	-	4,224		4,224
Share-based payment reserve	-	-	-	1,457	-	-	-	-	-	1,457	-		1,457
Dividends and interest on equity	-	-	-	-	-	-	-	-	(15,768)	(15,768)	-	(684)	(16,452)
Set up of legal reserve	-	-	-	-	-	3,103	-	-	(3,103)	-	-	-	-
Set up of investment reserve	-	-	-	-	-	-	41,725	-	(41,725)	-	-	-	-
Balances at December 31, 2011 (restated)	43,318	196,029	(8,470)	1,457	-	3,103	95,030	600,000	-	930,467	4,224	6,903	941,594
Treasury shares	-	-	-	-	(129,594)	-	-	-	-	(129,594)	-	-	(129,594)
Purchase of additional interest in subsidiary (Note 17d)	--	-	(43,946)	-	-	-	-	-	-	(43,946)	-	(2,640)	(46,586)
Merger of subsidiaries (Note 17d)	1,531	3,111	-	-	-	-	-	-	-	4,642		1,837	6,479
Net income for the year	-	-	-	-	-	-	-	-	125,982	125,982	-	(4,785)	121,197
Set up of legal reserve	-	-	-	-	-	5,563	-	-	(5,563)	-	-	-	-
Set up of investment reserve	-	-	-	-	-	-	93,995	-	(93,995)	-	-	-	-
Share-based payment reserve	-	-	-	16,234	-	-	-	-	-	16,234	-	-	16,234
Dividends of 2011 reinvested	-	-	-	-	-	-	15,768	-	-	15,768	-	-	15,768
Proposed dividends	-	-	-	-	-	-	-	-	(26,424)	(26,424)	-	-	(26,424)
Balances at December 31, 2012 (restated)	**44,849**	**199,140**	**(52,416)**	**17,691**	**(129,594)**	**8,666**	**204,793**	**600,000**	**-**	**893,129**	**4,224**	**1,315**	**898,668**
Capital increase (Note 17)	**209,228**	**-**	**-**	**-**	**-**	**-**	**(88,529)**	**-**	**-**	**120,699**	**-**	**-**	**120,699**
Acquisition of controlling interest in jointly-controlled subsidiary (Note 17)	**7,454**	**(13,787)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,333)**	**-**	**6,333**	**-**
Treasury shares (Note 17)	**-**	**-**	**-**	**-**	**(27,523)**	**-**	**-**	**-**	**-**	**(27,523)**	**-**	**-**	**(27,523)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**208,294**	**208,294**	**-**	**1,765**	**210,059**
Share-based payment reserve (Note 17)	**-**	**-**	**-**	**20,656**	**-**	**-**	**-**	**-**	**-**	**20,656**	**-**	**-**	**20,656**
Proposed dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(52,073)**	**(52,073)**	**-**	**-**	**(52,073)**
Set up of investment reserve (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**156,221**	**-**	**(156,221)**	**-**	**-**	**-**	**-**
Balances at December 31, 2013	**261,531**	**185,353**	**(52,416)**	**38,347**	**(157,117)**	**8,666**	**272,485**	**600,000**	**-**	**1,156,849**	**4,224**	**9,413**	**1,170,486**

See accompanying notes.

Rede D'Or São Luiz S.A.

Cash flow statements
Years ended December 31, 2013, 2012 and 2011
(In thousands of reais, unless otherwise stated)

	Company			Consolidated		
	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Cash flow from operating activities						
Income before income and social contribution taxes	**282,260**	152,812	79,668	**286,313**	243,258	92,998
Adjustments to reconcile net income to cash provided by operating activities						
Depreciation and amortization	**88,654**	69,812	35,095	**114,830**	89,369	48,301
Gain on disposal of properties	**(45,875)**	(66,646)	-	**(45,875)**	(66,646)	-
Interest, monetary restatements and foreign exchange fluctuations, net	**247,074**	183,694	150,375	**271,262**	192,083	157,176
Share-based payment	**20,656**	16,234	1,457	**20,656**	16,234	1,457
Provision for contingencies	**1,777**	2,367	(8,703)	**3,836**	1,491	(9,122)
Equity pickup	**6,650**	9,403	(17,113)	**(10,593)**	(2,371)	(8,943)
Provision for disallowances	**30,098**	(25,234)	60,702	**47,246**	(13,721)	69,297
Allowance for doubtful accounts	**60,808**	29,597	19,012	**81,895**	30,573	20,182
(Increase) decrease in assets and increase (decrease) in liabilities						
Accounts receivable	**(265,626)**	(236,005)	(234,117)	**(359,778)**	(360,301)	(209,082)
Inventories	**(5,878)**	(12,687)	(15,185)	**(11,504)**	(15,952)	(15,663)
Taxes recoverable	**(12,041)**	(21,210)	(1,769)	**(22,488)**	(25,144)	320
Judicial deposits	**(8,594)**	(11,359)	11,180	**(12,977)**	(12,957)	11,762
Other assets	**617**	(75,360)	(40,879)	**2,450**	(113,536)	(22,390)
Trade accounts payable	**41,145**	45,703	23,263	**17,609**	127,454	15,448
Salaries and social charges	**26,801**	76,128	36,799	**39,498**	86,717	34,706
Tax liabilities	**312**	17,241	2,938	**5,377**	24,098	766
Taxes paid in installments	**10,300**	62,495	7,851	**10,651**	67,365	(681)
Related parties	**(128,406)**	(120,417)	28,230	**24,337**	(57,733)	5,192
Provision for contingencies	**(13,511)**	36,531	(9,942)	**(12,555)**	35,782	(11,054)
Deferred income	**40,800**	55,000	-	**40,800**	55,000	-
Other liabilities	**254**	20,833	(23,002)	**15,382**	63,828	(8,743)
	(313,825)	(163,107)	(214,633)	**(263,198)**	(125,379)	(199,419)
Interest payment:	**(267,518)**	(206,909)	(76,867)	**(305,519)**	(206,909)	(76,867)
Payment of income and social contribution taxes	**-**	-	-	**(9,162)**	(5,946)	(13,212)
Net cash provided by operating activities	**110,759**	2,023	28,993	**191,691**	152,036	81,848
Cash flow from investing activities						
Amount received from disposal of properties	**373,074**	71,646	-	**373,074**	71,646	-
Additions to investment	**(115,309)**	51,568	(74,588)	**(25,329)**	(10,256)	(27,482)
Additions to property and equipment	**(403,005)**	(572,240)	(266,843)	**(535,596)**	(670,573)	(321,026)
Additions to intangible assets	**(23,788)**	(358,863)	(66,509)	**(33,226)**	(485,760)	(62,717)
Marketable securities	**149,226**	(66,408)	(462,504)	**(80,311)**	(90,609)	(461,559)
Cash used in investing activities	**(19,802)**	(874,297)	(870,444)	**(301,388)**	(1,185,552)	(872,784)
Cash flow from financing activities						
Increase (decrease) in capital/capital reserves	**120,699**	(39,304)	1,149	**120,699**	(39,304)	1,149
Acquisition of treasury shares	**(27,523)**	(129,594)	-	**(27,523)**	(129,594)	-
Noncontrolling interest	**(13,787)**	-	(8,470)	**-**	(803)	(10,099)
Promissory notes payable	**-**	-	(400,000)	**-**	-	(400,000)
Distribution of dividends and interest on equity	**-**	(729)	(19,906)	**1,867**	(193)	(46,473)
Accounts payable for acquisitions	**(60,121)**	78,739	(81,858)	**(60,121)**	78,739	(85,679)
Advance for future capital increase	**-**	-	4,224	**-**	-	4,224
Debentures payable	**100,000**	800,000	1,750,000	**200,000**	1,000,000	1,850,000
Payment of principal of debentures	**(139,133)**	-	-	**(159,132)**	-	-
Loans and financing taken out	**-**	-	92,925	**-**	-	92,925
Amortization of loans and financing	**(55,934)**	(81,059)	(378,263)	**(73,140)**	(63,518)	(419,612)
Leases paid	**(2,839)**	-	(2,952)	**(3,079)**	(1,900)	(5,622)
Cash provided by financing activities	**(78,638)**	628,053	956,849	**(429)**	843,427	980,813
Increase (decrease) in cash and cash equivalents	**12,319**	(244,221)	115,398	**(110,126)**	(190,089)	189,877
Cash and cash equivalents at beginning of year	**45,469**	289,690	174,292	**199,648**	389,737	199,860
Cash and cash equivalents at end of year	**57,788**	45,469	289,690	**89,522**	199,648	389,737

See accompanying notes.

Rede D'Or São Luiz S.A.

Statements of value added
Years ended December 31, 2013, 2012 and 2011
(In thousands of reais, unless otherwise stated)

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Revenue	**3,479,689**	2,587,219	1,828,857	**4,433,622**	3,398,506	2,197,076
Sales of goods, products and services	**3,569,808**	2,630,498	1,903,940	**4,570,082**	3,479,409	2,333,076
Allowance for disallowances and doubtful accounts	**(135,994)**	(109,925)	(75,083)	**(182,335)**	(147,549)	(136,000)
Other revenues	**45,875**	66,646	-	**45,875**	66,646	-
Inputs acquired from third parties	**(1,378,331)**	(982,555)	(745,798)	**(1,926,867)**	(1,391,865)	(920,034)
Cost of services sold	**(1,197,788)**	(860,258)	(634,407)	**(1,718,303)**	(1,307,809)	(790,239)
Materials, electricity, third-party services and others	**(157,484)**	(119,930)	(120,094)	**(183,446)**	(82,565)	(138,917)
Loss/recovery of asset values	**(23,059)**	(2,367)	8,703	**(25,118)**	(1,491)	9,122
Gross value added	**2,101,358**	1,604,664	1,083,059	**2,506,755**	2,006,641	1,277,042
Depreciation and amortization	**(88,654)**	(69,812)	(35,095)	**(114,830)**	(89,369)	(48,301)
Value added, net	**2,012,704**	1,534,852	1,047,964	**2,391,925**	1,917,272	1,228,741
Value added received in transfer	**60,270**	47,759	58,991	**88,515**	64,925	52,894
Equity pickup	**(6,650)**	(9,403)	17,113	**10,593**	2,371	8,943
Financial income	**66,920**	57,162	41,878	**77,922**	62,554	43,951
Total value added	**2,072,974**	1,582,611	1,106,955	**2,480,440**	1,982,197	1,281,635
Distribution of value added	**(2,072,974)**	(1,582,611)	(1,106,955)	**(2,480,440)**	(1,982,197)	(1,281,635)
Personnel and charges	**(1,150,337)**	(913,884)	(651,967)	**(1,424,184)**	(1,124,577)	(799,630)
Taxes, charges and contributions	**(267,946)**	(179,052)	(102,556)	**(335,602)**	(326,248)	(107,196)
Interest, rents and other operating expenses	**(394,324)**	(353,057)	(249,330)	**(458,522)**	(399,519)	(268,394)
Dividends and interest on equity	**(52,073)**	(10,656)	(15,768)	**(52,073)**	(10,656)	(15,768)
Retained profits	**(208,294)**	(125,982)	(87,334)	**(210,059)**	(121,197)	(90,647)

See accompanying notes.

1. Operations

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

Operating in the States of Rio de Janeiro, São Paulo, Pernambuco and Brasília, the Group operates with 25 own hospitals, in addition to 1 hospital under management and 3 under construction, as well as oncology and radiotherapy clinics.

In 1998, the first hospital unit, Hospital Barra D'Or, was officially opened, introducing new architectural and hospitality concepts. In 2000 and 2001, respectively, Hospital Copa D'Or and Hospital Quinta D'Or were officially opened. Since 2004, there have been strategic partnerships with other hospitals, increasing the breadth of expertise and reaching other areas in Rio de Janeiro. Since 2007, Rede D'Or has been operating, also through partnerships and acquisitions, in the State of Pernambuco. In 2010, major steps were taken towards the São Paulo market by acquiring Hospital Brasil, in Santo André, Hospital Assunção, in São Bernardo, and Hospital São Luiz, in the City of São Paulo, which has three units. Additionally, in 2010, the Company also acquired additional interest (50%) in Hospital Rio de Janeiro and Hospital Prontolinda, holding 100% of interest in such companies.

In 2011, the Company continued its expansion process by acquiring Vivalle Serviços de Saúde, a hospital in São José dos Campos, countryside of São Paulo, and acquiring Centro Hospitalar São Marcos, in Recife. Additionally, in 2011, the Company took a significant step toward increasing the scope of its services by investing in oncology and radiotherapy clinics.

In 2012, Rede D'Or acquired two hospital groups, one in São Paulo, comprising hospitals Nossa Senhora de Lourdes and Hospital da Criança, and the other in Brasília, comprising hospitals Santa Luzia and Hospital do Coração, thus increasing its hospital network and the breadth of expertise by starting to operate in the Federal District.

In 2013, the Company acquired additional interest (35%) in Hospital Norte D'Or, and started to hold controlling interest in this company.

2. Basis of preparation and presentation and significant accounting practices

The authorization for conclusion of preparation of these individual and consolidated financial statements (together denominated simply "financial statements") by management was provided on March 31, 2014. Thus, these financial statements consider subsequent events that could affect them until the referred to date.

The financial statements for the year ended December 31, 2013 comprise:

- Company individual financial statements prepared in accordance with accounting practices adopted in Brazil, the rules set forth by the Brazilian Securities and Exchange Commission (CVM) and Brazilian Corporation Law, including the accounting pronouncements issued by the Brazilian FASB (CPC).

- The individual financial statements present investments in subsidiaries by the equity pickup method, as required by Brazilian ruling legislation, while for purposes of International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB) these investments would be stated at cost or fair value.

- The Company's consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, the rules set forth by the Brazilian Securities and Exchange Commission (CVM) and the accounting pronouncements issued by the Brazilian FASB (CPC), which are aligned with IFRS.

The individual and consolidated financial statements were prepared based on historical cost, except for certain financial instruments and share-based payments, measured at fair value.

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

Preparation of the financial statements requires the use of certain significant accounting estimates as well as professional judgment by Company management in the process of application of its accounting policies. Since judgment by management involves the determination of estimates related to the probability of future events, actual results may differ from these estimates. Those areas that require greater judgment or involve more complexity or where the assumptions and estimates are significant for the financial statements are disclosed in Note 2.c.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment inherent to the estimate process. The Company periodically reviews its estimates and assumptions at least once a year.

All the amounts presented in these financial statements are in thousands of reais, unless otherwise stated.

Items included in the financial statements of each Group company are measured using the currency of the principal economic environment where they operate (the "functional currency"). The individual and consolidated financial statements are presented in R$, which is the Company's functional currency and also the Group's reporting currency.

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

Restatement of 2012 and 2011 amounts

The Company made certain reclassifications and/or adjustments, applicable to the financial statements for the years ended December 31, 2012 and 2011, after closing, approval and publication of the financial statements. The changes made are as follows:

i) Presentation of the income statement

The income statements originally presented for the years ended December 31, 2012 and 2011 presented expenses by nature, without segregation by function. These statements were changed, as set out in the charts below, in order to present the statement of income by function.

ii) Adjustments

After closing the financial statements of 2012, management identified the need of making certain adjustments in the statement of income for the year ended December 31, 2012, as under:

(a) Increase the provision for contingencies by R$4,280.

(b) Adjust accounts receivable by R$13, 248, resulting from:

- Supplementation of the allowance for doubtful accounts by R$18,824, the balancing entry being to other operating expenses.
- Supplementation of provision for disallowances by R$3,403, the balancing entry being to net revenue.
- Reversal of cancellation of recorded billing, in the amount of R$8,979, the balancing entry being to net revenue.

(c) Adjustment of equity pickup of affiliates in the amount of R$11,080.

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

Restatement of 2012 and 2011 amounts (Continued)

ii) Adjustments (Continued)

(d) Recognition of the gain generated in business combination in stages of the Hospital Esperança S.A. (variation of fair value of prior interest) in other operating expenses in the amount of R$54,204, the balancing entry being to goodwill on the acquisition (R$35,775) and to deferred income and social contribution taxes (R$18,429). The Company had not recognized this impact in the financial statements originally presented.

(e) Tax effects on the recorded adjustments in the amount of R$7,557, namely R$6,400 on the allowance for doubtful accounts and R$1,157 on the provision for disallowances.

iii) Reclassifications

- Until December 31, 2012, the Company had the practice of separately disclosing deferred tax credit on goodwill generated in its business combinations. When goodwill was amortized for tax purposes, the deferred tax credit was realized against P&L in order to align effective rate to nominal rate. Management reviewed this criterion and since there is no express provision in CPC 32/IAS 12- Income Taxes and in CPC 15/IFRS 3- Business combinations to make such allocation as an acquired asset, it reclassified the amount of deferred tax credits corresponding to the referred to business combinations to goodwill, in the amount of R$246,556 in 2011 and R$386,829 in 2012. With this classification, amortization of goodwill for tax purposes started to generate differences between the tax and accounting bases, thus the Company recorded deferred income and social contribution tax liabilities, as required by CPC 32, item 21. There was no effect in P&L or equity resulting from this change, since upon subsequent use of goodwill for tax purposes, The Company had already impacted P&L through realization of deferred income and social contribution tax asset previously recognized.

- Reclassification of the amount receivable originally recorded as related party in the amount of R$11,991 to other accounts receivable for being receivables from a company not belonging to the Group.

- Reclassification of the amount recorded as current tax payable to deferred tax in the amount of R$7,557.

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

Restatement of 2012 and 2011 amounts (Continued)

iv) Impact on minimum mandatory dividends

The corrections of the financial statements described above resulted in increase in net income originally used in the calculation, distribution and payment of minimum mandatory dividends for the year ended December 31, 2012.

On the date these restated financial statements were concluded, the related dividends had already been fully paid by the Company. For this reason, the Company did not review the classification of minimum mandatory dividends in its financial statements, maintaining the provision originally presented.

We set out below the effects generated by the matters described above:

Balance sheet - Consolidated – December 31, 2011

Assets - December 31, 2011	Consolidated – 12/31/2011			
	Originally presented		Reclassification	Restated
Current assets				
Cash and cash equivalents	524,698		-	524,698
Marketable securities	514,763		-	514,763
Accounts receivable	475,195		-	475,195
Inventories	56,860		-	56,860
Taxes recoverable	31,298		-	31,298
Other	33,495		-	33,495
Total current assets	1,636,309		-	1,636,309
Noncurrent assets				
Related parties	85,065		-	85,065
Judicial deposits	25,970		-	25,970
Deferred income and social contribution taxes	302,387	(iii)	(246,566)	55,821
Investments	63,048		-	63,048
Property and equipment	708,249		-	708,249
Intangible assets	873,773	(iii)	246,566	1,120,339
Other	4,558		-	4,558
Total noncurrent assets	2,063,050		-	2,063,050
Total assets	3,699,359		-	3,699,359

The complete consolidated balance sheet at December 31, 2011, which is also composed of liabilities and equity, is not presented in this note, since these account groups were not affected by the aforementioned adjustments.

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

Restatement of 2012 and 2011 amounts (Continued)

Statement of income – Consolidated – December 31, 2011

	Consolidated – 12/31/2011		
	Originally presented	**Reclassifications (i)**	**Restated**
Net revenue	2,092,231	-	2,092,231
Cost of services rendered	-	(1,675,432)	(1,675,432)
Gross profit	2,092,231	(1,675,432)	416,799
General and administrative expenses	-	(40,629)	(40,629)
Operating costs and expenses			
Personnel	(799,630)	799,630	-
Materials and medicines	(494,737)	494,737	-
Third-party services	(309,893)	309,893	-
Equity pickup	8,943	-	8,943
Depreciation and amortization	(48,301)	48,301	-
Provision for contingencies	9,122	(9,122)	-
Gain on disposal of properties	-	-	-
Other operating expenses	(197,168)	72,622	(124,546)
Total operating costs and expenses	(1,831,664)	1,716,061	(115,603)
Income before financial income (expenses)	260,567	-	260,567
Financial income	43,951	-	43,951
Financial expenses	(211,520)	-	(211,520)
Income before income and social contribution taxes	92,998	-	92,998
Income and social contribution taxes	(2,351)	-	(2,351)
Net income for the year	90,647	-	90,647

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

Restatement of 2012 and 2011 amounts (Continued)

Balance sheet - Consolidated – December 31, 2012

	Consolidated – 12/31/2012				
	Originally presented		Adjustments	Reclassification (iii)	Restated
Current assets					
Cash and cash equivalents	82,347		-	-	82,347
Marketable securities	918,769		-	-	918,769
Accounts receivable	831,892	(b)	(13,248)	-	818,644
Inventories	72,812		-	-	72,812
Taxes recoverable	56,442		-	-	56,442
Related parties	24,499		-	-	24,499
Receivables from disposal of properties	49,000		-	-	49,000
Other	74,490		-	-	74,490
Total current assets	2,110,251		(13,248)	-	2,097,003
Noncurrent assets					
Related parties	134,749		-	(11,991)	122,758
Judicial deposits	38,927		-	-	38,927
Deferred income and social contribution taxes	380,481	(e)	7,557	(388,038)	-
Investments	78,308	(c)	(11,080)	-	67,228
Property and equipment	1,235,453		-	-	1,235,453
Intangible assets	1,201,494	(id)	35,775	386,829	1,624,098
Other	2,698		-	11,991	14,689
Total noncurrent assets	3,072,110		32,252	(1,209)	3,103,153
Total assets	5,182,361		19,004	(1,209)	5,200,156

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

Restatement of 2012 and 2011 amounts (Continued)

Balance sheet - Consolidated – December 31, 2012

	Consolidated – 12/31/2012				
	Originally presented		Adjustments	Reclassification (iii)	Restated
Liabilities					
Current liabilities					
Trade accounts payable	247,832		-	-	247,832
Loans and financing	57,031		-	-	57,031
Debentures	199,683		-	-	199,683
Salaries and social charges	203,761		-	-	203,761
Tax liabilities	58,079		-	(7,557)	50,522
Taxes paid in installments	8,615		-	-	8,615
Accounts payable for acquisitions	37,404		-	-	37,404
Dividends and interest on equity	29,572		-	-	29,572
Deferred income	2,200		-	-	2,200
Related parties	849		-	-	849
Other	25,666		-	-	25,666
Total current liabilities	870,692		-	(7,557)	863,135
Noncurrent liabilities					
Loans and financing	99,345		-	-	99,345
Debentures	2,666,095		-	-	2,666,095
Related parties	4,087		-	-	4,087
Taxes paid in installments	138,081		-	-	138,081
Accounts payable for acquisitions	284,483		-	-	284,483
Deferred income and social contribution taxes	-		-	6,348	6,348
Provision for contingencies	145,963	(a)	4,280	-	150,243
Provision for loss on investments	3,294		-	-	3,294
Deferred income	52,800		-	-	52,800
Other	33,577		-	-	33,577
Total noncurrent liabilities	3,427,725		4,280	6,348	3,438,353
Equity					
Capital	44,849		-	-	44,849
Capital reserve	164,415		-	-	164,415
Treasury shares	(129,594)		-	-	(129,594)
Income reserve	198,735		14,724	-	213,459
Other reserves	600,000		-	-	600,000
	878,405		14,724	-	893,129
Advance for future capital increase	4,224		-	-	4,224
Non-controlling interest	1,315		-	-	1,315
Total equity	883,944		14,724	-	898,668
Total liabilities and equity	5,182,361		19,004	(1,209)	5,200,156

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

Restatement of 2012 and 2011 amounts (Continued)

Statement of income – Consolidated – December 31, 2012

	Consolidated – 12/31/2012				
	Originally presented		Adjustments	Reclassifications (i)	Restated
Net revenue	3,122,097	(b)	5,576	-	3,127,673
Cost of services rendered	-		-	(2,546,374)	(2,546,374)
Gross profit	3,122,097		5,576	(2,546,374)	581,299
General and administrative expenses	-	(a)	(4,280)	(110,061)	(114,341)
Equity pickup	-	(c)	(11,080)	13,451	2,371
Operating costs and expenses					
Personnel	(1,124,577)		-	1,124,577	-
Materials and medicines	(691,750)		-	691,750	-
Third-party services	(639,801)		-	639,801	-
Equity pickup	13,451		-	(13,451)	-
Depreciation and amortization	(89,369)		-	89,369	-
Provision for contingencies	2,789		-	(2,789)	-
Other operating expenses	(141,284)	(d) + (b)	35,380	113,727	7,823
Income before financial income (expenses)	451,556		25,596	-	477,152
Financial income	62,554		-	-	62,554
Financial expenses	(296,448)		-	-	(296,448)
Income before income and social contribution taxes	217,662		25,596	-	243,258
Income and social contribution taxes	(111,189)	(d) + (e)	(10,872)	-	(122,061)
Net income for the year	106,473		14,724	-	121,197
Net income attributable to Company shareholders	111,258		14,724	-	125,982
Net income attributed to noncontrolling shareholders	(4,785)		-	-	(4,785)

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

Significant accounting practices adopted by the Company in preparing the financial statements are as follows:

a) Basis of consolidation

The financial statements include information of the Company and its subsidiaries described above. In processing the consolidation of balance sheet and profit or loss accounts, there is horizontal addition of the balances of asset, liability, revenue and expense accounts, according to their nature, plus the following adjustments:

- Significant transactions among consolidated companies are eliminated.
- Balances of asset and liability accounts held among consolidated companies are eliminated; and
- Noncontrolling interest is segregated from consolidated equity and profit or loss.

All consolidated companies have the same fiscal year and the same accounting practices as those of the parent company.

b) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any noncontrolling interests in the acquiree. For each business combination, the acquirer must measure noncontrolling interests in the acquiree either at its fair value or on the basis of its proportionate share in the identifiable net assets of the acquiree. Costs directly attributable to the acquisition must be recorded as expenses, as incurred.

Upon acquiring a business, the Company assesses financial assets and liabilities assumed so as to classify and allocate them in accordance with contractual terms, economical circumstances and relevant conditions on the acquisition date, including the segregation, by the acquired company, of embedded derivatives existing in host contracts in the acquired company.

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

b) Business combinations (Continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Goodwill is initially measured as transferred payment exceeding amount in relation to acquired net assets (identifiable net assets acquired and liabilities assumed). If consideration is lower than fair value of acquired net assets, the difference must be recognized as gain in the income statement.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as of acquisition date, allocated to each Company's cash generating unit, which are expected to benefit from such combination synergy. Where goodwill forms part of a cash-generating unit and a part of that unit is disposed of, the goodwill associated with the portion disposed of is included in the cost of the operation when determining the respective gain or loss thereon.

c) Financial instruments

The Company's non-derivative financial instruments comprise cash and cash equivalents, marketable securities, accounts receivable, judicial deposits, accounts receivable from and payable to related parties, trade accounts payable and loans and financing. Financial instruments are initially recognized at fair value plus transaction costs directly attributable to their acquisition or issue, except for financial assets and liabilities classified at fair value through profit or loss, when such costs are directly charged to P&L for the year. Their subsequent measurement takes place at every reporting date in accordance with the classification of financial instruments in the following categories of financial assets and liabilities:

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

c) Financial instruments (Continued)

(i) *Financial assets measured at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading when acquired with the objective of sale in the short term. Gains and losses on liabilities held for trading are recognized in the income statement.

(ii) *Investments held to maturity*

Financial assets with fixed or determinable payments and fixed maturity dates for which the Company has the intention and ability to hold to maturity are classified in this category. Financial assets held to maturity are measured at amortized cost using the effective interest method, deducting provision for impairment. Interest income is recognized applying the effective rate method. The Company does not have investments to be held to maturity.

(iii) *Loans and receivables*

After initial recognition, loans and receivables subject to interest are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement when liabilities and assets are derecognized, and through the amortization process by the effective interest rate method.

Presentation of financial assets and liabilities by category is in Note 24.

We set out below the summary of significant accounting practices adopted for accounting for and presenting the Company's financial assets and liabilities:

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

c) Financial instruments (Continued)

Cash and cash equivalents

Cash equivalents are held by the Company for the purpose of meeting short-term cash commitments rather than for investment or any other purposes. The Company considers cash equivalents a short-term investment readily convertible into a known amount of cash and subject to insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, for example, within three months or less from the investment date.

Marketable securities

The Company classifies its short-term investments as held for trading, considering the purpose for which the investment was acquired.

Short-term investments held for trading are measured at fair value. Interest and monetary variation, as applicable, are recognized in P&L when incurred.

Accounts receivable

These are stated at their estimated realizable values, net of present value adjustment and of the allowance for doubtful accounts (as applicable).

Financial liabilities

Loans and financing are initially measured at fair value net of incurred transaction costs. Loans and financing are subsequently measured at amortized cost through the effective interest rate method.

Current and noncurrent liabilities are stated at known or determinable amounts plus, where applicable, the respective charges and monetary and/or exchange variations incurred through to balance sheet date.

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

c) Financial instruments (Continued)

Derecognition (write-off)

A financial asset (or, whenever the case, a part of a financial asset, or a part of a group of similar financial assets) is derecognized (i.e. excluded from P&L for the year) when:

- The rights to receive cash flows from the asset expire;
- The Group has transferred the rights to receive the cash flows from the asset or has assumed an obligation to pay the cash flows received in full without any material delay to a third party under a "pass-through" agreement; and (a) the Group has transferred substantially all the risks and rewards related to the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards relating to the asset, but has transferred control over the asset.

When the Group has transferred its rights to receive the cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards related to the asset, the Group continues to recognize a financial asset to the extent of its continuing involvement in the financial asset.

Impairment of financial assets

The Group assesses at the balance sheet dates whether there is any objective evidence of impairment of the financial asset or group of financial assets. A loss only exists if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset (a "loss event" occurred) and such event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reasonably estimated. Evidence of impairment loss may include indication that the borrowing parties are going through significant financial hardship. The probability that they will go bankrupt or other financial reorganization, that there will be default or late payment of interest or principal may be indicated by a measurable drop in the estimated future cash flows, such as changes in maturity or economic conditions related to defaults.

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

c) Financial instruments (Continued)

Derivative financial instruments

Derivative financial instruments designated in hedge transactions are recognized at fair value as of the date they are taken out and subsequently measured at fair value at year end. Derivatives are presented as financial assets when the fair value of the instrument is positive and as financial liabilities when the fair value of the instrument is negative. Any gains or losses resulting from changes in fair value of derivatives during the year are posted directly to the income statement, except for the effective portion of cash flow hedges, which is recognized directly in equity as other comprehensive income and subsequently reclassified to P&L when the hedged item affects P&L.

d) Revenue and cost recognition

Transaction revenues, costs and expenses are recognized on the accrual basis.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured, i.e. upon rendering of medical services. Revenue is measured based on fair value of the consideration received, net of discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it has been operating as an agent or a principal, and eventually it concluded that it has been operating as a principal in all of its revenue agreements.

e) Current and noncurrent assets and liabilities

Assets are classified as current when realizable within the next twelve months. Current and noncurrent liabilities are stated at the amounts they will be settled by taking into account each balance sheet date, including accrued interest and monetary restatements or foreign exchange fluctuations according to contractual terms.

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

f) Inventories

Inventories comprise hospital materials and medicines and are measured at average acquisition cost, not exceeding market value. Provisions for slow-moving or obsolete inventories are recognized when deemed necessary by Company management.

g) Property and equipment

Property and equipment are measured at acquisition or construction cost, less accumulated depreciation calculated by using the straight-line method based on the estimated useful lives of assets. Repair and maintenance expenses that did not increase the useful lives of assets are recognized as expenses as incurred.

Management annually tests the net book value of assets with a view to determining whether any events or changes in economic, operating or technological circumstances may indicate an impairment loss. When such evidence is identified and the net book value exceeds the recoverable value, a provision for impairment is setup, adjusting the net book value to the recoverable value.

h) Lease

The determination of whether an agreement is, or contains, a lease is based on aspects relating to the use of an asset or even the right to use a particular asset at the date of execution thereof.

Finance leases transfer substantially all the risks and rewards of ownership of the leased item to the Company and are capitalized at the inception of the lease at fair value of the leased asset or, if lower, present value of minimum lease payments, including, when applicable, initial direct transaction costs. Finance lease payments are allocated to finance charges and decrease in finance lease liabilities in order to obtain a constant interest rate on the outstanding liability balance. Finance charges are recognized in the income statement.

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

h) Lease (Continued)

These leased assets are depreciated over their useful lives or, when there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the contractual lease term, whichever is lower.

Operating leases are those whose risks and rewards are not transferred to the lessee, and the costs are recognized in profit or loss on the accrual basis, to the extent that the asset is used. The differences between the amounts actually paid and those recognized as expenses in profit or loss are recognized as prepaid or provisioned expenses in the balance sheet.

i) Intangible assets

Intangible assets are measured at cost upon their initial recognition. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful life of intangible assets is considered finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with finite life are reviewed at least every year end. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization of intangible assets with finite life is recognized in the income statement in a category consistent with use of the intangible asset.

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

i) Intangible assets (Continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. Otherwise, changes in useful life – from indefinite to finite - are made on a prospective manner.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

j) Loans, financing and debentures

Loans, financing and debentures are presented at their principal amount plus finance charges incurred, based on the effective rate method, through to the financial statements date.

k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits are required to settle the obligation and a reliable estimate of the value of the obligation can be made. When the Company expects that the amount of a provision will be refunded, in full or in part, the refund is recognized as a separate asset, but only when the refund is virtually certain. The expense related to any provision is stated in the income statement, net of any refund.

The Company is a party to several judicial and administrative proceedings. Provisions are set up for all contingencies related to legal proceedings, the settlement of which is likely to result in an outflow of funds, in an amount that can be reliably estimated. The assessment of the likelihood of loss includes an analysis of available evidence, the hierarchy of laws, available case law, the latest decisions of courts of law and their relevance in the legal system, as well as the opinion of external legal advisors. The provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable statute of limitations, outcomes of tax audits, or additional exposures that may be identified based on new issues or court decisions.

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

l) Taxes

Income and social contribution taxes - current

Income taxes comprise income and social contribution taxes. Income tax is computed based on taxable income at 15%, plus a 10% surtax calculated on profits exceeding R$ 240 in the period of 12 months, while social contribution tax is computed at the rate of 9% on taxable income, and are recognized on the accrual basis, therefore inclusions to book profit of temporarily non-deductible expenses, or exclusions of temporarily non-taxable revenues, considered in the computation of current taxable income generate deferred tax credit or debits.

Current income and social contribution taxes are presented net, by taxed entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total due at the reporting date.

Deferred taxes

Deferred taxes arise from temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book value. Deferred tax liabilities are recognized on all temporary tax differences, except:

- When a deferred tax liability arises upon initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and,

- On temporary differences related to investments in subsidiaries, where the period of reversal of temporary differences can be controlled and the temporary differences are not likely to be reversed in the near future.

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

l) Taxes (Continued)

Deferred taxes (Continued)

Deferred tax assets are recognized for all deductible temporary differences, credits and unused tax losses, to the extent that it is probable that taxable profit will be available so that deductible temporary differences may be realized and credits and tax losses may be used, except:

- When the deferred tax asset related to deductible temporary difference is generated at the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the transaction date, does not affect the book profit or tax loss, and

- On deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that temporary differences are reversed in the near future and taxable profit is available to enable for the use of temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets written off are reviewed at each balance sheet date and are recognized to the extent that future taxable profit is likely to allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are presented net when there is a legal or constructive right to offset tax asset against tax liability and deferred taxes relate to the same taxpaying entity and subject to the same tax authority.

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

l) Taxes (Continued)

Taxes on revenue

Revenues, expenses and assets are recognized net of taxes on sales, except:

- When the sales taxes incurred on the purchase of goods or services are not recoverable from tax authorities, in which case the sales tax is recognized as part of the cost of acquiring the asset or expense item, as applicable.
- When the amounts receivable and payable are presented together with the amount of sales taxes.
- When the net amount of sales taxes, recoverable or payable, is included as a component of amounts receivable or payable in the balance sheet.

m) Present value adjustment of assets and liabilities

Non-current monetary assets and liabilities are monetarily restated and, therefore, are adjusted to their present value. Present value adjustment of short-term monetary assets and liabilities is only recorded if considered relevant in relation to the overall financial statements.

n) Share-based payment

The share-based compensation of executives is measured and recognized at fair value when the options are granted, in specific balance sheet and profit or loss accounts, to the extent that contractual conditions are met. The cost of equity – settled transactions is recognized during the year the performance and/or service conditions are met, ending when the employee becomes fully entitled to the award (acquisition date). Accumulated expenses recognized through the acquisition date reflect the extent to which the acquisition period has expired and the Company's best estimate of the number of membership certificates that will be acquired.

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

n) Share-based payment (Continued)

When an award that is settled with equity instruments is canceled, it is treated as if it had vested on the date of cancellation, and any unrecognized expense in relation to the award is immediately recognized. This includes any awards where non-vesting conditions within control of the Company or of the counterparty are not complied with. However, if a new plan replaces the canceled plan, and it is designated as such at the date on which it is granted, the canceled plan and the new plan are treated as a modification to the original plan.

o) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted of equity. No gains or losses are recognized in P&L on purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between carrying amount and consideration is recognized in other capital reserves.

p) Cash flow statements

Cash flow statements were prepared using the indirect method and are presented in accordance with CPC 03 (R2).

q) Segment reporting

The Company only operates in the hospital segment thus does not present segment reporting.

r) Earnings per share

Basic earnings per share are calculated dividing net income by the weighted average number of outstanding shares in the year.

The Company has not issued and/or granted equity instruments that should be considered in the calculation of diluted earnings per share, according to Accounting Pronouncement CPC 41.

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

s) Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires the Company's management to make judgments, estimates and adopt assumptions that affect revenue, expense, asset and liability amounts and disclosures of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The main assumptions related to sources of uncertainties in future estimates and other important sources of uncertainties in estimates at balance sheet date involving risk of causing a significant adjustment in the book value of assets and liabilities in the next financial year are as under:

Allowance for disallowances and doubtful accounts

The allowance for doubtful accounts is presented reducing the balance of accounts receivable being set up for an amount considered by management to be sufficient to cover any losses on the realization of this balance, considering the individual risk of the portfolios.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

s) Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Useful life of fixed and intangible assets

The depreciation or amortization of fixed and intangible assets considers the best estimate of Management about use of these assets throughout their operations. Changes in the economic scenario and/or in the consumer market may require the review of such useful life estimates.

Impairment of non-financial assets

Management annually reviews the net book value of assets in order to evaluate events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. When such evidence is found, and net book value exceeds recoverable amount, a provision for impairment is recorded so as to adjust the net book value to the recoverable amount.

The recoverable value of an asset or a certain cash generating unit is defined as being the higher of value in use and net sales value. In the case of the Company, the evaluation considered each of its stores as a cash generating unit.

Upon estimation of the asset's value in use, the estimated future cash flows are discounted to their present value, using a discount rate before taxes that reflects the weighted average cost of capital for the segment where the cash-generating unit operates. Whenever possible, the net sales value is determined considering outright sale agreements in arm's length transactions between knowledgeable and willing parties less costs of disposal; if no outright sale agreements can be identified, this will be based on the market price of an active market or the price of the most recent transaction involving similar assets.

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

s) Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Impairment of non-financial assets (Continued)

This criterion is also applied to evaluate impairment of intangible assets with indefinite useful lives, which are tested for impairment at December 31 of each year, either individually or at the CGU level, as applicable or when circumstances indicate that the carrying value may be impaired. When such evidence is identified and the net book value exceeds the recoverable value, a provision for impairment is setup, adjusting the net book value to the recoverable value.

Income and social contribution taxes

Deferred income and social contribution assets are only recognized to the extent in which it is probable that taxable profit will be generated to allow use of temporary differences and tax losses may be offset. Recovery of deferred tax assets is reviewed at each reporting period end and, when future taxable profit is no longer likely to be available for total or partial asset recovery, the asset balance is adjusted to the amount expected to be recovered.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Provision for contingencies

The Company recorded provisions, which involve significant judgment by management, for tax, labor and civil contingencies for which it is probable that outflow of funds embodying economic benefits will be necessary to settle the obligation and the amount of such obligation may be reliably estimated. The Company is also subject to legal, civil and labor claims arising in the normal course of its business activities.

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

s) Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Provision for contingencies (Continued)

The assessment of the likelihood of loss includes an analysis of available evidence, the hierarchy of laws, available case law, the latest decisions of courts of law and their relevance in the legal system, as well as the opinion of external legal advisors. These provisions are reviewed and adjusted to consider changes in circumstances, such as applicable statute-barring period, conclusions of tax audits or additional exposures found based on new issues or court decisions. Actual results may differ from the amounts estimated. The fundamentals and nature of the provision for contingencies are described in Note 15.

Settlement of transactions involving these estimates may result in amounts materially different from those recorded in the financial statements due to inaccuracies inherent to their determination process. The Company reviews its estimates and assumptions at least once a year.

t) Pronouncements issued but not yet effective at December 31, 2013

Pronouncements and interpretations issued by IASB, but which had not taken effect until the issuance date of the financial statements of the Company, are disclosed as follows. The Company intends to adopt these pronouncements once they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, is the first step in IASB's project to replace IAS 39 and applies to classification and measurement of financial assets and liabilities as defined by IAS 39. Initially, the pronouncement would become effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9: Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, amended the effective date of IFRS 9 to annual periods beginning on or after January 1, 2015. In the subsequent steps, IASB will address issues such as hedge accounting and provision for impairment of financial assets. The Company is evaluating the total impact from IFRS 9.

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

t) Pronouncements issued but not yet effective at December 31, 2013 (Continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments will become effective for annual periods beginning on or after January 1, 2014 and introduce a consolidation exception for entities that meet the definition of 'investment entity' in IFRS 10. Under this exception, investment entities are required to measure their investments in subsidiaries at fair value through profit or loss. The Company records its investments in accordance with IFRS 11 and believes that, as such, there are no impacts from not adopting IFRS 10.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognize a liability for a tax or levy when the obligating event occurs. For a levy that is triggered upon reaching a given metric, the interpretation indicates that no liability should be recognized before the specified metric is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. Management does not anticipate any material impact therefrom on the financial statements of the Company.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendment to IAS 39

This amendment introduces a relief regarding discontinuance of hedge accounting where a derivative, which is designated as hedging instrument, is novated, if specific conditions are met. These amendments are effective for years started on or after January 1, 2014. The Company is evaluating the total impact of IAS 39 and its consequences.

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

t) Pronouncements issued but not yet effective at December 31, 2013 (Continued)

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

	Interest (%)					
	12/31/2013		12/31/2012		12/31/2011	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Company - Rede D'Or São Luiz S.A. (a)						
Fully consolidated companies						
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	95.52	-	95.52	-	85.34	-
Rodin Empreendimentos e Participações Ltda.	-	100.00	-	100.00	100.00	-
Hospital Esperança S.A. ("Esperança")	100.00	-	100.00	-	-	50.00
LE Participações Societárias S.A. (merged in 2012)	-	-	-	-	100.00	-
Mais-multi Assistência Incorporada a Saúde Ltda. ("São Marcos") (merged in 2012)	-	-	-	-	100.00	-
São Luiz Serviços Médicos S.A. (organized in 2012)	100.00	-	100.00	-	-	-
Advance Plano de Saúde Ltda.	100.00	-	100.00	-	100.00	-
São Luiz Assistência Médica Ambulatorial Ltda.	100.00	-	100.00	-	100.00	-
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	70.00	-	-	35.00	-	35.00
PMJ Empreendimentos Imobiliários S.A (organized in 2013)	100.00	-	-	-	-	-
Quinta D'Or Empreendimentos Imobiliários Ltda. (organized in 2013)	100.00	-	-	-	-	-
Onco D'Or S.A. (d)	100.00	-	-	-	-	-
Angio dinâmica S.A.	100.00		100.00	-	-	-
Centro Diagnóstico NSL S.A.	100.00	-	100.00	-	-	-
Maxiclínicas Clínicas e Diagnósticos Ltda.	100.00	-	100.00	-	100.00	-
Diagno São Marcos Ltda.	100.00	-	100.00	-	100.00	-
Diagnolab Exames Complementares Ltda	100.00	-	100.00	-	100.00	-
Instituto Oncológico de Pernambuco Ltda. ("IOPE") (e)	100.00	-		100.00		49.00
Santa Luzia Assistência Médica Ltda. ("SLAM")	100.00	-	100.00	-	-	-
Companies consolidated by the equity pickup method (b)						
Hospital Fluminense S.A.	50.00	-	50.00	-	50.00	-
Acreditar Oncologia S.A.	-	50.00	50.00	-	-	-
Centro Oncológico do Vale Ltda. (f)	-	50.00	-	-	-	-
Instituto de Radioterapia do Vale do Paraíba Ltda. (f)	-	50.00	-	-	-	-
Clínica de Oncologia Dr. Paulo Emilio Pinto Ltda. (f)	-	50.00	-	-	-	-
Onco ABC Serviços Médicos Ltda.	-	50.00	50.00	-	-	-
JLD Borducchi Ltda.	-	50.00	50.00	-	-	-
Cardial Serviços Médicos S.A.	-	50.00	50.00	-	-	-
ONCORAD - Serviços de Radioterapia Ltda.	-	50.00	-	50.00	-	-
Oncoholding Participações S.A.	-	50.00	50.00	-	-	-
Oncologia D'Or S.A. (former Oncologistas Associados Serviços Médicos S.A.)	-	50.00	-	50.00	50.00	-
Cible Serviços Médicos e Hospitalares Ltda. (c)	-	-	-	-	50.00	-
Clínica OAL Serviços Médicos Ltda. (c)	-	-	-	-	49.50	-
Oncotech Oncologia Ltda. ("Oncotech") (c)	-	-	-	-	50.00	-
Coral - Centro de Oncologia e Radioterapia Ltda. (c)	-	-	-	-	43.75	-
Centro Radioterápico Gávea S/C Ltda. (c)	-	-	-	-	43.75	-
LFC Serviços Médicos S/C Ltda. (c)	-	-	-	-	43.75	-
Serviços de Radioterapia São Peregrino Ltda. (c)	-	-	-	-	43.75	-
Scanmed Aluguel de Máquinas e Equipamentos Ltda(c)	-	-	-	-	43.75	-
Instituto de Oncologia e Radioterapia São Pellegrino Ltda. (c)	-	-	-	-	43.75	-
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	-	50.00	-	50.00	-
J Badim S.A. ("Hospital Badim")	-	50.00	-	50.00	-	50.00
PRONCORDIS - Pronto Atendimento Cardiológico Ltda. ("Hospital Provita")	-	50.00	-	50.00	-	50.00
Rede Lav Lavanderia Industrial Hospitalar Ltda.	-	50.00	-	50.00	-	50.00
JR Bayão Locação de Equipamentos Médicos Ltda.	-	50.00	-	50.00	-	50.00
EAH Administração Hospitalar Ltda.	-	50.00	-	50.00	-	50.00
Prontimagem Serviços Médicos Ltda.	50.00	-	50.00	-	50.00	-

(a) This includes hospitals São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or, Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Hospital Santa Luzia, Hospital do Coração, Sinisgalli, Hospital Nossa Senhora de Lourdes and Hospital da Criança.

(b) Jointly-controlled companies recognized by the equity pickup method.

(c) Company merged with Oncoholding in 2012.

(d) Company organized in 2013 in order to be a holding to integrate the oncology companies.

(e) In 2012, IOPE was an indirect subsidiary of Rede D'Or, and in 2013, through a corporate reorganization, it started to be a direct subsidiary. For already being 100% of D'Or Network in prior years, management believes that it is not necessary to make a business combination analysis.

(f) In 2013, Onco D'Or acquired 50% interest in Centro Oncológico do Vale Ltda., Instituto de Radioterapia do Vale do Paraíba Ltda. and Clínica de Oncologia Dr. Paulo Emilio Pinto Ltda., and started to hold shared control over these companies. For holding only shared control over these operations, the result of these companies is recognized by the equity pickup method in the Company's income statement.

3. Business combination

Acquisitions in 2013

a) Hospital Norte D'Or Cascadura S.A. ("Norte D'Or")

On July 23, 2013, Rede D'Or acquired and merged with Norte D'Or Participações S.A., holder of 7,452,160 shares of Norte D'Or, corresponding to 35% of its capital, through issue of 171,286 new common shares of the Company, for R$7,452. Thus, Rede D'Or, started to hold control over Hospital Norte D'Or with 70% shareholding interest therein.

The fair value of consideration paid in shares, in the amount of R$7,452, substantially represented the fair value of acquired net assets, therefore, there was no goodwill generation in the transaction, as under:

	At acquisition date
Fair value of 100% of net asset at the date of obtaining of control	**21,291**
Fair value of prior shareholding interest (35%)	**(7,452)**
Net assets at fair value	**13,839**
Noncontrolling interest	**(6,387)**
Net assets at fair value after noncontrolling interest	**7,452**
Consideration transferred (in shares)	**7,452**
Goodwill generated on acquisition	**-**

The valuation report prepared by independent appraisers confirmed that there were no significant differences between the fair value of acquired assets and assumed liabilities in relation to those accounted for at acquisition date.

3. Business combination (Continued)

Acquisitions in 2012

a) Santa Luzia Participações S.A. ("Santa Luzia")

On May 23, 2012, the Company acquired 3,493,497 registered common shares, with no par value, from Santa Luzia, corresponding to 97.31% of its capital, including indirect interest of 99.76% in Hospital Santa Luzia S.A. capital and 69.97% in Hospital do Coração do Brasil S.A. capital.

Total consideration transferred for the purchase of the companies amounted to R$ 502,159, R$ 487,640 of which were paid at the acquisition date, and the remaining R$ 14,519 was settled one year after the agreement execution.

The allocations made and goodwill on the acquisition are as under:

		At acquisition date
Net assets acquired at book value		**58,620**
Adjustments at fair value		
Property and equipment	(i)	**270,656**
Other		**(527)**
Net assets at fair value		**328,749**
Noncontrolling interest	(ii)	**(25,923)**
Net assets at fair value after noncontrolling interest		**302,826**
Consideration transferred		**502,159**
Goodwill generated on acquisition		**199,333**

(i) The measurement of fair values of property and equipment was made by an independent appraiser by means of an equity valuation report based on the cost Evolutive, Involutive, Comparative (market data) and Quantification method.

(ii) Noncontrolling interest was measured at fair value, which considered the exchange ratio between the Group and noncontrolling shareholders of Santa Luzia. After acquiring noncontrolling interest, the Group held 100% of interest in Santa Luzia, and such noncontrolling shareholders held 0.67% in the Company, 0.18% of which by noncontrolling shareholders of Santa Luzia and 0.49% by noncontrolling shareholders of Hospital do Coração.

After acquiring 100% of shares of Santa Luzia and subsidiaries in July 2012, such companies were merged into the Company. The merger did not impact consolidated balances.

3. Business combination (Continued)

Acquisitions in 2012 (Continued)

b) Sinisgalli Administração e Participação S.A. ("Sinisgalli")

On April 12, 2012, the Company acquired control of Sinisgalli, controlling holding of Hospital Nossa Senhora de Lourdes S.A., Instituto de Especialidades Pediátricas de São Paulo S.A., Angiodinâmica S.A., Lithocenter S.A. and Centro de Diagnóstico NSL S.A., privately-held companies operating two hospitals and one laboratory in São Paulo.

Total consideration transferred for the purchase of the company amounted to R$22,007, paid on the acquisition date.

The allocations made and goodwill on the acquisition are as under:

		At acquisition date
Assumed capital deficiency		**(141,568)**
Adjustments at fair value		
Property and equipment	(i)	**8,100**
Accounts receivable		**(438)**
Trade accounts payable		**249**
Non-controlling interest		**(982)**
Assumed liabilities at fair value		**(134,639)**
Consideration transferred		**22,007**
Goodwill generated on acquisition		**156,646**

(i) The measurement of fair values of property and equipment was made by an independent appraiser by means of an equity valuation report based on the cost Evolutive, Involutive, Comparative (market data) and Quantification method.

After acquiring 100% of shares of Sinisgalli and subsidiaries in December 2012, the companies were merged into the Company. The merger did not impact consolidated balances.

3. Business combination (Continued)

Acquisitions in 2012 (Continued)

c) Hospital Esperança Ltda. ("Esperança")

On August 1, 2012, LE Participações Societárias S.A. acquired 1,485,877,086 units of interest, with a par value of R$ 0.01 (one cent), from Esperança, corresponding to 50% of its capital.

Total consideration transferred for the purchase of the companies amounted to R$ 73,351, fully paid in 2012.

As provided for by accounting pronouncement CPC 15 – Business combinations, the Company assessed and recorded the gain on prior shareholding interest at the date of control acquisition. The allocations made and gain on the acquisition are as under:

	At acquisition date
Prior shareholding interest at fair value	**73,351**
Prior shareholding interest at book value (50%)	**(19,147)**
Gain on phased business combination	**54,204**
Deferred income and social contribution tax assets	**18,429**
Net gain on phased business combination	**35,775**

The result presented above was classified in Other operating income in the income statement for 2012.

The allocations made and goodwill on the acquisition are as under:

	At acquisition date
Fair value of 50% of acquired net assets at the date of obtaining of control	**73,351**
Fair value of acquired shareholding interest	**73,351**
Net assets at fair value	**38,294**
Goodwill generated on acquisition	**108,408**

The Company assessed fair value of acquired assets and assumed liabilities in the operation and concluded that there is no significant difference in relation to net book values.

3. Business combination (Continued)

Acquisitions in 2011

a) Mais-multi Assistência Incorporada a Saúde Ltda. ("São Marcos")

On October 5, 2011, the Group acquired 100% of voting shares from São Marcos, a privately-held company operating one hospital and one laboratory in Recife.

Rede D'Or measured, at the acquisition date, the assets acquired and liabilities assumed at their fair values. Total consideration transferred for the purchase of the company amounted to R$ 11,000, R$ 7,000 of which were paid at the acquisition date and R$ 4,000 will be retained for 72 months to ensure payment of any significant contingencies.

The allocations made and goodwill on the acquisition are as under:

	At acquisition date
Net assets acquired at book value	**(705)**
Adjustments at fair value	
Accounts receivable	**(4)**
Trade accounts payable	**84**
Property and equipment	**818**
Net assets at fair value	**193**
Consideration transferred	**11,000**
Goodwill generated on acquisition	**10,807**

After acquisition of 100% of the shares of São Marcos, in December 2012, the company was merged into Hospital Esperança S.A. The merger did not impact consolidated balances.

3. Business combination (Continued)

Acquisitions in 2011(Continued)

b) Vivalle Serviços de Saúde Ltda. ("Vivalle")

On December 9, 2011, the Group acquired 100% of voting shares from Vivalle, a privately-held company operating one hospital in São José dos Campos.

Rede D'Or measured, at the acquisition date, the assets acquired and liabilities assumed at their fair values. Total consideration transferred for the purchase of the company amounted to R$67,988, R$3,200 of which will be paid in six years, and the remaining was paid on the agreement execution date. The amount of R$5,000 was settled through release of certain licenses as contractually agreed.

After concluding the analyses of this business combination in 2012, allocations of R$28,920 were made to property and equipment, as such the remaining goodwill was as follows:

	At acquisition date
Net assets acquired at book value	**376**
Adjustments at fair value	
Property and equipment	**28,920**
Net assets at fair value	**29,296**
Consideration transferred	**67,988**
Goodwill generated on acquisition	**38,692**

Vivalle was merged into Rede D'Or São Luiz S.A. in December 2011.

4. Cash, cash equivalents and marketable securities

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Cash and cash equivalents						
Cash and banks	**26,095**	17,851	113,166	**37,669**	30,737	119,257
Short-term investments	**31,693**	27,618	176,524	**51,853**	168,911	270,480
	57,788	45,469	289,690	**89,522**	199,648	389,737
Marketable securities						
Non-exclusive investment funds	**22,226**	77,119	114,166	**32,076**	80,022	114,666
Repurchase agreements	**629,877**	693,431	515,196	**749,834**	719,500	515,196
Bank Deposit Certificates (CDB)	**10,534**	1,875	20,362	**80,232**	1,946	20,362
Guarantee bank deposit	**-**	-	-	**63,000**	-	
Marketable securities	**662,637**	772,425	649,724	**932,142**	801,468	649,724
Current	**662,637**	772,425	649,724	**869,142**	801,468	649,724
Noncurrent	**-**	-	-	**63,000**	-	-

Short-term investments classified as marketable securities particularly refer to Bank Deposit Certificates (CDBs) and debentures with repurchase clauses, which are part of the exclusive "FIM CP Plataforma" fund portfolio, issued by first-tier financial institutions, substantially remunerated based on 85% to 105% of Interbank Deposit Certificate (CDI) (85% to 104% in 2012 and 2011). The amount recorded in noncurrent portion refers to deposit made in connection with a property purchase, which is readily redeemable by the Company.

Short-term investments classified as cash equivalents mature within not more than 90 days from the investment date, and the amounts classified as marketable securities refer to securities maturing after 90 days, held for trading.

5. Accounts receivable

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

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Accounts receivable from health insurance and health plans	**997,583**	731,767	496,599	**1,283,413**	919,382	552,339
Accounts receivable from individuals	**65,406**	65,596	33,912	**71,246**	70,533	36,154
Provision for disallowances	**(60,425)**	(30,327)	(59,785)	**(108,120)**	(60,874)	(69,119)
Allowance for doubtful accounts	**(165,499)**	(104,691)	(40,023)	**(197,258)**	(110,397)	(44,179)
	837,065	662,345	430,703	**1,049,281**	818,644	475,195

Changes in provisions/allowances

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

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Balance at beginning of year	**(135,018)**	(99,808)	(20,094)	**(171,271)**	(113,298)	(23,819)
Set up of provision for disallowances	**(135,994)**	(123,171)	(75,083)	**(182,335)**	(169,774)	(136,000)
Reversal of provision for disallowances	**105,896**	148,405	14,381	**135,089**	183,495	66,703
Set up of allowance for doubtful accounts	**(60,808)**	(29,597)	(19,012)	**(81,895)**	(30,573)	(20,182)
Provision for company acquisitions	**-**	(30,847)	-	**(4,966)**	(41,121)	-
Balance at end of year	**(225,924)**	(135,018)	(99,808)	**(305,378)**	(171,271)	(113,298)

At December 31, 2013, the aging list of trade accounts receivable is as follows:

	Company								
			Overdue						
	Total	**Falling due**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 180 days**	**181 - 360 days**	**Over 360 days**
2013	**1,062,989**	**599,150**	**84,392**	**35,949**	**32,853**	**22,770**	**37,516**	**84,860**	**165,499**
2012	797,363	424,994	79,659	39,232	21,084	18,909	34,040	74,754	104,691
2011	530,511	327,441	46,121	19,647	17,955	12,444	20,503	46,377	40,023

5. Accounts receivable (Continued)

Changes in provisions/allowances (Continued)

	Consolidated								
			Overdue						
	Total	Falling due	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 180 days	181 - 360 days	Over 360 days
2013	**1,354,659**	**732,687**	**124,179**	**49,724**	**43,465**	**30,958**	**50,788**	**125,600**	**197,258**
2012	989,915	542,358	100,084	49,228	31,511	27,946	45,085	83,306	110,397
2011	588,493	344,575	58,400	23,385	20,441	14,559	23,885	59,069	44,179

6. Inventories

	Company			Consolidated		
	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Medicines	**16,514**	16,984	9,703	**21,395**	21,259	11,499
Special materials	**15,114**	5,019	3,230	**21,429**	5,195	3,625
Disposable materials	**11,566**	8,254	6,470	**14,414**	10,102	7,291
Bracing and prosthetic	**10,552**	16,608	21,346	**11,263**	19,249	23,284
Materials for use and consumption	**5,595**	3,856	3,129	**6,953**	4,869	3,579
Food items	**1,998**	4,126	639	**2,309**	4,818	3,180
Dressing room materials	**1,637**	1,141	1,106	**2,035**	1,554	1,551
Surgical sutures	**1,139**	861	675	**1,540**	1,188	787
Other	**2,593**	3,981	1,845	**2,978**	4,578	2,064
	66,708	60,830	48,143	**84,316**	72,812	56,860

7. Transactions with related parties

Balances with related parties

	Company												
	12/31/2013				12/31/2012 (restated)					12/31/2011 (restated)			
Company	Current assets	Noncurrent assets	Noncurrent liabilities	Net income	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Net income	Current assets	Noncurrent assets	Noncurrent liabilities	Net income
Debentures Norte D'Or (a)	**11,370**	**24,231**	**-**	**3,960**	471	35,000	-	-	3,512	-	-	-	-
Debentures Oncotech Oncologia S.A. (b)	**13,046**	**15,385**	**-**	**3,861**	13,167	27,692	-	-	4,589	-	-	-	-
Shared services (c)	**-**	**157,985**	**-**	**125,926**	32,059	-	-	-	24,452	7,607	-	-	7,607
São Luiz Serviços Médicos S.A.	**-**	**11,218**	**-**	**-**	-	18,493	-	-	-	-	-	-	-
Angiodinâmica	**-**	**1,301**	**-**	**-**	-	-	-	2,045	-	-	-	-	-
Centro Dignóstico NSL	**-**	**1,317**	**-**	**-**	-	-	-	1,230	-	-	-	-	-
Medise Medicina Diagnóstico e Serviços Ltda.	**-**	**3,840**	**-**	**-**	-	11,353	-	-	-	-	-	977	-
LE Participações Societárias S.A.	**-**	**-**	**-**	**-**	-	-	-	4,422	-	-	12,794	-	-
PMJ Assessoria e Consultoria Financeira S.A.	**-**	**5,882**	**-**	**-**	-	4,235	-	-	-	-	3,484	-	-
Quinta D'Or Empreendimentos Imobiliários S.A.	**-**	**46,920**	**-**	**-**	-	-	-	-	-	-	-	-	-
Oncologia Rede D'Or S.A.	**-**	**36,085**	**-**	**-**	-	31,069	-	-	-	-	68,049	-	-
Hospital Fluminense S.A.	**-**	**16,634**	**-**	**-**	-	13,356	-	-	-	-	4,834	-	-
Hospital São Marcos Ltda.	**-**	**14,607**	**-**	**-**	-	12,706	-	-	-	-	3,080	-	-
Centro Hospitalar São Marcos Ltda.	**-**	**-**	**-**	**-**	-	4,490	-	-	-	-	-	-	-
Hospital Esperança S.A.	**-**	**-**	**12,959**	**-**	-	29,382	-	-	-	-	-	-	-
JMJB Diagnósticos e Serviços Hospitalares S.A.	**-**	**2,441**	**-**	**-**	-	-	-	-	-	-	-	-	-
Diagnolabs Ltda.	**-**	**2,922**	**-**	**-**	-	292	-	-	-	-	-	-	-
Other	**-**	**4,730**	**1,523**	**-**	-	2,634	364	1,312	-	-	8,365	627	-
	24,416	**345,498**	**14,482**	**133,747**	45,697	190,702	364	9,009	32,553	7,607	100,606	1,604	7,607

7. Transactions with related parties (Continued)

Balances with related parties (Continued)

	Consolidated											
	12/31/2013				12/31/2012 (restated)					12/31/2011 (restated)		
Company	Current assets	Noncurrent assets	Noncurrent liabilities	Net income	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Net income	Noncurrent assets	Noncurrent liabilities	Net income
Debentures Norte D'Or (a)	-	-	-	-	471	35,000	-	-	-	-	-	-
Debentures Oncotech Oncologia S.A. (b)	**13,046**	**15,385**	-	-	13,167	27,692	-	-	-	-	-	-
Shared services (c)	-	**18,071**	-	**7,210**	10,861	-	-	-	10,861	-	-	-
Angiodinâmica	-	-	-	-	-	-	-	2,045	-	-	-	-
Centro Dignóstico NSL	-	-	-	-	-	-	-	1,230	-	-	-	-
PMJ Assessoria e Consultoria Financeira S.A.	-	-	-	-	-	4,235	-	-	-	3,484	-	-
Oncologia Rede D'Or S.A.	-	**36,085**	-	-	-	31,069	-	-	-	68,049	-	-
Hospital Fluminense S.A.	-	**16,634**	-	-	-	13,356	-	-	-	4,834	-	-
Centro Hospitalar São Marcos Ltda.	-	**5,156**	-	-	-	4,490	-	-	-	-	-	-
JMJB Diagnósticos e Serviços Hospitalares S.A.	-	**2,441**	-	-	-	-	-	-	-	-	-	-
Diagnolabs Ltda.	-	**5,576**	-	-	-	292	-	-	-	-	-	-
Other	-	**6,194**	**604**	-	-	6,624	849	812	-	8,698	477	-
	13,046	**105,542**	**604**	**7,210**	24,499	122,758	849	4,087	10,861	85,065	477	-

7. Transactions with related parties (Continued)

(a) On February 9, 2012, Hospital Norte D'Or privately issued nonconvertible, single-series, registered debentures amounting to R$ 35,000, maturing on February 10, 2017, with Rede D'Or São Luiz S.A. as the debenture holder. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 3.5% p.a. Interest is paid on a quarterly basis. There are no expected guarantees for the debentures. Upon a 10-day notice, Norte D'Or is entitled to repay the debentures in advance, as provided for by agreement.

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

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

The other transactions with related parties refer to transfers of funds between the companies, of which the main balances are eliminated in the consolidated financial statements. These balances between related parties are not restated and do not have a defined maturity.

The remaining balances above are current account operations with the unconsolidated companies and/or advances to shareholders/units of interest holders that will be settled through offset of dividends to be distributed in the future.

7. Transactions with related parties (Continued)

Key management personnel compensation

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

In 2013 and 2102, key management personnel compensation is as follows:

	12/31/2013	12/31/2012
Salaries and bonuses	**16,300**	15,400
Benefits	**500**	200
Share-based compensation	**20,656**	16,234
	37,456	31,834

8. Investments

Breakdown of balances - Company

Company	Balances at 12/31/2012 (restated)	Equity pickup	Write-off/merger	Partial spin off	Acquisition of shareholding	Dividends	Capital increase	Goodwill and other	Balances at 12/31/2013
Medise Medicina Diagnóstico e Serviços S.A.	28,043	**26,211**	**-**	**-**	**-**	**-**	**-**	**3,785**	**58,039**
Hospital Esperança S.A.	47,759	**(5,975)**	**-**	**-**	**-**	**(1,293)**	**-**	**-**	**40,491**
Hospital São Marcos.	17,661	**(735)**	**-**	**-**	**-**	**-**	**-**	**-**	**16,926**
PMJ Empreendimentos Imobiliários S.A.	-	**(1,143)**	**-**	**-**	**-**	**-**	**64,751**	**(521)**	**63,087**
Hospital Norte D'Or de Cascadura S.A.	-	**1,309**	**-**	**7,452**	**7,452**	**(1,002)**	**-**	**-**	**15,211**
Acreditar Oncologia S.A.	17,956	**473**	**(30,087)**	**-**	**-**	**(1,339)**	**7,667**	**5,330**	**-**
Onco ABC Serviços Médicos Ltda.	9,655	**1,609**	**(10,764)**	**-**	**-**	**(500)**	**-**	**-**	**-**
Onco D'Or	-	**(3,725)**	**62,543**				**35,412**		**94,230**
Oncoholding	22,483	**2,550**	**(21,692)**	**-**	**-**	**(3,341)**	**-**	**-**	**-**
JMJB Diagnósticos e Serviços Hospitalares	14,171	**3,151**	**-**	**(7,452)**	**-**	**(528)**	**-**	**-**	**9,342**
Other	10,904	**9,910**	**-**	**-**	**7,479**	**-**	**-**	**1,161**	**29,454**
Total	168,632	**33,635**	**--**	**-**	**14,931**	**(8,003)**	**107,830**	**9,755**	**326,780**
São Luiz Serviços Médicos S.A.	(4,973)	**(39,619)**	**-**	**-**	**-**	**-**	**-**	**-**	**(44,592)**
Hospital Fluminense S.A.	(3,294)	**(666)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,960)**
	(8,267)	**(40,285)**	**-**	**-**	**-**	**-**	**-**	**-**	**(48,552)**
Equity pickup		**(6,650)**							

8. Investments (Continued)

Breakdown of investments – Company (Continued)

Company	Balances at 12/31/2011 (restated)	Equity pickup	Write-off/merger	Acquisition of shareholding	Dividends	Goodwill and other	Balances at 12/31/2012 (restated)
Medise Medicina Diagnóstico e Serviços S.A.	40,183	8,799	-	6,036	(26,975)	-	28,043
Hospital Esperança S.A.	-	44,754	-	3,005	-	-	47,759
Hospital São Marcos	7,133	1,343	-	-	-	9,185	17,661
LE Participações Societárias S.A.	5,229	(2,224)	(3,005)	-	-	-	-
Acreditar Oncologia S.A.	-	642	-	4,139	-	13,175	17,956
Onco ABC Serviços Médicos Ltda.	-	-	-	4,831	-	4,824	9,655
Oncoholding	29,760	(6,084)	-	-	(1,193)	-	22,483
JMJB Diagnósticos e Serviços Hospitalares	9,941	4,996	-	-	(766)	-	14,171
Rodin Empreendimentos e Participações Ltda.	69,000	-	(69,000)	-	-	-	-
Other	6,192	(5,956)	-	2,426	-	8,242	10,904
Total	167,438	46,270	(72,005)	20,437	(28,934)	35,426	168,632
São Luiz Serviços Médicos S.A.	-	(4,973)	-	-	-	-	(4,973)
Hospital Nossa Senhora de Lourdes	-	(49,612)	59,191	(9,579)	-	-	-
Hospital Fluminense S.A.	(2,206)	(1,088)	-	-	-	-	(3,294)
	(2,206)	(55,673)	59,191	(9,579)	-	-	(8,267)
Equity pickup		(9,403)					

Company (restated)	Balances at 12/31/2010	Equity pickup	Write-off/merger	Acquisition of shareholding	Dividends	Goodwill and other	Balances at 12/31/2011 (restated)
Medise Medicina Diagnóstico e Serviços S.A.	23,403	16,780	-	-	-	-	40,183
LE Participações Societárias S.A.	3,578	1,651	-	-	-	-	5,229
Oncoholding	-	2,278	-	27,482	-	-	29,760
JMJB Diagnósticos e Serviços Hospitalares	3,283	6,658	-	-	-	-	9,941
Rodin Empreendimentos e Participações Ltda.	-	1,295	-	51,512	-	16,193	69,000
Advance	2,392	(2,606)	-	-	-	521	307
Hospital São Marcos	-	-	-	7,133	-	-	7,133
Casa de Saúde e Maternidade Rio de Janeiro	2,846	313	(3,159)	-	-	-	-
Joari	4,791	3,589	(8,380)	-	-	-	-
Other	3,972	881	-	-	-	1,032	5,885
Total	44,265	30,839	(11,539)	86,127	-	17,746	167,438
Hospital Realcordis S.A.	(6,856)	(11,792)	18,648	-	-	-	-
Hospital Fluminense S.A.	-	(1,934)	-	(272)	-	-	(2,206)
		(13,726)	18,648	(272)	-	-	(2,206)
Equity pickup		17,113					

Breakdown of balances - Consolidated

Company	Balances at 12/31/2012 (restated)	Equity pickup	Partial spin off	Acquisition of shareholding	Dividends	Capital increase	Goodwill and other	Balances at 12/31/2013
Oncoholding	22,483	**5,113**	**-**	**-**	**(3,341)**	**-**	**-**	**24,255**
JMJB Diagnósticos e Serviços Hospitalares	14,171	**3,151**	**(7,452)**	**-**	**(528)**	**-**	**-**	**9,342**
Acreditar Oncologia S.A.	17,956	**946**	**-**	**-**	**(1,339)**	**7,667**	**5,330**	**30,560**
Onco ABC Serviços Médicos Ltda.	9,655	**3,452**	**-**	**-**	**(500)**	**-**	**-**	**12,607**
Onco São José dos Campos	-	**228**	**-**	**1,472**	**-**	**-**	**30,967**	**32,667**
Other	20,962	**(1,631)**	**(7,325)**	**-**	**-**	**-**	**(5,215)**	**6,791**
Total	85,227	**11,259**	**(14,777)**	**1,472**	**(5,708)**	**7,667**	**49,081**	**116,222**
Hospital Fluminense S.A.	(3,294)	**(666)**	**-**	**-**	**-**	**-**	**-**	**(3,960)**
Equity pickup		**10,593**						

8. Investments (Continued)

Breakdown of investments – Consolidated (Continued)

Company (restated)	Balances at 12/31/2011 (restated)	Equity pickup	Write-off/merger	Acquisition of shareholding	Dividends	Goodwill and other	Balances at 12/31/2012 (restated)
Oncoholding	29,760	(6,084)	-	-	(1,193)	-	22,483
JMJB Diagnósticos e Serviços Hospitalares	9,941	4,996	-	-	(766)	-	14,171
Hospital Esperança S.A.	18,012	1,127	(19,139)	-	-	-	-
Acreditar Oncologia S.A.	-	642	-	4,139	-	13,175	17,956
Onco ABC Serviços Médicos Ltda.	-	-	-	4,831	-	4,824	9,655
Other	5,335	2,778	-	2,426	(950)	11,373	20,962
Total	63,048	3,459	(19,139)	11,396	(2,909)	29,372	85,227
Hospital Fluminense S.A.	(2,206)	(1,088)	-	-	-	-	(3,294)
Equity pickup		2,371					

Company (restated)	Balances at 12/31/2010	Equity pickup	Write-off/merger	Acquisition of shareholding	Balances at 12/31/2011 (restated)
Oncoholding	-	2.278	-	27.482	29.760
JMJB Diagnósticos e Serviços Hospitalares	3,283	6,658	-	-	9,941
Hospital Esperança S.A.	16,363	1,649	-	-	18,012
Other	5,043	292	-	-	5,335
Total	24,689	10,877	-	27,482	63,048
Hospital Fluminense S.A.	-	(1,934)	-	(272)	(2,206)
Equity pickup		8,943			

8. **Investments** (Continued)

	December 31, 2013							December 31, 2012
	% Total	% Voting	Assets	Liabilities	Equity	Operating income (loss)	Net income (loss) for the year	Net income (loss) for the year
Company - Rede D'Or São Luiz S.A. (a)								
Direct and indirect subsidiaries								
Medise Medicina Diagnóstico e Serviços S.A.	95.52	95.52	264,682	203,921	60,761	46,023	27,440	12,590
Hospital Esperança S.A. ("Esperança")	100.00	100.00	457,744	417,253	40,491	8,713	(5,975)	4,314
São Luiz Serviços Médicos S.A.	100.00	100.00	109,340	153,932	(44,592)	(39,924)	(39,619)	(4,966)
Advance Plano de Saúde Ltda.	100.00	100.00	14,948	11,916	3,033	655	1,232	(25)
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	70.00	70.00	77,134	55,402	21,732	8,395	2,947	2,925
PMJ Empreendimentos Imobiliários S.A (organized in 2013)	100.00	100.00	79,932	16,845	63,087	(229)	(1,143)	-
Quinta D'Or Empreendimentos Imobiliários Ltda. (organized in 2013)	100.00	100.00	46,920	46,920	-	-	-	-
Onco D'Or S.A. (organized in 2013)	100.00	100.00	94,230	-	10,572	(3,725)	(3,725)	-
Angio dinâmica S.A.	100.00	100.00	5,306	3,528	1,778	(1,413)	(2,446)	(2,058)
Centro Diagnóstico NSL S.A.	100.00	100.00	5,453	3,278	2,175	53	(143)	(236)
Maxiclínicas Clínicas e Diagnósticos Ltda.	100.00	100.00	1,221	590	631	2,099	1,739	(80)
Diagno São Marcos Ltda.	100.00	100.00	707	757	(50)	(431)	(486)	(1,843)
Diagnolab Exames Complementares Ltda	100.00	100.00	61	278	(217)	(30)	(30)	(102)
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	100.00	100.00	4,712	266	4,446	1,055	1,017	851
Santa Luzia Assistência Médica Ltda. ("SLAM")	100.00	100.00	5,782	2,567	3,215	127	275	(639)
Companies consolidated by the equity pickup method								
Hospital Fluminense S.A.	50.00	50.00	22,184	30,236	(8,052)	(1,093)	(1,332)	(2,208)
Acreditar Oncologia S.A.	50.00	50.00	40,639	5,869	34,770	1,316	1,895	2,383
Centro Oncológico do Vale Ltda.	50.00	50.00	8,766	7,948	819	(31)	(40)	-
Instituto de Radioterapia do Vale do Paraíba Ltda.	50.00	50.00	2,321	1,765	556	2,726	1,850	-
Clínica de Oncologia Dr. Paulo Emilio Pinto Ltda.	50.00	50.00	1,172	846	326	1,666	731	-
Onco ABC Serviços Médicos Ltda.	50.00	50.00	18,520	2,954	15,566	7,562	6,904	(45)
Oncoholding Participações S.A.	50.00	50.00	65,196	16,686	48,510	10,224	10,226	(12,168)
JMJB Diagnósticos e Serviços Hospitalares S.A.	50.00	50.00	21,204	2,520	18,684	6,794	6,302	9,992

(a) This includes hospitals São Luiz Itaim, São Luiz Morumbi, São Luiz Anália Franco, Copa D'Or, Quinta D'Or, Caxias D'Or, Brasil, Assunção, Prontolinda, Joari, Realcordis, HGB, HCB, Rio de Janeiro, Vivalle, Hospital Santa Luzia, Hospital do Coração, Sinisgalli, Hospital Nossa Senhora de Lourdes and Hospital da Criança.

9. Property and equipment

Breakdown

		Company								
		12/31/2013			12/31/2012 (restated)			12/31/2011 (restated)		
Description	Depreciation rate	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Hospital machinery and equipment	12% to 20%	300,594	(166,798)	133,796	253,737	(142,469)	111,268	198,001	(118,740)	79,261
Surgical instruments	20%	7,603	(4,279)	3,324	3,366	(3,002)	364	2,581	(2,092)	489
Machinery and equipment	7% to 10%	119,951	(47,480)	72,471	90,060	(34,326)	55,734	55,113	(25,616)	29,497
Properties	2.5% to 4%	234,215	(50,969)	183,246	479,650	(47,174)	432,476	252,935	(40,372)	212,563
Improvements	10%	44,602	(9,982)	34,620	25,874	(5,537)	20,337	16,312	(5,108)	11,204
Leasehold improvements	3% to 4%	348,322	(88,169)	260,153	277,658	(66,398)	211,260	155,518	(51,262)	104,256
Furniture and fixtures	10%	54,064	(26,292)	27,772	47,200	(21,639)	25,561	36,889	(17,639)	19,250
Vehicles	20%	2,517	(1,562)	955	2,517	(1,556)	961	2,454	(1,459)	995
Facilities	10%	18,612	(10,097)	8,515	16,245	(8,842)	7,403	13,126	(7,909)	5,217
Land	N/A	106,745	-	106,745	97,786	-	97,786	23,016	-	23,016
Construction in progress	N/A	110,422	-	110,422	67,436	-	67,436	99,494	-	99,494
Other	5% to 10%	9,727	(3,055)	6,672	6,938	(2,059)	4,879	2,536	(741)	1,795
		1,357,374	(408,683)	948,691	1,368,467	(333,002)	1,035,465	857,975	(270,938)	587,037

		Consolidated								
		12/31/2013			12/31/2012 (restated)			12/31/2011 (restated)		
Description	Depreciation rate	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Hospital machinery and equipment	12% to 20%	375,687	(201,996)	173,691	319,461	(172,140)	147,321	231,246	(143,034)	88,212
Surgical instruments	20%	8,815	(4,519)	4,296	4,037	(3,108)	929	2,912	(2,117)	795
Machinery and equipment	7% to 10%	138,582	(57,495)	81,087	101,945	(41,354)	60,591	63,362	(30,124)	33,238
Properties	2.5% to 4%	242,855	(50,190)	192,665	479,876	(47,185)	432,691	253,161	(40,372)	212,789
Improvements	10%	84,029	(10,015)	74,014	27,286	(5,539)	21,747	17,501	(5,109)	12,392
Leasehold improvements	3% to 4%	449,483	(151,583)	297,900	365,700	(115,081)	250,619	217,423	(91,537)	125,886
Furniture and fixtures	10%	66,411	(30,127)	36,284	55,153	(24,680)	30,473	42,901	(20,048)	22,853
Vehicles	20%	2,913	(1,688)	1,225	2,888	(1,682)	1,206	2,855	(1,575)	1,280
Facilities	10%	47,719	(18,268)	29,451	43,559	(14,435)	29,124	21,808	(11,891)	9,917
Land	N/A	239,054	-	239,054	181,972	-	181,972	99,502	-	99,502
Construction in progress	N/A	114,714	-	114,714	70,148	-	70,148	95,736	-	95,736
Other	5% to 10%	15,261	(4,548)	10,713	12,115	(3,483)	8,632	6,390	(741)	5,649
		1,785,523	(530,429)	1,255,094	1,664,140	(428,687)	1,235,453	1,054,797	(346,548)	708,249

9. Property and equipment (Continued)

Changes in the Company - cost

Company	12/31/2012 (restated)	Additions	Disposals	Transfers	Additions from business combinations	12/31/2013
Hospital machinery and equipment	253,737	**48,586**	**(3,441)**	**1,712**	**-**	**300,594**
Surgical instruments	3,366	**4,060**	**(82)**	**259**	**-**	**7,603**
Machinery and equipment	90,060	**21,476**	**(206)**	**8,621**	**-**	**119,951**
Properties	479,650	**34,792**	**(339,970)**	**59,743**	**-**	**234,215**
Improvements	25,874	**14,179**	**(29)**	**4,578**	**-**	**44,602**
Leasehold improvements	277,658	**53,439**	**(15,272)**	**32,497**	**-**	**348,322**
Furniture and fixtures	47,200	**7,027**	**(137)**	**(26)**	**-**	**54,064**
Vehicles	2,517	**-**	**-**	**-**	**-**	**2,517**
Facilities	16,245	**2,413**	**(141)**	**95**	**-**	**18,612**
Land	97,786	**4,271**	**(7,790)**	**12,478**	**-**	**106,745**
Construction in progress	67,436	**175,629**	**(11,050)**	**(121,593)**	**-**	**110,422**
Other	6,938	**1,185**	**(32)**	**1,636**	**-**	**9,727**
	1,368,467	**367,057**	**(378,150)**	**-**	**-**	**1,357,374**

Company	12/31/2011 (restated)	Additions	Disposals	Transfers	Additions from business combinations*	12/31/2012 (restated)
Hospital machinery and equipment	198,001	45,010	(1,239)	3,180	8,785	253,737
Surgical instruments	2,581	354	-	431	-	3,366
Machinery and equipment	55,113	37,297	(2,323)	(1,386)	1,359	90,060
Properties	252,935	27,873	(84,404)	15,911	267,335	479,650
Improvements	16,312	62,480	(52,812)	(106)	-	25,874
Leasehold improvements	155,518	67,348	(1,098)	55,890	-	277,658
Furniture and fixtures	36,889	9,918	(47)	440	-	47,200
Vehicles	2,454	40	-	-	23	2,517
Facilities	13,126	2,173	-	946	-	16,245
Land	23,016	84,333	(18,789)	9,226	-	97,786
Construction in progress	99,494	54,130	-	(86,188)	-	67,436
Other	2,536	5,683	(2,937)	1,656	-	6,938
	857,975	396,639	(163,649)	-	277,502	1,368,467

(*) This portion of business combinations that impacted the parent company's balances refers to the following companies acquired and subsequently merged into the Company - Santa Luzia, Hospital do Coração, SLPAR, Sinisgalli, Hospital Nossa Senhora de Lourdes and Hospital da Criança.

Company	12/31/2010	Additions	Disposals	Transfers	Additions from business combinations*	12/31/2011 (restated)
Hospital machinery and equipment	170,050	30,019	(2,790)	420	302	198,001
Surgical instruments	2,173	408	-	-	-	2,581
Machinery and equipment	40,075	13,239	(209)	1,970	38	55,113
Properties	190,332	17,073	-	16,167	29,363	252,935
Improvements	14,499	1,842	(8)	(21)	-	16,312
Leasehold improvements	112,354	43,149	(39)	54	-	155,518
Furniture and fixtures	32,326	4,606	(244)	201	-	36,889
Vehicles	2,613	102	(296)	-	35	2,454
Facilities	10,623	1,502	-	1,001	-	13,126
Land	14,999	8,017	-	-	-	23,016
Construction in progress	22,541	116,832	(23,939)	(15,940)	-	99,494
Other	5,841	676	(129)	(3,852)	-	2,536
	618,426	237,465	(27,654)	-	29,738	857,975

(*) This portion of business combinations that affected the balances of the parent company refers to Hospital Vivalle, company acquired and subsequently merged into the Company.

9. Property and equipment (Continued)

Changes in the Company - depreciation

Company	12/31/2012 (restated)	Additions	Disposals	12/31/2013
Hospital machinery and equipment	(142,469)	**(24,634)**	**305**	**(166,798)**
Surgical instruments	(3,002)	**(1,300)**	**23**	**(4,279)**
Machinery and equipment	(34,326)	**(13,180)**	**26**	**(47,480)**
Properties	(47,174)	**(12,046)**	**8,251**	**(50,969)**
Improvements	(5,537)	**(4,450)**	**5**	**(9,982)**
Leasehold improvements	(66,398)	**(22,936)**	**1,165**	**(88,169)**
Furniture and fixtures	(21,639)	**(4,665)**	**12**	**(26,292)**
Vehicles	(1,556)	**(6)**	**-**	**(1,562)**
Facilities	(8,842)	**(1,265)**	**10**	**(10,097)**
Other	(2,059)	**(1,000)**	**4**	**(3,055)**
	(333,002)	**(85,482)**	**9,801**	**(408,683)**

Company	12/31/2010	Additions	Disposals	12/31/2011 (restated)
Hospital machinery and equipment	(98,009)	(21,038)	307	(118,740)
Surgical instruments	(1,895)	(197)	-	(2,092)
Machinery and equipment	(20,700)	(4,939)	23	(25,616)
Properties	(37,425)	(2,947)	-	(40,372)
Improvements	(4,786)	(322)	-	(5,108)
Leasehold improvements	(49,529)	(1,734)	1	(51,262)
Furniture and fixtures	(13,632)	(4,034)	27	(17,639)
Vehicles	(1,179)	(312)	32	(1,459)
Facilities	(7,030)	(879)	-	(7,909)
Other	(244)	(507)	10	(741)
	(234,429)	(36,909)	400	(270,938)

Company	12/31/2011 (restated)	Additions	Disposals	12/31/2012 (restated)
Hospital machinery and equipment	(118,740)	(23,862)	133	(142,469)
Surgical instruments	(2,092)	(910)	-	(3,002)
Machinery and equipment	(25,616)	(9,037)	327	(34,326)
Properties	(40,372)	(10,018)	3,216	(47,174)
Improvements	(5,108)	(429)	-	(5,537)
Leasehold improvements	(51,262)	(15,234)	98	(66,398)
Furniture and fixtures	(17,639)	(4,005)	5	(21,639)
Vehicles	(1,459)	(97)	-	(1,556)
Facilities	(7,909)	(933)	-	(8,842)
Other	(741)	(2,880)	1,562	(2,059)
	(270,938)	(67,405)	5,341	(333,002)

9. Property and equipment (Continued)

Changes in Consolidated - cost

Company	12/31/2012 (restated)	Additions	Disposals	Transfers	Additions from business combinations*	12/31/2013
Hospital machinery and equipment	319,461	**54,068**	**(3,432)**	**1,713**	**3,877**	**375,687**
Surgical instruments	4,037	**4,599**	**(80)**	**259**	**-**	**8,815**
Machinery and equipment	101,945	**25,105**	**(208)**	**8,625**	**3,115**	**138,582**
Properties	479,876	**43,206**	**(339,970)**	**59,743**	**-**	**242,855**
Improvements	27,286	**15,125**	**(44)**	**4,578**	**37,084**	**84,029**
Leasehold improvements	365,700	**64,172**	**(12,832)**	**32,443**	**-**	**449,483**
Furniture and fixtures	55,153	**9,128**	**(104)**	**(26)**	**2,260**	**66,411**
Vehicles	2,888	**25**	**-**	**-**	**-**	**2,913**
Facilities	43,559	**2,848**	**(142)**	**95**	**1,359**	**47,719**
Land	181,972	**52,343**	**(7,938)**	**12,477**	**200**	**239,054**
Construction in progress	70,148	**176,672**	**(10,684)**	**(121,542)**	**120**	**114,714**
Other	12,115	**1,541**	**(30)**	**1,635**	**-**	**15,261**
	1,664,140	**448,832**	**(375,464)**	**-**	**48,015**	**1,785,523**

(*) This portion of business combinations that affected the consolidated balances refers to Hospital Norte D'Or, company acquired by the Company.

Company	12/31/2011 (restated)	Additions	Disposals	Transfers	Additions from business combinations*	12/31/2012 (restated)
Hospital machinery and equipment	231,246	77,496	(1,246)	3,180	8,785	319,461
Surgical instruments	2,912	694	-	431	-	4,037
Machinery and equipment	63,362	41,001	(2,391)	(1,386)	1,359	101,945
Properties	253,161	27,873	(84,404)	15,911	267,335	479,876
Improvements	17,501	9,897	(6)	(106)	-	27,286
Leasehold improvements	217,423	93,501	(1,111)	55,887	-	365,700
Furniture and fixtures	42,901	11,859	(47)	440	-	55,153
Vehicles	2,855	10	-	-	23	2,888
Facilities	21,808	20,789	-	962	-	43,559
Land	99,502	92,033	(18,789)	9,226	-	181,972
Construction in progress	95,736	113,508	(52,894)	(86,202)	-	70,148
Other	6,390	6,379	(2,311)	1,657	-	12,115
	1,054,797	495,040	(163,199)	-	277,502	1,664,140

(*) This portion of business combinations that impacted the consolidated balances refers to the following companies acquired by the Company - Santa Luzia, Hospital do Coração, SLPAR, Sinisgalli, Hospital Nossa Senhora de Lourdes, Hospital da Criança and Hospital Esperança.

Company	12/31/2010	Additions	Disposals	Transfers	Additions from business combinations*	12/31/2011 (restated)
Hospital machinery and equipment	200,037	33,335	(2,848)	420	302	231,246
Surgical instruments	2,228	684	-	-	-	2,912
Machinery and equipment	47,660	13,902	(208)	1,970	38	63,362
Properties	190,332	17,299	-	16,167	29,363	253,161
Improvements	15,099	2,430	(7)	(21)	-	17,501
Leasehold improvements	171,471	45,937	(39)	54	-	217,423
Furniture and fixtures	37,429	5,516	(245)	201	-	42,901
Vehicles	2,873	230	(283)	-	35	2,855
Facilities	19,054	1,753	-	1,001	-	21,808
Land	21,119	78,383	-	-	-	99,502
Construction in progress	22,541	116,926	(23,939)	(19,792)	-	95,736
Other	5,843	676	(129)	-	-	6,390
	735,686	317,071	(27,698)	-	29,738	1,054,797

(*) This portion of business combinations that affected the consolidated balances refers to the following companies acquired by the Company – Hospital São Marcos and Hospital Vivalle.

9. Property and equipment (Continued)

Changes in Consolidated – depreciation

Company	12/31/2012 (restated)	Additions	Disposals	12/31/2013
Hospital machinery and equipment	(172,140)	**(30,153)**	**297**	**(201,996)**
Surgical instruments	(3,108)	**(1,432)**	**21**	**(4,519)**
Machinery and equipment	(41,354)	**(16,169)**	**28**	**(57,495)**
Properties	(47,185)	**(11,257)**	**8,252**	**(50,190)**
Improvements	(5,539)	**(4,482)**	**6**	**(10,015)**
Leasehold improvements	(115,081)	**(37,702)**	**1,200**	**(151,583)**
Furniture and fixtures	(24,680)	**(5,456)**	**9**	**(30,127)**
Vehicles	(1,682)	**(6)**	**-**	**(1,688)**
Facilities	(14,435)	**(3,845)**	**12**	**(18,268)**
Other	(3,483)	**(1,066)**	**1**	**(4,548)**
	(428,687)	**(111,568)**	**9,826**	**(530,429)**

Company	12/31/2011 (restated)	Additions	Disposals	12/31/2012 (restated)
Hospital machinery and equipment	(143,034)	(29,246)	140	(172,140)
Surgical instruments	(2,117)	(991)	-	(3,108)
Machinery and equipment	(30,124)	(11,600)	370	(41,354)
Properties	(40,372)	(10,029)	3,216	(47,185)
Improvements	(5,109)	(430)	-	(5,539)
Leasehold improvements	(91,537)	(23,653)	109	(115,081)
Furniture and fixtures	(20,048)	(4,637)	5	(24,680)
Vehicles	(1,575)	(107)	-	(1,682)
Facilities	(11,891)	(2,544)	-	(14,435)
Other	(741)	(3,571)	829	(3,483)
	(346,548)	(86,808)	4,669	(428,687)

Company (restated)	12/31/2010	Additions	Disposals	12/31/2011 (restated)
Hospital machinery and equipment	(118,170)	(25,182)	318	(143,034)
Surgical instruments	(1,899)	(218)	-	(2,117)
Machinery and equipment	(24,461)	(5,685)	22	(30,124)
Properties	(37,425)	(2,947)	-	(40,372)
Improvements	(4,786)	(323)	-	(5,109)
Leasehold improvements	(85,988)	(5,550)	1	(91,537)
Furniture and fixtures	(15,604)	(4,470)	26	(20,048)
Vehicles	(1,391)	(203)	19	(1,575)
Facilities	(10,194)	(1,697)	-	(11,891)
Other	(243)	(508)	10	(741)
	(300,161)	(46,783)	396	(346,548)

9. Property and equipment (Continued)

Changes in Consolidated – depreciation (Continued)

The main additions occurred in the periods presented above refer to the purchase of hospital machinery and equipment as well as investments in improvements and leasehold improvements. These investments aim at keeping the advanced standard of the hospitals and are part of the Company's plans to keep its differentiated position in the hospital sector.

There were disposals in the years ended December 31, 2012 and 2013, mainly related to the property sales described in Note 23.

Management did not identify indication of impairment of fixed assets.

10. Intangible assets

Intangible assets are broken down as follows:

		Company			Consolidated		
	Annual rate	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Finite useful lives							
Software	**20%**	**15,681**	9,829	4,761	**16,061**	10,108	4,830
Indefinite useful lives							
Goodwill							
Acquisition of Copa D'Or		**80,058**	80,058	80,058	**80,058**	80,058	80,058
Acquisition of HMSL		**618,566**	618,566	618,566	**618,566**	618,566	618,566
Acquisition of Hospital Brasil		**132,903**	132,903	121,398	**132,903**	132,903	121,398
Acquisition of Hospital Prontolinda		**30,595**	30,595	30,595	**30,595**	30,595	30,595
Acquisition of Vivalle		**38,692**	38,692	38,692	**38,692**	38,692	38,692
Acquisition of São Marcos		**-**	-	-	**10,807**	10,807	10,807
Acquisition of Santa Luzia		**199,333**	199,333	-	**199,333**	199,333	-
Acquisition of Sinisgalli		**156,646**	146,859	-	**156,646**	146,859	-
Acquisition of Hospital Esperança		**-**	-	-	**108,408**	108,408	-
Other goodwill		**23,181**	15,032	18,934	**56,446**	38,960	24,583
Trademarks and patents		**190,810**	190,810	190,810	**190,810**	190,810	190,810
		1,486,465	1,462,677	1,103,814	**1,582,879**	1,606,099	1,120,339

Goodwill presented above arises from the business combinations made in 2013, 2012, 2011 and in prior years.

10. Intangible assets (Continued)

Goodwill impairment testing

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

The recoverable amount of a CGU is based on value in use calculations. Calculations of value in use are based on cash flow projections, before calculation of income and social contribution taxes, in accordance with budgets approved by management for a period of ten years. The amounts referring to cash flows after the period of ten years did not consider growth rate, since they were based on an actual projection model.

The discount rates represent the assessment of risks in the current market, specific of each cash generating unit, taking into consideration the time value of money and the individual risks of subjacent assets that were not included in the cash flow estimates. Calculation of the discount rate is based on specific circumstances of the Company, deriving from weighted average capital cost (WACC- Actual). WACC - Actual takes into consideration both debt and equity. Equity cost derives from expected investment yield by investors. Debt cost is based on interest-bearing financing payable by the Company. The segment specific risk is incorporated by applying individual beta factors. Beta factors are evaluated annually based on publicly available market data. Pre-tax discount rate of 6.76% was the main assumption adopted in the calculation of value in use at December 31, 2013.

Management determined budget gross margin based on past performance and its expectation for market development. The discount rate used corresponds to the pretax rate and reflects sector specific risks.

Management performed goodwill and trademarks and patents impairment testing in the years ended December 31, 2013, 2012 and 2011, through comparison of its book balances with the projected cash flows and did not identify the need of recording any provision for loss.

11. Loans and financing

			Company		
Bank	**Index**	**Spread**	**12/31/2013**	**12/31/2012**	**12/31/2011**
				(restated)	**(restated)**
BNDES/FINAME	TJLP	1.50%	**14,484**	12,165	22,303
IFC - International Finance Corporation	LIBOR	3.30%	**90,272**	91,120	94,000
CCBs	Fixed	12.30%	**5,407**	34,855	14,054
			110,163	138,140	130,357
Current			**24,656**	48,949	6,946
Noncurrent			**85,507**	89,191	123,411

			Consolidated		
Bank	**Index**	**Spread**	**12/31/2013**	**12/31/2012**	**12/31/2011**
				(restated)	**(restated)**
BNDES/FINAME	**TJLP**	**1.50%**	**21,277**	22,444	22,303
IFC - International Finance Corporation	**LIBOR**	**3.30%**	**90,272**	91,120	94,000
CCBs	**Fixed**	**12.30%**	**5,419**	42,812	20,077
			116,969	156,376	136,380
Current			**28,645**	57,031	7,448
Noncurrent			**88,323**	99,345	128,932

Financing was obtained in order to make company acquisitions and to expand the size of hospitals. Loans and financing are guaranteed by shares representing 3.1% of the Company's capital and fiduciary assignment of credit rights. After the last valuation report issued in February 2014, the guaranteeing shares started to represent 1.3% of the Company's capital.

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

At December 31, 2013, the long-term maturity schedule is as follows:

Company		**Consolidated**	
Year	**Amount**	**Year**	**Amount**
2015	**19,548**	2015	**20,192**
2016	**16,230**	2016	**16,764**
2017	**15,381**	2017	**15,888**
2018	**14,653**	2018	**15,136**
2019 to 2021	**19,695**	2019 to 2021	**20,343**
	85,507		**88,323**

12. Debentures payable

	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Rede Dor São Luiz			
1st issue (a)	**858,009**	1,007,898	1,023,153
2nd issue (b)	**91,579**	96,524	100,473
3rd issue (c)	**642,023**	647,359	641,573
4th issue (d)	**796,972**	802,338	-
5th issue (g)	**100,539**		
Medise			
1st issue (e)	**80,291**	110,351	99,263
Hospital Esperança			
1st issue (f)	**203,001**	201,308	-
2nd issue (h)	**100,045**	-	-
	2,872,459	2,865,778	1,864,462
Current (consolidated)	**55,386**	199,683	24,601
Noncurrent (consolidated)	**2,817,073**	2,666,095	1,839,861

(a) On April 20, 2011, the Company issued nonconvertible debentures in a series of 100 (one hundred) debentures for public distribution, totaling R$ 1,000,000, maturing on April 20, 2020 (as per the amendment of December 2013). The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a., to be paid on a quarterly basis for four years and eight months and then on a monthly basis. As a guarantee, shares representing 42.5% of Company's capital and fiduciary transfer of credit rights were offered. After the last valuation report issued in February 2014, the guaranteeing shares started to represent 13.2% of the Company's capital. After 24 months, the Company is entitled to repay the debentures in advance, as provided for by agreement.

(b) On October 28, 2011, the Company carried out the second issue of nonconvertible, single-series debentures for public distribution, totaling R$ 100,000, maturing on January 15, 2017. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. Interest has been paid on a monthly basis since July 15, 2012 to the termination of the agreement. There are no expected guarantees or repayment in advance.

12. Debentures payable (Continued)

(c) On December 10, 2011, the Company carried out the third issue of nonconvertible, single-series debentures for public distribution, totaling R$ 650,000, maturing on December 10, 2018 (as per the amendment of December 2013). The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a. There are no expected guarantees for the debentures. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement.

(d) On September 5, 2012, the Company carried out the fourth issue of nonconvertible, single-series debentures for public distribution, totaling R$ 800,000, maturing on August 10, 2021 (as per the amendment of December 2013). The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. As a guarantee, shares representing 23.5% of Company's capital and fiduciary transfer of credit rights were offered. After the last valuation report issued in February 2014, the guaranteeing shares started to represent 12.1% of the Company's capital.

(e) On December 12, 2011, subsidiary Medise carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$ 100,000, maturing on December 12, 2017. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.2% p.a. Interest has been paid on a monthly basis from January 12, 2013. As a guarantee, fiduciary transfer of credit rights was offered. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement.

(f) In October 2012, subsidiary LE Participações Societárias S.A. (later merged into Hospital Esperança S.A.) carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$ 200,000, maturing on October 15, 2021. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. As a guarantee, shares representing 5.9% of Company's capital and fiduciary transfer of credit rights were offered. After the last valuation report issued in February 2014, the guaranteeing shares started to represent 2.9% of the Company's capital.

12. Debentures payable (Continued)

(g) On December 10, 2013, the Company carried out the fifth issue of nonconvertible, single-series debentures for public distribution, totaling R$ 100,000, maturing on December 10, 2018. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees for the debentures.

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

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

Such issues of debentures are linked to the Group's growth plan, as mentioned in Note 1.

At December 31, 2013, the long-term maturity schedule is as follows:

Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2015	**5,797**	2015	**65,141**
2016	**389,134**	2016	**475,751**
2017	**613,917**	2017	**709,628**
2018	**540,004**	2018	**615,722**
2019	**491,802**	2019	**522,791**
2020	**356,648**	2020	**356,648**
2021	**71,392**	2021	**71,392**
	2,468,694		**2,817,073**

13. Tax liabilities and taxes paid in installments

a) Tax liabilities

	Company			Consolidated		
	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**2,267**	2,772	1,215	**2,673**	3,163	1,478
Contribution Tax on Gross Revenue for Social Security Financing - COFINS	**12,565**	11,683	5,819	**16,627**	13,488	7,059
Service Tax (ISS)	**13,463**	9,247	4,108	**20,533**	13,725	4,484
Withholding Income Tax (IRRF)	**8,054**	9,674	6,133	**9,937**	10,950	6,826
Income tax	**1,467**	1,827	1,727	**2,362**	2,598	2,340
Social contribution tax	**622**	624	577	**958**	866	797
Other	**2,502**	4,801	3,808	**2,809**	5,732	3,440
	40,940	40,628	23,387	**55,899**	50,222	26,424

b) Taxes paid in installments

	Company		
Taxes paid in installments	**12/31/2013**	**12/31/2012 (restated)**	**12/31/2011 (restated)**
ISS	**23,498**	25,324	3,093
Payment in installments – Law No. 11941/09	**65,334**	61,642	60,861
Other	**51,925**	43,491	4,008
	140,757	130,457	67,962
Current	**14,452**	6,537	6,800
Noncurrent	**126,305**	123,920	61,162

	Consolidated		
Taxes paid in installments	**12/31/2013**	**12/31/2012 (restated)**	**12/31/2011 (restated)**
ISS	**25,257**	26,112	3,313
Payment in installments – Law No. 11941/09	**78,424**	75,287	71,476
Other	**53,666**	45,297	4,542
	157,347	146,696	79,331
Current	**17,015**	8,615	8,059
Noncurrent	**140,332**	138,081	71,272

On July 31, 2011, there was the consolidation of Payment in installments – Law No. 11941/09, and there was no significant difference between the consolidated debt and the amount recorded. The amount will be paid in 60 months and is adjusted by Selic.

14. Accounts payable for acquisitions

	Restatement index	Company and Consolidated		
		12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Current	CDI	**30,172**	37,404	23,224
Noncurrent		**210,312**	284,483	219,924

Accounts payable for acquisition of companies refer to the remaining balance of the considerations for acquisitions made in 2010, 2011 and 2012.

The stated long-term balance will be fully repaid until 2017.

15. Provision for contingencies and judicial deposits

The Company and its subsidiaries are parties to various tax, civil and labor claims. The judicial deposits made will only be released in the event that favorable decisions are handed down to the companies. Based on the opinion of its internal and outside legal advisors, management set up a provision for losses considered sufficient to cover probable losses, as follows:

	Company					
	12/31/2013		12/31/2012		12/31/2011	
	Provision for contingencies	Judicial deposits	Provision for contingencies (restated)	Judicial deposits	Provision for contingencies (restated)	Judicial deposits
Tax	**84,403**	**(24,519)**	73,701	(19,289)	49,183	(13,284)
Labor	**36,739**	**(5,309)**	39,900	(4,227)	35,409	(2,843)
Civil	**33,017**	**(12,944)**	31,010	(10,663)	21,121	(6,693)
	154,159	**(42,773)**	144,611	(34,179)	105,713	(22,820)

	Consolidated					
	12/31/2013		12/31/2012		12/31/2011	
	Provision for contingencies	Judicial deposits	Provision for contingencies (restated)	Judicial deposits	Provision for contingencies (restated)	Judicial deposits
Tax	**86,032**	**(29,780)**	76,063	(21,882)	53,602	(15,202)
Labor	**38,889**	**(6,782)**	41,430	(5,326)	36,530	(3,233)
Civil	**37,885**	**(15,342)**	32,750	(11,719)	22,838	(7,535)
	162,806	**(51,904)**	150,243	(38,927)	112,970	(25,970)

15. Provision for contingencies and judicial deposits (Continued)

Changes in provisions for contingencies for 2013, 2012 and 2011 were as follows:

	Company			
	12/31/2013			
	Tax	**Labor**	**Civil**	**Total**
Balances at beginning of year	**73,701**	**39,900**	**31,010**	**144,611**
Reclassification of accounts payable for acquisition of subsidiaries (a)	**21,282**	**-**	**-**	**21,282**
Additions, net of reversals	**2,552**	**(2,682)**	**2,007**	**1,777**
Monetary restatements	**703**	**297**	**-**	**1,000**
Payments	**(13,735)**	**(776)**	**-**	**(14,511)**
Balance at end of year	**84,403**	**36,739**	**33,017**	**154,159**

(a) This refers to retention of the portion payable for acquisition of subsidiaries due to the responsibility assumed by sellers for contingencies with triggering event taking place before the purchase by the Company.

	Company			
	12/31/2012			
	Tax	**Labor**	**Civil**	**Total**
			(restated)	
Balances at beginning of year	49,183	35,409	21,121	105,713
Additions, net of reversals	18,767	(22,683)	6,283	2,367
Monetary restatements	1,213	-	-	1,213
Payments	(754)	(2,310)	-	(3,064)
Additions from acquisitions (and sub sequent merger)	5,292	29,484	3,606	38,382
Balance at end of year	73,701	39,900	31,010	144,611

	Company			
	12/31/2011 (restated)			
	Tax	**Labor**	**Civil**	**Total**
			(restated)	
Balances at beginning of year	68,444	26,455	35,750	130,649
Additions, net of reversals	(5,081)	10,665	(14,287)	(8,703)
Monetary restatements	12,498	-	-	12,498
Payments	(26,678)	(1,711)	(342)	(28,731)
Balance at end of year	49,183	35,409	21,121	105,713

15. Provision for contingencies and judicial deposits (Continued)

	Consolidated			
	12/31/2013			
	Tax	**Labor**	**Civil**	**Total**
Balances at beginning of year	**76,063**	**41,430**	**32,750**	**150,243**
Reclassification of accounts payable for acquisition of subsidiaries (a)	**21,282**	**-**	**-**	**21,282**
Additions, net of reversals	**2,027**	**(3,072)**	**4,881**	**3,836**
Monetary restatements	**704**	**297**	**-**	**1,001**
Payments	**(14,044)**	**(800)**	**-**	**(14,844)**
Additions from acquisitions	**-**	**1,034**	**254**	**1,288**
Balance at end of year	**86,032**	**38,889**	**37,885**	**162,806**

(a) This refers to retention of the portion payable for acquisition of subsidiaries due to the responsibility assumed by sellers for contingencies with triggering event taking place before the purchase by the Company.

	Consolidated			
	12/31/2012			
	Tax	**Labor**	**Civil**	**Total**
			(restated)	
Balances at beginning of year	53,602	36,530	22,838	112,970
Additions, net of reversals	18,767	(23,582)	6,306	1,491
Monetary restatements	1,372	1,308	-	2,680
Payments	(2,970)	(2,310)	-	(5,280)
Additions from acquisitions(*)	5,292	29,484	3,606	38,382
Balance at end of year	76,063	41,430	32,750	150,243

	Consolidated			
	12/312011			
	Tax	**Labor**	**Civil**	**Total**
			(restated)	
Balances at beginning of year	71,188	26,486	35,750	133,424
Additions, net of reversals	(9,816)	12,068	(11,374)	(9,122)
Monetary restatements	13,405	-	-	13,405
Payments	(27,383)	(2,024)	(1,538)	(30,945)
Additions from acquisitions	6,208	-	-	6,208
Balance at end of year	53,602	36,530	22,838	112,970

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

15. Provision for contingencies and judicial deposits (Continued)

Additionally, the Company is also a party to various tax claims, totaling approximately R$ 18,336 (R$ 21,890 in 2012 and R$8,971 in 2011) in Company and R$ 19,583 (R$ 22,160 in 2012 and R$11,901 in 2011) in Consolidated, losses of which were estimated by its legal advisors as possible. Therefore, no provisions were set up for contingencies for such claims.

Labor claims are largely derived from overtime payment, 13th monthly salary, 30-day resignation notice, vacation pay and Unemployment Compensation Fund (FGTS). In addition to the claims provisioned, Rede D'Or is a party to labor claims totaling approximately R$71,216 (R$ 59,564 in 2012 and R$ 25,582 in 2011) in Company and R$72,146 (R$ 62,598 in 2012 and R$ 26,749 in 2011) in Consolidated, losses of which were estimated by its legal advisors as possible. Therefore, no provisions were set up for contingencies.

Civil claims particularly refer to compensation for property damages and pain and suffering. In addition to the claims provisioned, Rede D'Or is a party to civil claims totaling approximately R$ 93,365 (R$ 48,484 in 2012 and R$57,099 in 2011) in Company and R$ 95,634 (R$58,403 in 2012 and R$ 64,824 in 2011) in Consolidated, losses of which were estimated by its legal advisors as possible. Therefore, no provisions were set up for contingencies.

16. Commitments

Rede D'Or has lease agreements, commitments of which amount to approximately R$ 2,692,262 (gross nominal value) (R$1,096,597 in 2012 and R$840,236 in 2011) in Company and R$3,007,521 in Consolidated (R$ 1,234,775 in 2012 and R$1,155,495 in 2011), particularly corresponding to leased buildings for an average period of eighteen years. Lease expenses recognized for the year amounted to R$141,068 (R$92,734 in 2012 and R$66,538 in 2011) in Company and R$169,440 (R$113,727 in 2012 and R$72,642 in 2011) in Consolidated.

These leases refer to all hospitals of Rede D'Or São Luiz S.A., except Hospital e Maternidade Assunção and Hospital Vivalle.

16. Commitments (Continued)

Breakdown of significant lease commitments of the Company at December 31, 2013 is as follows:

Year	Company	Consolidated
	(Gross nominal values)	
2014	**175,025**	**194,199**
2015	**175,025**	**194,199**
2016	**175,025**	**194,199**
2017	**175,025**	**194,199**
2018 to 2051	**1,992,162**	**2,230,725**
	2,692,262	**3,007,521**

17. Equity

a) Capital

Subscribed and paid-in capital at December 31, 2013 amounts to R$261,531 (R$44,849 at December 31, 2012 and R$43,318 at December 31, 2011), divided into 272,666,123 registered common shares and 2,734,600 registered preferred shares class A, with no par value (244,615,485 common and 2,486,000 preferred shares in 2012 and 244,462,461 common shares at December 31, 2011).

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

On April 30, 2013, there was approval of the Company's capital increase by R$209,228, of which R$88,528, without issue of new shares, through capitalization of part of the income reserve balance, and R$120,699 in cash, with issue of 27,879,412 registered common shares with no par value, for issue price of R$4.33 (four reais and thirty-three cents) each.

17. Equity (Continued)

b) Allocation of income

The legal reserve is set up at 5% of net income for the year, limited to 20% of capital or until its balance plus capital reserves exceeds 30% of the amount of capital (Law No. 6404/76, article 182).

Dividends are distributed based on Law No. 6404/76, and the minimum mandatory dividend corresponds to 25% of net income, after allocation of legal reserve.

At December 31, 2013, 2012 and 2011, the calculation of dividends and the changes thereof in the year are as follows:

	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Net income for the year	**208,294**	125,982	87,334
Set up of legal reserve (article 193 of Law No. 6404) (*)	**-**	(5,563)	(3,103)
Calculation base of minimum mandatory dividends	**208,294**	112,862	84,231
Minimum mandatory dividend (25%)	**52,073**	26,424	15,768
Dividends and interest on equity proposed by management	**52,073**	26,424	15,768
Minimum mandatory dividend per 1,000-share lot – in reais	0.1891	0.1069	0.0645

(*) The Company did not set up legal reserve in 2013 based on paragraph 1, article 193 of Law No. 6404, under which it is not necessary to set up legal reserve when its balance plus the amount of capital reserves exceeds 30% of the amount of capital.

Minimum mandatory dividends are stated in the balance sheet as legal obligations (in current liabilities).

In 2012 and 2011, management paid a smaller portion of dividends, as approved by the shareholders' meeting. The purpose is that of reinvesting profits from prior years in the company's expansion plans.

After income allocation to the legal reserve and dividends, the exceeding amount will be allocated to the investment reserve, to be reinvested in the Company, according to its capital budget.

Capital budget, submitted by management bodies together with the proposed profit retention, will also be submitted to the General Shareholders' Meeting for approval.

17. Equity (Continued)

c) Treasury shares

At December 31, 2013, the Company had 18,053,489 registered common shares with no par value of Rede D'Or, in the amount of R$157,117, recorded as treasury shares in equity.

Changes in treasury shares are as follows:

	Number of shares	Share value (in Reais)	Total
Balance at December 31, 2011	-	-	-
Acquisitions made	16,924,129	7.65	129,594
Balance at December 31, 2012	16,924,129	7.65	129,594
Acquisitions made	1,129,360	24.37	27,523
Balance at December 31, 2013	18,053,489	8.69	157,117

d) Acquisition of noncontrolling shareholders

On July 3, 2012, Santa Luzia Participações S.A., Hospital Santa Luzia S.A. and Hospital do Coração do Brasil S.A. (Companies) were merged into Rede D'Or São Luiz S.A., upon capital increase of Rede D'Or amounting to R$ 440, by issuing 4,336 new common shares and 2,486,000 new preferred shares, class A, attributed to Companies' shareholders, which were allocated to the capital reserve account amounting to R$ 4,538.

On September 24, 2012, Rede D'Or São Luiz S.A. acquired 10.2% of shares of Medise Medicina Diagnóstico e Serviços S.A., a company already controlled by the Company. The Company, after such acquisition, now holds 95.52% of subsidiary's capital. The amount paid for additional interest amounted to R$ 46,586, and the overpayment amounting to R$ 43,946 was recorded as "goodwill on capital transactions", directly in equity.

On December 31, 2012, Sinisgalli Administração e Participações S.A., Hospital Nossa Senhora de Lourdes S.A. and Instituto de Especialidades Pediátricas de São Paulo S.A. (Hospital da Criança) were merged into Rede D'Or São Luiz S.A., upon capital increase of Rede D'Or amounting to R$ 1,091, by issuing 148,688 new common shares, attributed to Companies' shareholders, which were allocated to the capital reserve account amounting to R$ 3,395.

17. Equity (Continued)

e) Other reserves - convertible debentures

On April 14, 2010, the Company privately issued subordinated, convertible, single-series debentures, fully acquired by BTG Pactual Saúde Fundo de Investimento em Participações, totaling R$ 350,000, maturing on December 31, 2013, adjusted by CDI (Interbank Deposit Certificate), plus interest of 3.5% p.a. On November 28, 2010, the Company carried out the second private issue of subordinated, convertible, single-series debentures, fully acquired by Banco BTG Pactual S.A., totaling R$ 250,000, maturing at December 31, 2013, adjusted by CDI (Interbank Deposit Certificate), plus interest of 2.0% p.a. Such interest will only be paid upon maturity of debentures if not converted into shares.

On December 20, 2013, an amendment to the debenture issue indenture was made, extending the maturity date to December 31, 2014. The other original terms of the indenture were maintained unaltered.

Debenture holders have the call option, on maturity date, to convert these debentures into shares, which will represent 21.59% of the Group's capital. If debenture holders do not exercise the option, the Company has the put option to pay the restated amount with shares representing said interest. Considering the structure of these transactions, in which both parties have the option to settle the debentures by means of acquisition/disposal of interest in the Group, management understood that the conversion is virtually certain, thus concluding that it represents an equity instrument. In addition, the indentures establish the dilution events for debenture holders, e.g. in case of new capital contributions to the Company, there is dilution for debenture holders as if they were shareholders. There will not be cash outlay by the Company for payment of principal or interest; as such, the debentures were classified in equity, until effective capitalization thereof.

17. Equity (Continued)

f) Share-based payment (stock options)

- *First Stock Option Plan*

  Company's shareholders approved, in a Shareholders' Meeting held on November 19, 2011, the adoption of a stock option plan 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 4,532,851 shares was granted, by means of an individual agreement entered into between the Company and each beneficiary. In order to be entitled to the right to stock options, beneficiaries are required to have been working for the Company for at least three years (vesting period). Company management and employees participating in this plan will be fully entitled to such options, at one-fifth of total shares available for the plan, after 12 months from the vesting date, and to the following four, under the same conditions, after 24, 36, 48 and 60 months also from the vesting date. The participants have a maximum of sixty months, from the end of the vesting period, to exercise the options.

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

- *Second and Third Stock Option Plans*

  The Extraordinary Shareholders' Meeting held on November 23, 2012, approved the Second Stock Option Plan and on May 14, 2013, the Third Stock Option Plan was approved.

  The Company granted to beneficiaries of the Second and Third Plans the option for the purchase of 1,490,586 and 521,708 registered common shares with no nominal value, respectively, through individual contract between each beneficiary and the Company. The contracts follow the same conditions of the First Stock Option Plan.

17. Equity (Continued)

f) Share-based payment (*stock options*) (Continued)

- *Second and Third Stock Option Plans* (Continued)

The price for exercising the options granted is R$9.24 per share for the Second Plan and R$9.34 per share for the Third Plan. Exercise price is increased by CDI variation, *pro rata die,* until the effective date of exercise of any stock option.

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

The results of the calculation of fair value of options restated at the financial statement date are as follows:

First Stock Option Plan

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	- Expiration
01/01/2012	906,570	39.6%	10.5%	7.61	Expired
01/01/2013	906,570	39.6%	10.5%	7.89	Expired
01/01/2014	906,570	39.6%	10.6%	8.28	Unexpired
01/01/2015	906,570	39.6%	10.7%	8.64	Unexpired
01/01/2016	906,570	39.6%	10.7%	8.97	Unexpired
Total	4,532,850	Average risk-free rate	10.6%		

Second Stock Option Plan

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	- Expiration
03/31/2013	298,117	32.39%	7.10%	13.91	Expired
03/31/2014	298,117	32.39%	7.25%	13.67	Unexpired
03/31/2015	298,117	32.39%	7.61%	13.53	Unexpired
03/31/2016	298,117	32.39%	8.06%	13.50	Unexpired
03/31/2017	298,117	32.39%	8.39%	13.49	Unexpired
Total	1,490,585	Average risk-free rate	7.68%		

17. Equity (Continued)

f) Share-based payment (*stock options*) (Continued)

- *Second and Third Stock Option Plans* (Continued)

Third Stock Option Plan

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	- Expiration
03/31/2014	104,342	31.74%	9.11%	14.26	Unexpired
03/31/2015	104,342	31.74%	10.23%	14.21	Unexpired
03/31/2016	104,342	31.74%	10.89%	14.16	Unexpired
03/31/2017	104,342	31.74%	11.34%	14.15	Unexpired
03/31/2018	104,342	31.74%	11.53%	14.09	Unexpired
Total	521,710	Average risk-free rate	10.62%		

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

	Fair value of options per year	Effect on P&L 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	11,721	-	-
2015	6,811	-	-
2016	3,267	-	-
2017	711		
2018	77		
	60,934		

The Company grants a put option to each beneficiary on total shares that are acquired due to exercise of stock option. The periods for exercising the option are determined by individual agreements between the parties, and the acquisition price of the Company for exercising the put options will be determined differently, with specific measurement criteria, since the company can be a privately-held or publicly-traded company.

17. Equity (Continued)

f) Share-based payment (*stock options*) (Continued)

Should the beneficiary withdraw from his/her position, options not yet exercisable expire, with no right to compensation, and options already exercisable may be exercised in up to 90 days.

If the beneficiary's employment contract is terminated for cause, all rights exercisable or not yet exercisable expire automatically, regardless of notice or compensation.

18. Income and social contribution taxes

Income and social contribution tax expenses for the years ended December 31, 2013, 2012 and 2011 are as follows:

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Deferred						
Income tax	**(54,387)**	(22,715)	5,498	**(49,334)**	(85,380)	7,987
Social contribution tax	**(19,579)**	(4,115)	1,979	**(17,759)**	(30,735)	2,874
	(73,966)	(26,830)	7,477	**(67,093)**	(116,115)	10,861
Current						
Income tax	**-**	-	140	**(6,737)**	(4,372)	(9,715)
Social contribution tax	**-**	-	49	**(2,425)**	(1,574)	(3,497)
	-	-	189	**(9,162)**	(5,946)	(13,212)
Income and social contribution tax (expense) benefit	**(73,966)**	(26,830)	7,666	**(76,255)**	(122,061)	(2,351)

18. Income and social contribution taxes (Continued)

Changes in deferred income and social contribution tax assets at December 31, 2013, 2012 and 2011 were as follows:

	Company						
	12/31/2010	Additional benefits (expenses) recorded	12/31/2011 (restated)	Additional benefits (expenses) recorded	12/31/2012 (restated)	Additional benefits (expenses) recorded	12/31/2013
Assets							
Income tax loss	5,054	26,021	31,075	9,668	40,743	**(4,984)**	**35,759**
Social contribution tax loss	1,820	9,368	11,188	3,481	14,669	**(1,794)**	**12,875**
Allowance for doubtful accounts	6,832	6,776	13,608	21,988	35,596	**(473)**	**35,123**
Provision for disallowances	-	20,327	20,327	(11,357)	8,970	**9,731**	**18,701**
Contingencies	42,950	(7,007)	35,943	11,769	47,712	**4,703**	**52,415**
Provision for inventories	-	1,395	1,395	(236)	1,159	**-**	**1,159**
Provision for bonus	-	7,786	7,786	4,202	11,988	**669**	**12,657**
Foreign exchange variation	-	2,149	2,149	1,588	3,737	**(3,737)**	**-**
Provision for losses	-	-	-	9,086	9,086	**-**	**9,086**
Deferred gain on property disposals	-	-	-	10,431	10,431	**(748)**	**9,683**
Provision for overtime	-	-	-	-	-	**4,787**	**4,787**
Total deferred tax assets	56,656	66,815	123,471	60,620	184,091	**8,154**	**192,245**
Liabilities							
Differences between accounting and tax base of goodwill	(11,130)	(59,338)	(70,468)	(87,450)	(157,918)	**(73,376)**	**(231,294)**
Swap variation	-	-		-		**(8,744)**	**(8,744)**
Total deferred tax liabilities	(11,130]	(59,338)	(70,468)	(87,450)	(157,918)	**(82,120)**	**(240,038)**
Net effect – asset (liability)	45,526	7,477	53,003	(26,830)	26,173	**(73,966)**	**(47,793)**

	Consolidated							
	12/31/2010	Additional benefits (expenses) recorded	12/31/2011 (restated)	Additional benefits (expenses) recorded	Additions from acquisitions/ mergers	12/31/2012 (restated)	Additional benefits (expenses) recorded	12/31/2013
Assets								
Income tax loss	5,054	26,021	31,075	9,668		40,743	(4,984)	35,759
Social contribution tax loss	1,821	9,368	11,189	3,481		14,670	(1,794)	12,876
ADA	6,832	7,874	14,706	18,875		33,581	2,429	36,010
Provision for disallowances	-	23,501	23,501	(8,981)		14,520	11,839	26,359
Contingencies	42,950	(6,754)	36,196	1,746		37,942	5,421	43,363
Provision for inventories	-	1,395	1,395	(236)		1,159	-	1,159
Provision for bonus	-	7,786	7,786	4,205		11,991	669	12,660
Foreign exchange variation	-	2,150	2,150	1,588		3,738	(3,738)	-
Provision for losses	-	-	-	303		303	-	303
Deferred gain on property disposals	-	-	-	10,428		10,428	(748)	9,680
Taxes - judicial deposits	-	-	-	-		-	857	857
Provision for overtime	-	-	-	-		-	5,638	5,638
Total deferred tax assets	56,657	71,341	127,998	41,077	-	169,075	15,589	184,664
Liabilities								
Differences between accounting and tax base of goodwill	(11,697)	(60,480)	(72,177)	(157,192)	53,946	(175,423)	(73,944)	(249,367)
Swap variation	-	-	-	-	-	-	(8,738)	(8,738)
Total deferred tax liabilities	(11,697)	(60,480)	(72,177)	(157,192)	53,946	(175,423)	(82,682)	(258,105)
Net effect – asset (liability)	44,960	10,861	55,821	(116,115)	53,946	(6,348)	(67,093)	(73,441)

18. Income and social contribution taxes (Continued)

The reconciliation of income and social contribution taxes and the amount determined at the statutory rate for 2013, 2012 and 2011 are as follows:

	Company			Consolidated		
	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)	12/31/2013	12/31/2012 (restated)	12/31/2011 (restated)
Income before income and social contribution taxes	**282,260**	152,812	79,668	**286,314**	243,258	92,998
Income and social contribution taxes at statutory rates	**95,968**	51,956	27,087	**97,347**	82,708	31,619
Adjustments to calculate effective rate						
Interest on debentures recorded as equity instrument	**(30,891)**	(28,527)	(31,308)	**(30,891)**	(28,527)	(31,308)
Equity pickup	**2,261**	3,197	(5,818)	**(3,602)**	(806)	(3,041)
Advertising and publicity expenses	**2,615**	335	1,173	**3,048**	571	1,332
Reversal of deferred income and social contribution tax assets (i)	**-**	-	-	**-**	68,181	-
Stock option expenses	**7,023**	-		**7,023**	-	
Other	**(3,010)**	(131)	1,200	**3,330**	(66)	3,749
Expenses (benefit) in the income statement	**73,966**	26,830	(7,666)	**76,255**	122,061	2,351

(i) Adjustment referring to deferred income and social contribution tax on tax losses of Hospital Nossa Senhora de Lourdes and Hospital da Criança. After merger of these two hospitals and consequent loss of tax losses, the related deferred tax credits were reversed.

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

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

18. Income and social contribution taxes (Continued)

Provisional Executive Order No. 627

Revenue Procedure No. 1397 (IN 1397) was published on September 17, 2013 and Provisional Executive Order No. 627 (MP 627) was published on November 12, 2013 that: (i) revokes the Transition Tax Regime (RTT) as from 2015, introducing a new tax regime; (ii) amends Decree Law No. 1598/77 related to calculation of corporate income tax and legislation on social contribution tax on net profit. Among the provisions of MP 627 we highlight some on the treatment of profit sharing and dividends, calculation base of interest on equity and criterion for equity pickup calculation during RTT effect. MP 627 has a significant number of proposed amendments and Brazilian Internal Revenue Service (RFB) will regulate several matters, in accordance with such MP. Thus, ii is possible that some of its provisions be amended and/or regulated. Based on the current text, the Company believes that MP 627 will not generate significant effects on its financial statements. The Company is awaiting the amendments to MP 627 to opt or not for its early adoption in 2014.

19. Net revenue

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Gross revenue	**3,569,807**	2,630,498	1,903,940	**4,570,082**	3,479,409	2,333,076
Revenue deductions						
Cancellations and rebates	**(135,994)**	(109,925)	(75,083)	**(182,335)**	(147,549)	(136,000)
Taxes on revenues	**(193,980)**	(152,223)	(110,222)	**(259,347)**	(204,187)	(104,845)
	3,239,833	2,368,350	1,718,635	**4,128,400**	3,127,673	2,092,231

20. Cost of services rendered

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/312012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Personnel	**(1,042,731)**	(827,609)	(617,347)	**(1,316,578)**	(1,038,302)	(765,010)
Materials and medicines	**(706,156)**	(552,391)	(416,375)	**(851,735)**	(691,750)	(494,737)
Third-party services	**(491,633)**	(307,867)	(218,031)	**(866,569)**	(616,059)	(295,502)
Rents	**(141,068)**	(92,734)	(66,538)	**(169,440)**	(113,727)	(72,642)
Depreciation and amortization	**(82,497)**	(66,979)	(34,335)	**(108,673)**	(86,536)	(47,541)
	(2,464,085)	(1,847,580)	(1,352,626)	**(3,312,995)**	(2,546,374)	(1,675,432)

21. General and administrative expenses

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Personnel	**(107,606)**	(86,275)	(34,620)	**(107,606)**	(86,275)	(34,620)
Third-party services	**(30,043)**	(23,742)	(14,391)	**(30,043)**	(23,742)	(14,391)
Utilities and services	**(46,627)**	(40,383)	(37,461)	**(62,523)**	(55,147)	(44,246)
Depreciation and amortization	**(6,157)**	(2,833)	(760)	**(6,157)**	(2,833)	(760)
Provision for contingencies	**(1,777)**	(2,367)	8,703	**(3,836)**	(1,491)	9,122
	(192,210)	(155,600)	(78,529)	**(210,165)**	(169,488)	(84,895)

22. Other operating expenses, net

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Allowance for doubtful accounts	**(60,808)**	(29,597)	(19,012)	**(81,895)**	(30,573)	(20,182)
Marketing	**(14,038)**	(19,368)	(17,729)	**(15,019)**	(21,505)	(18,186)
Trips and lodging	**(12,486)**	(14,277)	(5,287)	**(13,350)**	(17,623)	(5,818)
Gain on acquisition in stages	**-**	-	-	**-**	54,204	-
Gain on disposal of properties	**45,875**	66,646	-	**45,875**	66,646	-
Other expenses and revenues	**(14,763)**	7,438	(26,215)	**(1,897)**	11,821	(36,094)
	(56,220)	10,842	(68,243)	**(66,286)**	62,970	(80,280)

23. Gain on disposal of properties

On October 11, 2013, the Company carried out a sale and leaseback transaction of Hospital Santa Luzia, Hospital do Coração, located in Brasília – Federal District, and Hospital Caxias D'Or, located in Caxias – Rio de Janeiro state, to Northwest International II Investimentos Imobiliários em Saúde S.A. The sale value amounted to R$264,000 for the properties in Brasília, which was fully received upon execution of the contract, and R$183,000 for Hospital Caxias D'Or, comprising receipt of R$110,000 upon contract execution and R$73,000 to be received upon fulfillment of certain contractual clauses. The Company recorded gain of R$ 45,875 in the income statement and the amount of R$ 43,000 is deferred over 25 years.

On December 26, 2012, the Company performed a sale and leaseback transaction of the building of Hospital Brasil located in Santo André - SP, to A.E.L.S.P.E Empreendimentos Imobiliários e Participações S.A. Such sale amounted to R$ 250,000, R$ 200,000 of which were received in cash and R$ 49,000 will be received until June 2014 and R$ 1,000 until December 2014. The Company recorded in profit or loss for 2012 a gain of R$ 66,646 and R$ 55,000 that will be deferred in 25 years.

23. Gain on disposal of properties (Continued)

The lease agreements are valid for 25 years and may be extended for further 25 years, at market values, at the Company's express discretion. Lease amounts are described in Note 16. Properties lease was treated as operating lease, since the agreement does not provide for purchase option, the contractual term is shorter than the remaining useful life of the property and present value of lease flow is substantially less than asset fair value.

The deferred portion of gain refers to the positive difference between sales value and fair value of the properties, as required by CPC 06/IAS 17 – Leases.

Breakdown of deferred revenue balance at December 31, 2013 was as follows:

	Company and Consolidated	
	12/31/2013	**12/31/2012**
		(restated)
Caxias D'Or	**43,000**	-
Hospital Brasil	**52,800**	55,000
	95,800	55,000
Current	**3,920**	2,200
Noncurrent	**91,880**	52,800

24. Financial income (expenses), net

Financial income (expenses) for the years ended December 31, 2013, 2012 and 2011 are as follows:

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
Financial income						
Short-term investments yield	**39,438**	56,293	40,406	**50,363**	61,135	41,351
Swap variation	**25,700**	-	-	**25,700**	-	-
Other	**1,782**	869	1,472	**1,859**	1,419	2,600
	66,920	57,162	41,878	**77,922**	62,554	43,951
Financial expenses						
Interest on financing	**(21,824)**	(63,995)	(25,626)	**(26,925)**	(74,899)	(27,229)
Interest on debentures	**(252,290)**	(151,145)	(94,829)	**(281,389)**	(167,804)	(95,525)
Taxes on financial income (expenses)	**(790)**	(2,556)	(366)	**(1,141)**	(2,748)	(468)
Monetary and foreign exchange losses	**(12,398)**	(24,847)	(70,326)	**(13,311)**	(10,515)	(75,773)
Other	**(18,026)**	(28,416)	(7,413)	**(18,389)**	(40,482)	(12,525)
	(305,328)	(270,959)	(198,560)	**(341,155)**	(296,448)	(211,520)
	(238,408)	(213,797)	(156,682)	**(263,233)**	(233,894)	(167,569)

25. Earnings per share

a) Basic

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

	12/31/2013	12/31/2012	12/31/2011
Profit attributable to Company shareholders	**208,294**	125,982	87,334
Weighted average number of common shares issued (thousands)	**240,834**	231,820	246,304
Basic earnings per share (in R$)	**0.8649**	0.5434	0.3546

b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all the potentially dilutable common shares. The Company has only one category of potentially diluting common shares: the stock options, as disclosed in Note 17(f).

	12/31/2013	12/31/2012	12/31/2011
Profit attributable to Company shareholders	**208,294**	125,982	87,334
Weighted average number of common shares issued, including dilutive factors (thousands)	**247,208**	236,601	247,062
Diluted earnings per share (in R$)	**0.8426**	0.5325	0.3535

26. Financial instruments and financial risk management

26.1. Classification of financial instruments by category

The classification of financial assets by category at December 31, 2013, 2012 and 2011 is as follows:

	Company								
	12/31/2013			12/31/2012			12/31/2011		
Financial assets	Loans and receivables	Fair value through profit or loss (*)	Total	Loans and receivables	Fair value through profit or loss (*)	Total	Loans and receivables	Fair value through profit or loss (*)	Total
Cash and cash equivalents	**57,788**	**-**	**57,788**	45,469	-	45,469	289,690	-	289,690
Marketable securities	**-**	**662,637**	**662,637**	-	772,425	772,425	-	649,724	649,724
Accounts receivable	**837,065**	**-**	**837,065**	662,345	-	662,345	430,703	-	430,703
Dividends receivable	**27,977**	**-**	**27,977**	26,975	-	26,975	-	-	-
Receivables from disposal of properties	**123,000**	**-**	**123,000**	49,000	-	49,000	-	-	-
Judicial deposits	**42,773**	**-**	**42,773**	34,179	-	34,179	22,820	-	22,820
Derivatives**	**-**	**25,700**	**25,700**	-	-	-	-	-	-
	1,088,603	**688,337**	**1,776,940**	817,968	772,425	1,590,393	743,213	649,724	1,392,937

	Consolidated								
	12/31/2013			12/31/2012			12/31/2011		
Financial assets	Loans and receivables	Fair value through profit or loss (*)	Total	Loans and receivables	Fair value through profit or loss (*)	Total	Loans and receivables	Fair value through profit or loss (*)	Total
Cash and cash equivalents	**89,522**	**-**	**89,522**	199,648	-	199,648	389,737	-	389,737
Marketable securities	**-**	**932,142**	**932,142**	-	801,468	801,468	-	649,724	649,724
Accounts receivable	**1,049,281**	**-**	**1,049,281**	818,644	-	818,644	475,195	-	475,195
Receivables from disposal of properties	**123,000**	**-**	**123,000**	49,000	-	49,000	-	-	-
Judicial deposits	**51,904**	**-**	**51,904**	38,927	-	38,927	25,970	-	25,970
Derivatives**	**-**	**25,700**	**25,700**	-	-	-	-	-	-
	1,313,707	**957,842**	**2,271,549**	1,106,219	801,468	1,907,687	890,902	649,724	1,540,626

(*) 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 prices quoted (not corrected) in active markets, based on similar assets and liabilities;

Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability, either directly (i.e., as the prices) or indirectly (i.e., derivative of prices);

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

The financial assets referred to above are measured at Level 2.

(**) Derivatives are classified in the balance sheet in Other noncurrent assets.

26. Financial instruments and financial risk management (Continued)

26.1. Classification of financial instruments by category (Continued)

The fair values of receivables do not significantly differ from book balances, since they are monetarily restated consistently with market rates and/or adjusted by the provision for impairment.

Company's significant financial liabilities are measured at amortized cost, as follows:

	Company			Consolidated		
Financial liabilities	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
Trade accounts payable	**196,152**	155,007	109,304	**265,441**	247,832	120,378
Loans and financing	**110,163**	138,140	130,357	**116,968**	156,376	136,380
Debentures	**2,489,122**	2,554,119	1,765,199	**2,872,459**	2,865,778	1,864,462
Salaries, provisions and social charges	**207,090**	180,289	104,161	**243,259**	203,761	117,044
Accounts payable for acquisitions	**240,484**	321,887	243,148	**240,484**	321,887	243,148
	3,243,011	3,349,442	2,352,169	**3,738,611**	3,795,634	2,481,412

Loans and financing are not actively traded, with floating interest rates consistent with those applied in the market; therefore, the book balances reported do not significantly differ from the corresponding fair values.

Convertible debentures are recognized at the historical amount in equity, as described in Note 17.

26. Financial instruments and financial risk management (Continued)

26.2. Risk management

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

a) Capital management

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

The Company uses own and third-party capital to finance its activities, also use of third-party capital aims at optimizing its capital structure. The Company manages its capital structure and makes adjustments considering changes in economic conditions. At December 31, the Company's capital structure is as follows:

	Company			Consolidated		
	12/31/2013	**12/31/2012**	**12/31/2011**	**12/31/2013**	**12/31/2012**	**12/31/2011**
Cash and cash equivalents	**57,788**	45,469	424,651	**89,522**	82,347	524,698
Marketable securities	**662,637**	772,425	514,763	**932,142**	918,769	514,763
	720,425	817,894	939,414	**1,021,664**	1,001,116	1,039,461
Loans and financing	**(110,163)**	(138,140)	(130,357)	**(116,968)**	(156,376)	(136,380)
Debentures	**(2,489,122)**	(2,554,119)	(1,765,199)	**(2,872,459)**	(2,865,778)	(1,864,462)
Net debt	**(1,878,860)**	(1,874,365)	(956,142)	**(1,967,763)**	(2,021,038)	(961,381)
Total equity	**1,156,524**	897,353	934,691	**1,165,765**	898,668	941,594
Gearing ratio (%)	**1.62**	2.09	1.02	**1.69**	2.25	1.02

b) Interest rate risk

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

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

b) Interest rate risk (Continued)

The sensitivity analysis about interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at December 31, 2013, and Scenarios II and III take into consideration rate increase by 25% and 50%, respectively. The results, in nominal values, are as follows:

Scenarios	Scenario I current	Scenario II + 25%	Scenario III + 50%
CDI rate (p.a.)	9.77%	12.21%	14.66%
Projected interest expenses (*)	1,488	1,759	2,026

(*) We calculated until the end of each indexed contract

c) Credit risk

Credit risk is the risk that a counterparty of a business will not meet an obligation under a financial instrument or agreement with the customer, which would lead to financial loss. The Company is exposed to credit risk through its operating (mainly in relation to accounts receivable) activities and financing activities, including deposits with banks and financial institutions, foreign 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.

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

d) Liquidity risk

Liquidity risk represents the risk of cash shortage and difficulty of the Company in paying its debts. The Company seeks to align the maturity of its debts with the cash generation period to avoid any mismatch and generate the need for greater leverage. At December 31, 2013, the Company held cash, cash equivalents and marketable securities in the total amount of R$958,664. The amounts disclosed below are projected considering inflation and interest through to maturity.

0	Company - 12/31/2013					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total financial liabilities
Trade accounts payable	196,152	-	-	-	-	196,152
Loans and financing	12,328	12,883	5,949	92,971	300	124,431
Debentures	10,214	10,674	6,193	1,800,066	1,146,290	2,973,437
Salaries, provisions and social charges	217,090	-	-	-	-	217,090
Accounts payable for acquisitions	15,086	15,765	225,302	-	-	256,153
Total	450,870	39,322	237,444	1,893,037	1,146,591	3,767,263

	Consolidated – 12/31/2013					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total financial liabilities
Trade accounts payable	265,441	-	-	-	-	265,441
Loans and financing	14,323	14,967	6,146	96,034	309	131,779
Debentures	27,693	28,939	69,587	2,101,092	1,184,908	3,412,219
Salaries, provisions and social charges	253,259	-	-	-	-	253,259
Accounts payable for acquisitions	15,086	15,765	225,302	-	-	256,153
Total	575,802	59,671	301,035	2,197,126	1,185,217	4,318,850

e) Foreign currency

The Company has loans and financing and trade accounts payable in foreign currency (mainly the US dollar). The risk linked to these assets and liabilities arises from the possibility of the Company to incur losses from fluctuations in foreign exchange rates. Liabilities in foreign currency represent 2% of total consolidated liabilities at December 31, 2013. The Company has derivative financial instruments taken out for hedge against foreign exchange rate fluctuation (see topic "f. Derivatives" of this note). Management believes that the risk of exposure to foreign currency is not significant in relation to its financial position.

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives

At December 31, 2013, the Company had outstanding derivative instruments to hedge its loans in foreign currency and interest rate swap in the amount of US$30,616 and R$166,304, respectively, with net revenue receivable of R$ 23,650 in Company and Consolidated (net expense payable of R$ 2,134 at December 31, 2012 in Company and Consolidated) recorded in the balance sheet under "Derivative financial instruments".

The Company and its subsidiaries do not contract derivative instruments for speculative purposes and do not settle them prior to respective maturities, on a regular basis. No guarantee margin is provided in connection with derivative contracts. The amounts are determined based on models and available market quotations that take into consideration present or future market conditions, being pretax gross amounts.

The fair value of these instruments at the reporting date by counterparty, classified in "Derivative financial instruments", is set out below:

			12/31/2013
Description	Maturity Month/Year	Notional value -	Notional value -
Swap (CDI x TJLP)	**01/16/2017**		
Long position	**CDI + 2.0%**		
Short position	**TJLP + 7.07%**	**R$91,304**	**2,577**
Swap (CDI x TJLP)	**12/10/2018**		
Long position	**CDI + 2.30%**		
Short position	**TJLP + 7.46%**	**R$75,000**	**324**
Swap (Exchange)	**04/15/2020**		
Long position	**LIBOR + 3.30%**	**US$30,616**	
Short position	**CDI + 1.00%**	**R$71,722**	**20,749**
			23,650
Effect on P&L for the year			**25,700**

Changes in market rates may make these amounts to change until maturity or early settlement of the transactions.

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

In accordance with CVM Rule No. 475/08 for derivative financial instruments, the Company and its subsidiaries considered as probable scenario (Scenario I) the future exchange rates of Brazilian real to US dollar, obtained with BM&FBOVESPA as of maturity of the instruments and calculated on the nominal value of the contract.

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

Situation	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Variation of exchange rate	0%	25%	-50%	+25%	+50%
Devaluation of US$ (rate in R$)	-	1.8310	1.2207	-	-
Appreciation of US$ (rate in R$)	2.4414	-	-	3.0517	3.6621
	Scenario I (loss)/gain	**Scenario II (loss)/gain**	**Scenario III (loss)/gain**	**Scenario IV (loss)/gain**	**Scenario V (loss)/gain**
Effect on liabilities in US$					
IFC - International Finance Corporation	(5,127)	25,633	51,267	(25,633)	(51,267)
Effect on derivatives					
SWAP	3,279	(25,073)	(48,700)	22,180	45,807
Net effect	(1,848)	560	2,567	(3,453)	(5,460)

27. Insurance Coverage

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

Insurance line	Amount insured
Hospitals	
Fire/lightning/explosion	**842,540**
Electrical damages	**11,000**
Parking lots	**22,564**
Whirlwind/hurricane/cyclone/smoke/hail/plane crash	**83,840**
Loss of profits/lightning/fire/explosion	**403,878**
Sprinkler leakage	**20,846**
Tank and pipe leakage	**20,846**
Floods/land slides	**8,000**
Other	**11,200**