Financial Statements

Rede D'Or São Luiz S.A.

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

Rede D'Or São Luiz S.A.

Financial statements

December 31, 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 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 Parent Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2012 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 and consolidated financial statements in accordance with accounting practices adopted in Brazil and for such internal control as Management determines is necessary to enable the preparation of 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 presentation of the overall financial statements.

Auditor's responsibility (Continued)

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

Opinion

In our opinion, the 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, 2012, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Emphasis of a matter

As described in Note 2, due to, mainly, changes in accounting practices which resulted in the deconsolidation of the joint ventures and recognition of these investments by equity method, the individual and consolidated financial statements of Rede D'Or São Luiz S.A. for the year ended December 31, 2011, presented for comparative purposes, were modified and are being restated. Our opinion is not qualified in respect of this matter.

Rio de Janeiro, March 28, 2013.

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

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

Mauro Moreira
Accountant - CRC - 1RJ-072.056/O-2

Rede D'Or São Luiz S.A.

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

	Note	Company		Consolidated	
		12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Assets					
Current assets					
Cash and cash equivalents	4	**45,469**	424,651	**82,347**	524,698
Marketable securities	4	**772,425**	514,763	**918,769**	514,763
Accounts receivable	5	**684,572**	430,703	**831,892**	475,195
Inventories		**60,830**	48,143	**72,812**	56,860
Recoverable taxes		**49,640**	28,430	**56,442**	31,298
Related parties	6	**45,697**	7,607	**24,499**	-
Dividends receivable	7	**26,975**	-	**-**	-
Receivables from disposal of properties	19	**49,000**	-	**49,000**	-
Other		**67,544**	35,754	**74,490**	33,495
Total current assets		**1,802,152**	1,490,051	**2,110,251**	1,636,309
Noncurrent assets					
Related parties	6	**202,693**	100,606	**134,749**	85,065
Judicial deposits	14	**34,179**	22,820	**38,927**	25,970
Deferred income and social contribution taxes	17	**357,217**	299,570	**380,481**	302,387
Investments	7	**116,959**	167,438	**78,308**	63,048
Property, plant and equipment	8	**1,035,465**	587,037	**1,235,453**	708,249
Intangible assets	9	**1,149,632**	857,247	**1,201,494**	873,773
Other		**2,392**	4,280	**2,698**	4,558
Total noncurrent assets		**2,898,537**	2,038,998	**3,072,110**	2,063,050
Total assets		**4,700,689**	3,529,049	**5,182,361**	3,699,359

	Note	Company		Consolidated	
		12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Liabilities and equity					
Current liabilities					
Trade accounts payable		**155,007**	109,304	**247,832**	120,378
Loans and financing	**10**	**48,949**	6,946	**57,031**	7,448
Salaries, provisions and social charges		**180,289**	104,161	**203,761**	117,044
Tax liabilities	**12**	**48,185**	23,387	**58,079**	26,424
Taxes paid in installments	**12**	**6,537**	6,800	**8,615**	8,059
Debentures	**11**	**165,549**	24,840	**199,683**	24,601
Accounts payable for acquisitions	**13**	**37,404**	23,224	**37,404**	23,224
Dividends payable	**15**	**26,424**	16,497	**29,572**	19,109
Deferred income	**19**	**2,200**	-	**2,200**	-
Related parties	**6**	**364**	-	**849**	-
Other		**22,379**	18,046	**28,960**	28,532
Total current liabilities		**693,287**	333,205	**873,986**	374,819
Noncurrent liabilities					
Loans and financing	**10**	**89,191**	123,411	**99,345**	128,932
Related parties	**6**	**9,009**	1,604	**4,087**	477
Taxes paid in installments	**12**	**123,920**	61,162	**138,081**	71,272
Debentures	**11**	**2,388,570**	1,740,359	**2,666,095**	1,839,861
Accounts payable for acquisitions	**13**	**284,483**	219,924	**284,483**	219,924
Provision for contingencies	**14**	**140,331**	105,713	**145,963**	112,970
Deferred income	**19**	**52,800**	-	**52,800**	-
Other		**36,469**	8,980	**33,577**	9,510
Total noncurrent liabilities		**3,124,773**	2,261,153	**3,424,431**	2,382,946
Equity	**16**				
Capital		**44,849**	43,318	**44,849**	43,318
Capital reserves		**164,415**	189,016	**164,415**	189,016
Treasury shares		**(129,594)**	-	**(129,594)**	-
Income reserves		**198,735**	98,133	**198,735**	98,133
Other reserves		**600,000**	600,000	**600,000**	600,000
Total equity		**878,405**	930,467	**878,405**	930,467
Advances for future capital increase		**4,224**	4,224	**4,224**	4,224
Noncontrolling interest		**-**	-	**1,315**	6,903
Total equity		**882,629**	934,691	**883,944**	941,594
Total liabilities and equity		**4,700,689**	3,529,049	**5,182,361**	3,699,359

See accompanying notes.

Rede D'Or São Luiz S.A.

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

	Note	Company		Consolidated	
		12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Net revenue	18	**2,371,753**	1,718,635	**3,122,097**	2,092,231
Operating costs and expenses					
Personnel		**(913,884)**	(651,967)	**(1,124,577)**	(799,630)
Materials and medicines		**(552,391)**	(416,375)	**(691,750)**	(494,737)
Third-party services		**(331,609)**	(232,422)	**(639,801)**	(309,893)
Equity results	7	**(43,077)**	17,113	**13,451**	8,943
Depreciation and amortization		**(69,812)**	(35,095)	**(89,369)**	(48,301)
Provision for contingencies	14	**1,913**	8,703	**2,789**	9,122
Gain on disposal of properties	19	**66,646**	-	**66,646**	-
Other		**(170,097)**	(172,242)	**(207,930)**	(197,168)
		(2,012,311)	(1,482,285)	**(2,670,541)**	(1,831,664)
Income before financial income (expenses) and income and social contribution taxes		**359,442**	236,350	**451,556**	260,567
Financial income	20	**57,162**	41,878	**62,554**	43,951
Financial expenses	20	**(270,960)**	(198,560)	**(296,448)**	(211,520)
Income before income and social contribution taxes		**145,644**	79,668	**217,662**	92,998
Income and social contribution taxes	17	**(34,386)**	7,666	**(111,189)**	(2,351)
Net income for the year		**111,258**	87,334	**106,473**	90,647
Income attributed to controlling shareholders		**-**	-	**111,258**	87,334
Income attributed to noncontrolling shareholders		**-**	-	**(4,785)**	3,313

See accompanying notes.

Rede D'Or São Luiz S.A.

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

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Net income for the year	**111,258**	87,334	**106,473**	90,647
Other comprehensive income	-	-	**-**	-
Total comprehensive income, net of taxes	**111,258**	87,334	**106,473**	90,647

See accompanying notes.

Rede D'Or São Luiz S.A.

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

		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	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)	-
Purchase of additional interest in subsidiary	-	-	(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 (Note 16)	**-**	**-**	**-**	**-**	**(129,594)**	**-**	**-**	**-**	**-**	**(129,594)**	**-**	**-**	**(129,594)**
Acquisition of noncontrolling shareholders (Note 16)	**1,531**	**3,111**	**(43,946)**	**-**	**-**	**-**	**-**	**-**	**-**	**(39,304)**	**-**	**(803)**	**(40,107)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**111,258**	**111,258**	**-**	**(4,785)**	**106,473**
Set up of legal reserve	**-**	**-**	**-**	**-**	**-**	**5,563**	**-**	**-**	**(5,563)**	**-**	**-**	**-**	**-**
Set up of investment reserve	**-**	**-**	**-**	**-**	**-**	**-**	**79,271**	**-**	**(79,271)**	**-**	**-**	**-**	**-**
Share-based payment reserve (Note 16)	**-**	**-**	**-**	**16,234**	**-**	**-**	**-**	**-**	**-**	**16,234**	**-**	**-**	**16,234**
Dividends reinvested in 2011 (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**15,768**	**-**	**-**	**15,768**	**-**	**-**	**15,768**
Dividends proposed	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26,424)**	**(26,424)**	**-**	**-**	**(26,424)**
Balances at December 31, 2012	**44,849**	**199,140**	**(52,416)**	**17,691**	**(129,594)**	**8,666**	**190,069**	**600,000**	**-**	**878,405**	**4,224**	**1,315**	**883,944**

See accompanying notes.

Rede D'Or São Luiz S.A.

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

	Company		Consolidated	
	12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Cash flows from operating activities				
Income before income and social contribution taxes	**145,644**	79,668	**217,662**	92,998
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**69,812**	35,095	**89,369**	48,301
Gain on disposal of properties	**(66,646)**	-	**(66,646)**	-
Interest, monetary restatements and foreign exchange fluctuations, net	**242,263**	150,525	**246,449**	157,176
Share-based payment	**16,234**	1,457	**16,234**	1,457
Provision for contingencies	**(1,913)**	(8,703)	**(2,789)**	(9,122)
Equity pickup	**43,077**	17,113	**(13,451)**	(8,943)
Provision for disallowances	**16,320**	60,702	**27,833**	69,297
Allowance for doubtful accounts	**29,597**	19,012	**30,573**	20,182
(Increase) decrease in assets and increase (decrease) in liabilities				
Accounts receivable	**(299,786)**	(234,208)	**(415,103)**	(209,322)
Inventories	**(12,687)**	(15,185)	**(15,952)**	(15,663)
Recoverable taxes	**(21,210)**	(8,612)	**(25,144)**	320
Judicial deposits	**(11,359)**	11,331	**(12,957)**	11,762
Deferred income and social contribution taxes	**(92,033)**	-	**(175,780)**	6,524
Other assets	**(219,079)**	(28,965)	**(162,312)**	(13,317)
Trade accounts payable	**45,703**	23,412	**127,454**	15,597
Salaries and social charges	**76,128**	35,938	**86,717**	34,706
Tax liabilities	**24,798**	2,734	**31,655**	766
Taxes paid in installments	**62,495**	7,851	**67,365**	(681)
Related parties	**7,769**	35,837	**4,459**	5,192
Provision for contingencies	**34,618**	(16,074)	**32,993**	(11,054)
Other liabilities	**31,820**	(6,614)	**24,495**	1,494
	121,565	162,314	**113,124**	197,670
Payment of income and social contribution taxes	**-**	189	**(13,503)**	(13,212)
Net cash provided by operating activities	**121,565**	162,503	**99,621**	184,458
Cash flows from investing activities				
Amount received from disposal of properties	**200,000**	-	**200,000**	-
Additions to investment	**(21,532)**	(144,858)	**(1,319)**	(38,489)
Additions to property and equipment	**(594,681)**	(240,642)	**(692,634)**	(291,288)
Additions to intangible assets	**(292,385)**	(80,372)	**(327,721)**	(98,888)
Marketable securities	**(257,662)**	(367,949)	**(404,006)**	(367,949)
Cash used in investing activities	**(966,260)**	(833,821)	**(1,225,680)**	(796,614)
Cash flows from financing activities				
Capital increase (decrease)/capital reserves	**(49,960)**	(7,321)	**(49,960)**	(7,321)
Acquisition of treasury shares	**(129,594)**		**(129,594)**	
Noncontrolling interest	**-**	-	**(803)**	(1,629)
Promissory notes payable	**-**	(407,380)	**-**	(407,380)
Distribution of dividends and interest on equity	**11,888**	(19,906)	**10,463**	(46,473)
Debentures payable	**585,680**	1,667,769	**795,680**	1,768,937
Accounts payable for acquisitions	**55,278**	(81,858)	**55,278**	(85,679)
Advances for future capital increase	**-**	4,224	**-**	4,224
Loans and financing taken out	**-**	92,500	**26,439**	92,500
Amortization of loans and financing	**(7,779)**	(334,980)	**(23,795)**	(377,836)
Leases paid	**-**	(527)	**-**	(2,349)
Cash provided by financing activities	**465,513**	912,521	**683,708**	936,994
Increase (decrease) in cash and cash equivalents	**(379,182)**	241,203	**(442,351)**	324,838
Cash and cash equivalents at beginning of year	**424,651**	183,448	**524,698**	199,860
Cash and cash equivalents at end of year	**45,469**	424,651	**82,347**	524,698

See accompanying notes.

Rede D'Or São Luiz S.A.

Notes to financial statements
December 31, 2012 and 2011
(In thousands of reais, unless otherwise stated)

1. Operations

Rede D'Or São Luiz S.A. ("Company" and jointly with the subsidiaries "Rede D'Or" or "Group"), formerly named Hospital Maternidade São Luiz S.A., headquartered at Rua Francisco Marengo, 1312 - São Paulo - 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 4 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.

2. Basis of preparation and presentation and significant accounting practices

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil and pronouncements and interpretations issued by the Brazilian FASB (CPC).

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.

In preparing the individual and consolidated financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting practices and reported assets, liabilities, revenues and expenses. Estimates and assumptions are reviewed on a continuous basis. Reviews of accounting estimates are recognized in the period estimates are reviewed and in any future periods affected. Significant items subject to these estimates and assumptions include selection of useful lives and recoverability of property and equipment, credit risk assessment to determine the allowance for doubtful accounts, as well as other risk assessments to determine other provisions, including provision for contingencies. The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment given to the estimation process.

The financial statements were approved by the Board of Directors on March 28, 2013.

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;

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

a) Basis of consolidation (Continued)

- 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 by 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 interest in the acquiree. For each business combination, the acquirer shall measure any noncontrolling interest in the acquiree at fair value or based on its share in the identifiable net assets of the acquiree. Costs directly attributable to the acquisition shall be recorded as expenses as incurred.

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

In the event of a business combination in stages, the acquisition date fair value of the equity interest previously held in the capital is measured again at the acquisition date fair value, and any impacts are recognized in the income statement.

Goodwill is initially measured as transferred consideration exceeding amount for net assets acquired (identifiable assets acquired and liabilities assumed, net). Consideration transferred, where lower than the fair value of net assets acquired, is recognized as gain in the income statement.

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

b) Business combination (Continued)

After initial recognition, goodwill is measured at cost, less any impairment losses. For impairment testing purposes, goodwill acquired in a business combination is, as from the acquisition date, allocated to the corresponding cash-generating units, which are expected to benefit from such combination. Where goodwill is part of a cash-generating unit and a portion of such unit is disposed of, the goodwill associated with the portion disposed of shall be included in the transaction cost in determining the gain or loss thereon.

c) Financial instruments – initial recognition and subsequent measurement

Financial assets - initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, investments held to maturity, financial assets available for sale or derivatives classified as effective hedging instruments, as applicable. The Company determines the classification of its financial asset upon initial recognition, when it becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at fair value plus, in case of investments not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset.

Sales and purchases of financial assets that involve delivery of assets within a time frame established by regulation or by the market (regular way purchases) are recognized at the transaction date, i.e., when the Company undertakes to purchase or sell the asset.

Company's financial assets include cash and cash equivalents, trade accounts receivable and other accounts receivable, loans and financing, debentures and financial instruments not traded.

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

c) Financial instruments - initial recognition and subsequent measurement (Continued)

Financial liabilities - initial recognition and measurement

Financial liabilities are initially recognized at the trading date, when the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when paid or when the contractual obligations thereof are discharged, canceled or mature.

When an existing financial liability is replaced with another of the same lender with substantially different terms, or the terms of an existing liability are significantly changed, this replacement or change is treated as a write-off of the original liability and recognition of a new one, and the difference in the respective book values is recognized in the income statement.

Financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost and adjusted based on monetary restatements and foreign exchange fluctuations, including interest accrued up to the balance sheet dated, based on contractual terms. Gains and losses are recognized in the income statement when liabilities are written off, as well as over the allocation of interest and monetary restatements.

Derivative financial instruments

Derivatives are initially recognized and subsequently measured at fair value, and changes in fair value are recognized in profit or loss.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has the legal right to offset the amounts and intends to settle on a net basis or to realize the asset and to settle the liability simultaneously.

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

d) Revenue and cost recognition

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

Revenue is recognized to the extent that economic benefits are likely to flow to the Company and when it can be reliably measured. Revenue is measured at the fair value of the consideration received, net of sales discounts, rebates and taxes or charges. 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 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.

f) Cash and cash equivalents and marketable securities

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or any other purposes. Short-term investments included in cash equivalents are 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, e.g., within three months or less from the investment date.

g) 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 set up when considered necessary by management.

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

h) 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 to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment loss. When such evidence is identified, and net book value exceeds recoverable amount, a provision for impairment is set up so as to adjust book value to recoverable amount.

i) 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. 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.

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

i) Lease (Continued)

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.

j) Intangible assets

Intangible assets acquired separately are measured at cost upon their initial recognition. The cost of intangible assets acquired in a business combination corresponds to the acquisition date fair value. After initial recognition, intangible assets are presented at cost, less accumulated amortization and accumulated impairment losses. Intangible assets generated internally, excluding capitalized development costs, are not capitalized, and the expense is reflected in the income statement for the corresponding year.

Intangible assets are assessed as having finite or indefinite useful lives.

Intangible assets with finite useful lives are amortized over economic useful lives and tested for impairment whenever there is any indication of impairment loss. The amortization period and method for intangible assets with finite useful lives are reviewed at least at each year-end. Changes in expected useful lives or expected consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, treated as changes in accounting estimates. The amortization of intangible assets with finite useful lives is recognized in the income statement under expenses in line with the use thereof.

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

j) Intangible assets (Continued)

Intangible assets with indefinite useful lives are not amortized, but tested annually for impairment, either individually or at cash-generating units. The indefinite useful life assessment is reviewed annually to determine whether such assessment continues to be justified. Otherwise, a change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains and losses from disposal of intangible assets are measured as the difference between net sales amount and book value of assets, recognized in the income statement upon such disposal.

k) 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 the financial statement date.

l) Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation arising from past events, the settlement of which is likely to result in an outflow of economic benefits and the obligation amount can be reliably estimated. When the Company expects that the amount of a provision will be refunded, in whole or in part, the refund is recognized as a separate asset, but only when the refund is virtually certain. Provision expenses are recorded in profit or loss, net of any refund.

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

l) Provisions (Continued)

The Company is a party to various legal and administrative proceedings. Provisions are set up for contingencies related to legal proceedings settlement of which is likely to result in an outflow of economic benefits and reasonable estimate of which can be made. The assessment of likelihood of loss includes analysis of available evidence, hierarchy of laws, available case law, recent court rulings and their relevance to the legal system, as well as evaluation of outside legal advisors. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings.

m) Taxes

Income and social contribution taxes - current

Current tax assets and liabilities for the last and prior years are measured at the estimated amount recoverable from or payable to tax authorities. Tax rates and laws used to calculate the amount are those in force, or substantially in force, at the balance sheet date in the countries in which the Company operates and generates taxable income.

Deferred taxes

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

- When the deferred tax liability arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination and does not affect, at the transaction date, the book profit or income or loss for tax purposes; and

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

m) Taxes (Continued)

Deferred taxes (Continued)

- On taxable temporary differences for investments in subsidiaries, when the period of reversal of temporary differences can be controlled and temporary differences are unlikely to be reversed in the coming future.

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

- When the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination and does not affect, at the transaction date, the book profit or income or loss for tax purposes; and

- On deductible temporary differences related to investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that temporary differences will be reversed in the coming future and taxable profit will likely be available so that temporary differences can be used.

The book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent that it is no longer probable that taxable profit will be available so that deferred tax assets can be used in whole or in part. Deferred tax assets written off are reviewed at each balance sheet date and 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 rate that is expected to be applicable for the year the asset will be realized or the liability settled, based on tax rates (and tax law) in force at the balance sheet date.

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

m) Taxes (Continued)

Deferred taxes (Continued)

Deferred tax assets and liabilities are stated net if there is a legal or contractual right to offset tax assets against tax liabilities, and when deferred taxes refer to the same taxable entity and are subject to the same tax authority.

Income taxes

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

- When sales taxes on the purchase of goods or services are not recoverable from tax authorities, in which case sales taxes are recognized as part of the acquisition cost of the asset or expense item, as the case may be; and
- When receivables and payables are presented together with sales taxes.
- When the net amount of sales taxes, either recoverable or payable, is included as part of accounts receivable or payable in the balance sheet.

n) Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are monetarily restated, thus adjusted to present value. The present value adjustment of current monetary assets and liabilities is calculated, and only recorded, if considered significant to the overall financial statements.

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

o) 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 premium (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.

When a premium from settlement against equity settled is cancelled, it is treated as if it had been acquired on the cancellation date, and any premium expenses not recognized are recognized immediately. This includes any premium in which nonacquisition conditions controlled by the Company or counterparty are not met. However, if a new plan replaces the cancelled plan and is allocated as a substitute plan upon grant, the cancelled and the new plans are treated as if they were a modification to the original plan.

p) Treasury shares

Own membership certificates that are repurchased (treasury shares) are recognized at cost, less equity. No gain or loss is recognized in the income statement upon purchase, sale, issue or cancellation of own membership certificates of the Company. Any difference between book value and consideration is recognized in other capital reserves.

q) Cash flow statements

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

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

r) New accounting pronouncements and interpretations

The following accounting pronouncements and interpretations were issued and revised by CPC and will be effective for annual periods beginning on or after January 1, 2013: CPC 18 (R2) - Investments in Associates and Joint Ventures, CPC 19 (R2) - Interests in Joint Ventures, CPC 33 (R1) – Employee Benefits, CPC 36 (R3) – Consolidated Statements, CPC 45 - Disclosure of Interests in Other Entities, CPC 46 – Fair Value Measurement. Management does not expect that these pronouncements have significant impacts on its financial statements.

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

The financial statements of Rede D'Or at December 31, 2012 and 2011 comprise the following companies:

	Interest (%)			
	12/31/2012		12/31/2011	
	Direct	Indirect	Direct	Indirect
Company - Rede D'Or São Luiz S.A. (a)				
Fully consolidated companies				
Advance Plano de Saúde Ltda.	**100.00**	**-**	100.00	-
São Luiz Assistência Médica Ambulatorial Ltda.	**100.00**	**-**	100.00	-
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	**95.52**	**-**	85.34	-
Rodin Empreendimentos e Participações Ltda.	**100.00**	**-**	100.00	-
Centro Hospitalar São Marcos Ltda.	**100.00**	**-**	100.00	-
LE Participações Societárias S.A.	**100.00**	**-**	100.00	-
Hospital Esperança Ltda. ("Esperança")	**100.00**	**-**	50.00	-
São Luiz Serviços Médicos S.A. (organized in 2012)	**100.00**	**-**	-	-
Companies recognized by using the equity method in consolidated (b)				
Acreditar Oncologia Ltda.	**50.00**	**-**	-	-
Onco ABC Serviços Médicos Ltda.	**50.00**	**-**	-	-
Hospital Fluminense S.A.	**50.00**	**-**	50.00	-
Oncoholding Participações S.A.	**50.00**	**-**	50.00	-
Oncologistas Associados Serviços Médicos Ltda.	**-**	**37.75**	-	37.75
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**-**	**98.00**	-	98.00
Clínica OAL Serviços Médicos Ltda.	**-**	**37.75**	-	37.75
Clínica OAL SP Serviços Médicos Ltda.	**-**	**37.75**	-	37.75
Oncotech Oncologia Ltda. ("Oncotech")	**-**	**50.00**	-	50.00
Coral - Centro de Oncologia e Radioterapia Ltda.	**-**	**50.00**	-	50.00
Centro Radioterápico Gávea S/C Ltda.	**-**	**50.00**	-	50.00
LFC Serviços Médicos S/C Ltda.	**-**	**50.00**	-	50.00
Serviços de Radioterapia São Peregrino Ltda.	**-**	**50.00**	-	50.00
Instituto de Oncologia e Radioterapia São Pellegrino Ltda.	**-**	**50.00**	-	50.00
Scanmed Aluguel de Máquinas e Equipamentos Ltda.	**-**	**50.00**	-	50.00
JMJB Diagnósticos e Serviços Hospitalares S.A.	**50.00**	**-**	50.00	-
J Badim S.A. ("Hospital Badim")	**-**	**50.00**	-	50.00
PRONCORDIS - Pronto Atendimento Cardiológico Ltda. ("Hospital Provita")	**-**	**50.00**	-	50.00
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")		**35.00**		35.00
Rede Lav Lavanderia Industrial Hospitalar Ltda.	**-**	**50.00**	-	50.00
JR Bayão Locação de Equipamentos Médicos Ltda.	**-**	**50.00**	-	50.00
EAH Administração Hospitalar Ltda.	**-**	**50.00**	-	50.00
Prontimagem Serviços Médicos Ltda.	**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) Joint ventures recognized by using the equity method, according to CPC 19 and as detailed below.

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

Restatement of the financial statements at December 31, 2011

The tables below summarize the adjustments made by the Company to the consolidated financial statements at December 31, 2011.

Assets - December 31, 2011

	12/31/2011 (Originally stated)	Adjustments (*)	12/31/2011 (Restated)
Current assets			
Cash and cash equivalents	534,772	(10,074)	524,698
Marketable securities	514,763	-	514,763
Accounts receivable	500,933	(25,738)	475,195
Inventories	62,545	(5,685)	56,860
Recoverable taxes	34,494	(3,196)	31,298
Other	74,167	(40,672)	33,495
Total current assets	1,721,674	(85,365)	1,636,309
Noncurrent assets			
Related parties	47,593	37,472	85,065
Judicial deposits	27,592	(1,622)	25,970
Deferred income and social contribution taxes	285,557	16,830	302,387
investments	5,791	57,257	63,048
Property and equipment	736,351	(28,102)	708,249
Intangible assets	980,045	(106,272)	873,773
Other	406	4,152	4,558
Total noncurrent assets	2,083,335	(20,285)	2,063,050
Total assets	3,805,009	(105,650)	3,699,359

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

Restatement of the financial statements at December 31, 2011 (Continued)

Liabilities - December 31, 2011

	12/31/2011 (Originally stated)	Adjustments (*)	12/31/2011 (Restated)
Current liabilities			
Trade accounts payable	134,544	(14,166)	120,378
Loans and financing	9,717	(2,269)	7,448
Leases payable	4,825	(1,664)	3,161
Salaries and social charges	123,640	(6,596)	117,044
Tax liabilities	29,617	(3,193)	26,424
Taxes paid in installments	8,502	(443)	8,059
Debentures	24,601	-	24,601
Accounts payable for acquisitions	23,818	(594)	23,224
Dividends and interest on equity	20,777	(1,668)	19,109
Other	26,761	(1,390)	25,371
Total current liabilities	406,802	(31,983)	374,819
Noncurrent liabilities			
Loans and financing	153,881	(24,949)	128,932
Leases payable	153	(41)	112
Related parties	327	150	477
Taxes paid in installments	78,851	(7,579)	71,272
Debentures	1,839,861	-	1,839,861
Accounts payable for acquisitions	219,924	-	219,924
Provision for contingencies	119,460	(6,490)	112,970
Other	21,768	(12,370)	9,398
Total noncurrent liabilities	2,434,225	(51,279)	2,382,946
Equity			
Capital	43,318	-	43,318
Capital reserve	211,404	(22,388)	189,016
Income reserve	98,133	-	98,133
Other reserves	600,000	-	600,000
	952,855	(22,388)	930,467
Advances for future capital increase	4,224	-	4,224
Noncontrolling interest	6,903	-	6,903
Total equity	963,982	(22,388)	941,594
Total liabilities and equity	3,805,009	(105,650)	3,699,359

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

Restatement of the financial statements at December 31, 2011 (Continued)

Income statement - December 31, 2011

	12/31/2011 (Originally stated)	Adjustments (*)	12/31/2011 (Restated)
Gross revenue	2,504,801	(171,725)	2,333,076
Revenue deductions			
Cancellations and rebates	(146,966)	10,966	(136,000)
Income taxes	(111,837)	6,992	(104,845)
Net revenue	2,245,998	(153,767)	2,092,231
Operating costs and expenses			
Personnel	(849,168)	49,538	(799,630)
Materials and medicines	(543,393)	48,656	(494,737)
Third-party services	(328,000)	18,107	(309,893)
Equity pickup	(1,569)	10,512	8,943
Depreciation and amortization	(51,977)	3,676	(48,301)
Provision for losses	-	-	-
Provision for contingencies	7,923	1,199	9,122
Other operating costs and expenses	(205,178)	8,010	(197,168)
Total operating costs and expenses	(1,971,362)	139,698	(1,831,664)
Income before financial income (expenses) and income and social contribution taxes	274,636	(14,069)	260,567
Financial income (expenses), net	(174,589)	7,020	(167,569)
Income before income and social contribution taxes	100,047	(7,049)	92,998
Income and social contribution taxes	(7,943)	5,592	(2,351)
Net income for the year	92,104	(1,457)	90,647
Net income attributed to noncontrolling shareholders	3,313	-	3,313
Net income attributed to controlling shareholders	88,791	-	87,334

(*) The adjustments made refer to (i) changes in accounting practices and resulting deconsolidation of joint ventures and recognition of these investments by using the equity method, according to CPC 19; (ii) share-based compensation plan (see Note 15) previously unrecorded, amounting to R$ 1,457; (iii) correction of error related to prepaid expenses unduly recorded, amounting to R$ 22 million (write-off of assets against opening equity – December 31, 2010); and (iv) adjustments, referring to business combinations of Vivalle and São Marcos, to accounts receivable, deferred taxes, property and equipment, intangible assets and trade accounts payable.

3. Business combination

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.

The Group opted to measure noncontrolling interest in the acquiree at fair value.

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 will be settled one year after the agreement execution.

The analysis and allocation of fair values of assets acquired and liabilities assumed below are not finished yet; therefore, the amounts presented represent the preliminary analysis carried out by management. These balances are the management's best estimate, and fixed assets and deferred tax credits are the main items subject to changes.

		Acquisition date
Net assets acquired at book value		**58,620**
Fair value adjustments		
Property and equipment	(i)	**270,656**
Other		**(526)**
Deferred income and social contribution tax assets	(ii)	**67,773**
Net assets at fair value		**396,523**
Noncontrolling interest	(iii)	**(25,924)**
Net assets at fair value after noncontrolling interest		**370,599**
Consideration transferred		**502,159**
Goodwill on acquisition		**131,560**

3. Business combination (Continued)

Acquisitions in 2012 (Continued)

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

(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) The future tax benefit from overpayment in the acquisition was recorded as deferred income and social contribution tax assets.

(iii) Noncontrolling interest was measured at fair value, which considered the exchange ratio between the Group and noncontrolling shareholders of Santa Luzia, since such interest was fully acquired by the Company in July 2012, upon issue of new shares of the Company. 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.

From the acquisition date to December 31, 2012, Santa Luzia contributed to the Company with R$ 201,201 of revenue and R$ 27,445 of income before taxes. Had the business combination occurred at the beginning of the year, Santa Luzia would have contributed to the Company with R$ 296,176 of revenue and R$ 14,617 of income before taxes.

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.

3. Business combination (Continued)

Acquisitions in 2012 (Continued)

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

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

The analysis and allocation of fair values of assets acquired and liabilities assumed below are not finished yet; therefore, the amounts presented represent the preliminary analysis carried out by management. These balances are the management's best estimate, and fixed assets and deferred tax credits are the main items subject to changes.

		Acquisition date
Capital deficiency assumed		**(217,295)**
Fair value adjustments		
Property and equipment	(i)	**6,846**
Deferred income and social contribution taxes	(ii)	**81,795**
Net assets at fair value		**(128,654)**
Consideration transferred		**22,007**
Goodwill on acquisition		**150,661**

(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) The future tax benefit from overpayment in the acquisition was recorded as deferred income and social contribution tax assets.

From the acquisition date to December 31, 2012, Sinisgalli contributed to the Company with R$ 148,337 of revenue and R$ 4,164 of losses before taxes. Had the business combination occurred at the beginning of the year, Sinisgalli would have contributed to the Company with R$ 168,518 of revenue and R$ 153,484 of losses before taxes.

c) Hospital Esperança Ltda. ("Esperança")

On August 1, 2012, the Company 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, holding 100% of Hospital Esperança shares.

3. Business combination (Continued)

Acquisitions in 2012 (Continued)

c) Hospital Esperança Ltda. ("Esperança") (Continued)

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

The analysis and allocation of fair values of assets acquired and liabilities assumed below are not finished yet; therefore, the amounts presented represent the preliminary analysis carried out by management. These balances are the management's best estimate, and fixed assets and deferred tax credits are the main items subject to changes.

Allocations made and goodwill on acquisition are as follows:

		Acquisition date
Net assets acquired at book value		**19,147**
Fair value adjustments		
Property and equipment	(i)	**(87)**
Other		**(403)**
Deferred income and social contribution tax assets	(ii)	**18,596**
Net assets at fair value		**37,253**
Consideration transferred		**73,351**
Goodwill on acquisition		**36,098**

(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) The future tax benefit from overpayment in the acquisition was recorded as deferred income and social contribution tax assets.

From the acquisition date to December 31, 2012, Esperança contributed to the Company with R$ 141,589 of revenue and R$ 2,957 of income before taxes. Had the business combination occurred at the beginning of the year, Esperança would have contributed to the Company with R$ 196,386 of revenue and R$ 4,057 of income before taxes.

3. Business combination (Continued)

Acquisitions in 2011

a) Centro Hospitalar São Marcos 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 to ensure payment of any significant contingencies.

Upon review of such business combination in 2012, allocations were as follows:

	Acquisition date
Net assets acquired at book value	**(705)**
Fair value adjustments	
Accounts receivable	**(4)**
Trade accounts payable	**83**
Property and equipment	**818**
Deferred income and social contribution tax assets	**3,675**
Net assets at fair value	**3,867**
Consideration transferred	**11,000**
Goodwill on acquisition	**7,133**

From the acquisition date to December 31, 2011, São Marcos contributed to the Group with R$ 18,630 of revenue and R$ 1,022 of income before taxes. Had the business combination occurred at the beginning of the year, São Marcos would have contributed to the Group with R$ 65,868 of revenue and R$ 1,540 of income before taxes.

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 R$ 5,000 will be settled upon grant of certain licenses as provided for by agreement.

Upon review of such business combination in 2012, there were allocations of R$ 28,920 to property and equipment and R$ 13,155 to deferred income and social contribution tax assets; therefore, remaining goodwill is as follows:

	Acquisition date
Net assets acquired at book value	**376**
Fair value adjustments	
Property and equipment	**28,920**
Deferred income and social contribution tax assets	**13,155**
Net assets at fair value	**42,451**
Consideration transferred	**67,988**
Goodwill on acquisition	**25,537**

The comparative balances were adjusted, as required by accounting pronouncement CPC 15. See Note 2.

From the acquisition date to December 31, 2011, Vivalle contributed to the Group with R$ 4,725 of revenue and R$ 43 of income before taxes. Had the business combination occurred at the beginning of the year, Vivalle would have contributed to the Group with R$ 54,903 of revenue and R$ 5,895 of income before taxes.

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

4. Cash and cash equivalents and marketable securities

	Company		Consolidated	
	12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Cash and cash equivalents				
Cash and banks	**17,851**	113,166	**30,737**	119,257
Short-term investments	**27,618**	311,485	**51,610**	405,441
	45,469	424,651	**82,347**	524,698
Marketable securities	**772,425**	514,763	**918,769**	514,763

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 with BTG Pactual, issued by first-tier financial institutions, substantially remunerated based on percentages of Interbank Deposit Certificate (CDI) variation.

The securities classified as cash equivalents mature not more than 90 days from the acquisition 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	
	12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Accounts receivable from health insurance and health plans	**731,767**	496,599	**910,403**	552,339
Accounts receivable from individuals	**65,596**	33,912	**70,533**	36,154
Provision for disallowances	**(8,100)**	(59,785)	**(38,647)**	(69,119)
Allowance for doubtful accounts	**(104,691)**	(40,023)	**(110,397)**	(44,179)
	684,572	430,703	**831,892**	475,195

Changes in provisions/allowances

Management has a policy on set up of allowance for doubtful accounts for securities overdue for more than 360 days.

	Company		Consolidated	
	12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Opening balance	**(99,808)**	(20,094)	**(113,298)**	(23,819)
Set up of provision for disallowances, net of reversal	**47,461**	(60,702)	**35,948**	(69,297)
Set up of allowance for doubtful accounts, net of reversal	**(29,597)**	(19,012)	**(30,573)**	(20,182)
Provision from company acquisitions	**(30,847)**	-	**(41,121)**	-
Closing balance	**(112,791)**	(99,808)	**(149,044)**	(113,298)

5. Accounts receivable (Continued)

Changes in provisions/allowances (Continued)

In December 31, 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
2012	**797,363**	**424,994**	**79,659**	**39,232**	**21,084**	**18,909**	**34,040**	**74,754**	**104,691**

	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
2012	**980,936**	**533,379**	**100,084**	**49,228**	**31,511**	**27,946**	**45,085**	**83,306**	**110,397**

6. Related-party transactions

Related-party balances

	Company							Consolidated					
	12/31/2012				12/31/2011			12/31/2012				12/31/2011	
Companies	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Current assets	Noncurrent assets	Noncurrent liabilities	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Noncurrent assets	Noncurrent liabilities
						(Restated)						(Restated)	
Debentures - Norte D'Or (a)	**471**	**35,000**	**-**	**-**	-	-	-	**471**	**35,000**	**-**	**-**	-	-
Debentures - Oncotech Oncologia S.A. (b)	**13,167**	**27,692**	**-**	**-**	-	-	-	**13,167**	**27,692**	**-**	**-**	-	-
Shared services (c)	**32,059**	**-**	**-**	**-**	7,607	-	-	**10,861**	**-**	**-**			
São Luiz Serviços Médicos S.A	**-**	**7,592**	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	-	-
Angiodinâmica	**-**	**-**	**-**	**2,045**	-	-	-	**-**	**-**	**-**	**2,045**	-	-
Centro Dignóstico NSL	**-**	**-**	**-**	**1,230**	**-**	**-**	**-**	**-**	**-**	**-**	**1,230**	-	-
Medise Medicina Diagnóstico e Serviços Ltda.	**-**	**7,405**	**-**	**-**	-	-	977	**-**	**-**	**-**	**-**	-	-
LE Participações Societárias S.A.	**-**	**-**	**-**	**4,422**	-	12,794	-	**-**	**-**	**-**	**-**	-	-
PMJ Assessoria e Consultoria Financeira S.A.	**-**	**4,235**	**-**	**-**	-	3,484	-	**-**	**4,235**	**-**	**-**	3,484	-
Oncoholding Participações S.A.	**-**	**16,688**	**-**	**-**	-	16,688	-	**-**	**16,688**	**-**	**-**	16,688	-
Oncologistas Associados S.A.	**-**	**7,214**	**-**	**-**	-	4,621	-	**-**	**7,214**	**-**	**-**	4,621	-
Oncotech Oncologia Ltda.	**-**	**7,167**	**-**	**-**	-	46,740	-	**-**	**7,167**	**-**	**-**	46,740	-
Hospital Fluminense S.A.	**-**	**13,356**	**-**	**-**	-	4,834	-	**-**	**13,356**	**-**	**-**	4,834	-
Hospital Norte D'Or de Cascadura Ltda.	**-**	**1**	**-**	**-**	-	2,482	-	**-**	**1**	**-**	**-**	2,482	-
Hospital São Marcos Ltda.	**-**	**12,706**	**-**	**-**	-	3,080	-	**-**	**-**	**-**	**-**	-	-
Centro Hospitalar São Marcos Ltda.	**-**	**4,490**	**-**	**-**	-	-	-	**-**	**4,490**	**-**		-	-
Rodin Empreendimentos S.A.	**-**	**3,948**	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	-	-
Hospital Esperança S.A.	**-**	**29,382**	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	-	-
RM Serviços Médicos	**-**	**10,901**	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	-	-
Saúde Medicol	**-**	**11,991**	**-**	**-**	-	-	-	**-**	**11,991**	**-**	**-**	-	-
Other	**-**	**2,925**	**364**	**1,312**	-	5,883	627	**-**	**6,915**	**849**	**812**	6,216	477
	45,697	**202,693**	**364**	**9,009**	7,607	100,606	1,604	**24,499**	**134,749**	**849**	**4,087**	85,065	477

6. Related-party transactions (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 will be paid on a quarterly basis from May 15, 2012. 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 will be paid on a quarterly basis from January 17, 2013. 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. Transactions are eliminated in the consolidation process, only remaining balances with nonconsolidated joint ventures.

(d) On May 29, 2012, Hospital e Maternidade Nossa Senhora de Lourdes S.A. privately issued nonconvertible, single-series, registered debentures amounting to R$ 90,000, maturing on May 29, 2015, 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% p.a. Interest will be paid on an annual basis from May 29, 2013. There are no expected guarantees for the debentures.

On July 2, 2012, the Company and HNSL Participações S.A. entered into an agreement for the purchase and sale of securities and time deposits with special guarantee amounting to R$ 153 million.

The transaction was paid by transferring credit rights on the debentures with the companies referred to above, represented by
(i) R$ 73 million for Nossa Senhora de Lourdes debentures, (ii) R$ 40 million for Oncotech debentures, and (iii) R$ 35 million for Norte D'Or debentures.

6. Related-party transactions (Continued)

Other related-party transactions refer to transfers of funds among the companies, and the main balances are eliminated in the consolidated financial statements. These related-party balances are not corrected and have no maturity.

The remaining balances above comprise checking account transactions with nonconsolidated companies and/or advances to shareholders/members that will be settled by offsetting the dividends to be distributed in the future.

Key management personnel compensation

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

In 2012, key management personnel compensation is as follows:

Salaries and bonuses	**15,400**
Benefits	**200**
Share-based compensation	**16,234**
	31,834

7. Investments

Breakdown of balances

	Company		Consolidated	
	12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Subsidiaries:				
Medise Medicina Diagnóstico e Serviços S.A	**28,043**	40,183	**-**	-
LE Participações Societárias S.A.	**3,005**	5,229	**-**	-
Hospital Esperança S.A.	**-**	-	**-**	18,012
Rodin Empreendimentos e Participações Ltda.	**-**	69,000	**-**	-
Centro Hospitalar São Marcos Ltda.	**8,476**	7,133		
Joint ventures:				
JMJB Diagnósticos e Serviços Hospitalares S.A.	**14,171**	9,941	**14,171**	9,941
Oncoholding Participações S.A.	**33,563**	29,760	**33,563**	29,761
Acreditar Oncologia Ltda.	**4,781**	-	**4,781**	
Affiliates:				
Prontoimagem Serviços Médicos Ltda.	**1,056**	1,748	**1,056**	1,748
Other	**23,864**	4,444	**24,737**	3,586
	116,959	167,438	**78,308**	63,048

Breakdown of investments

	Summarized financial information on subsidiaries, joint ventures and affiliates at December 31, 2012				
Company	% Interest	Assets	Liabilities	Equity	Profit or loss for the year
Medise Medicina Diagnóstico e Serviços S.A.	**95.52%**	**485,067**	**455,708**	**29,358**	**9,212**
LE Participações Societárias S.A.	**100.00%**	**290,789**	**279,785**	**11,005**	**(2,224)**
Centro Hospitalar São Marcos	**100.00%**	**22,930**	**21,586**	**1,343**	**1,398**
Acreditar Oncologia Ltda.	**50.00%**	**14,139**	**4,577**	**9,562**	**8,109**
Oncoholding	**50.00%**	**86,200**	**19,073**	**67,127**	**9,991**
JMJB Diganósticos e Serviços Hospitalares	**50.00%**	**40,938**	**4,150**	**36,788**	**9,990**
Prontimagem Serviços Médicos Ltda.	**50.00%**	**4,306**	**2,195**	**2,112**	**(219)**
Hospital Nossa Senhora de Lourdes	**2.19%**	**299,960**	**353,403**	**(53,442)**	**(59,782)**
HNSLPAR	**100.00%**	**234,377**	**283,833**	**(49,456)**	**(53,697)**
Hospital Criança	**7.00%**	**23,560**	**32,830**	**(9,270)**	**(9,533)**
Hospital Fluminense	**50.00%**	**13,006**	**19,593**	**(6,587)**	**(2,208)**
Advance Planos de Saúde Ltda.	**100.00%**	**13,687**	**11,887**	**1,800**	**(25)**
Angio Dinamica S.A.	**100.00%**	**6,365**	**2,232**	**4,134**	**199**

7. **Investments** (Continued)

Changes in investments for the year - Company

Company	Balances at 12/31/2011	Equity pickup	Write-off/Merger of investment	Interest acquisition	Dividends	Goodwill on appreciation and others	Balances at 12/31/2012
Medise Medicina Diagnóstico e Serviços S.A.	40,183	8,799	-	6,036	(26,975)	-	28,043
Centro Hospitalar São Marcos	7,133	1,343	-	-	-	-	8,476
LE Participações Societárias S.A.	5,229	(2,224)	-	-	-	-	3,005
Acreditar Oncologia Ltda.	-	642	-	4,139	-	-	4,781
Sinisgalli Administração e Participações S.A.	-	(55,673)	184,327	(128,654)	-	-	-
Oncoholding	29,760	4,996	-	-	(1,193)	-	33,563
JMJB Diganósticos e Serviços Hospitalares	9,941	4,996	-	-	(766)	-	14,171
Prontimagem Serviços Médicos Ltda.	1,748	(692)	-	-	-	-	1,056
Rodin Emprrendimentos e Participações Ltda.	69,000	-	(69,000)	-	-	-	-
Other	4,444	(5,264)	-	7,257	-	17,427	23,864
Total	167,438	(43,077)	115,327	(111,222)	(28,934)	17,427	116,959

Changes in investments for the year - Consolidated

Company	Balances at 12/31/2011	Equity pickup	Interest acquisition	Dividends	Goodwill on appreciation	Joint venture consolidated throughout the year	Balances at 12/31/2012
Oncoholding	29,761	4,996	-	(1,193)	-	-	33,564
JMJB Diganósticos e Serviços Hospitalares	9,941	4,996	-	(766)	-	-	14,171
Prontimagem Serviços Médicos Ltda.	1,748	(692)	-	-	-	-	1,056
Hospital Esperança	18,012	1,127	-	-	-	(19,139)	-
Acreditar Oncologia Ltda.	-	642	4,139	-	-	-	4,781
Other	3,586	2,382	7,257	(950)	12,461	-	24,737
Total	63,048	13,451	11,396	(2,909)	12,461	(19,139)	78,308

8. Property, plant and equipment

Breakdown of balances

		Company						Consolidated					
		12/31/2012			12/31/2011			12/31/2012			12/31/2011		
Description	Depreciation rate	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation (Restated)	Net amount	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation (Restated)	Net amount
Hospital machinery and equipment	12.5% to 20%	254,177	(142,909)	111,268	198,308	(119,047)	79,261	319,919	(172,598)	147,321	231,564	(143,352)	88,212
Surgical instruments	20%	3,366	(3,002)	364	2,581	(2,092)	489	4,037	(3,108)	929	2,912	(2,117)	795
Machinery and equipment	7.14% to 10%	90,410	(34,676)	55,734	55,136	(25,639)	29,497	102,337	(41,746)	60,591	63,384	(30,146)	33,238
Properties	1.7% to 4%	482,866	(50,390)	432,476	252,935	(40,372)	212,563	483,092	(50,401)	432,691	253,161	(40,372)	212,789
Improvements	10%	25,874	(5,537)	20,337	16,312	(5,108)	11,204	27,286	(5,539)	21,747	17,501	(5,109)	12,392
Leasehold improvements	4%	277,757	(66,497)	211,260	155,519	(51,263)	104,256	365,810	(115,191)	250,619	217,424	(91,538)	125,886
Furniture and fixtures	10%	47,232	(21,671)	25,561	36,916	(17,666)	19,250	55,184	(24,711)	30,473	42,927	(20,074)	22,853
Vehicles	20%	2,519	(1,588)	931	2,486	(1,491)	995	2,907	(1,701)	1,206	2,874	(1,594)	1,280
Facilities	10%	16,245	(8,842)	7,403	13,126	(7,909)	5,217	43,559	(14,435)	29,124	21,808	(11,891)	9,917
Land	N/A	97,786	-	97,786	23,016	-	23,016	181,972	-	181,972	99,502	-	99,502
Construction in progress	N/A	67,466	-	67,466	99,494	-	99,494	70,148	-	70,148	95,736	-	95,736
Other	5% to 10%	8,510	(3,631)	4,879	2,546	(751)	1,795	12,954	(4,322)	8,632	6,400	(751)	5,649
		1,374,208	(338,743)	1,035,465	858,375	(271,338)	587,037	1,669,205	(433,752)	1,235,453	1,055,193	(346,944)	708,249

8. Property, plant and equipment (Continued)

Changes in the Company

Description	12/31/2010 (Restated)	Additions	Disposals	Transfers	Depreciation	Additions from business combinations (*)	12/31/2011
Hospital machinery and equipment	72,041	**30,019**	**(2,483)**	**420**	**(21,038)**	**302**	**79,261**
Surgical instruments	278	**408**	**-**	**-**	**(197)**	**-**	**489**
Machinery and equipment	19,375	**13,239**	**(186)**	**1,970**	**(4,939)**	**38**	**29,497**
Properties	152,907	**17,073**	**-**	**16,167**	**(2,947)**	**29,363**	**212,563**
Improvements	9,713	**1,842**	**(8)**	**(21)**	**(322)**	**-**	**11,204**
Leasehold improvements	62,825	**43,149**	**(38)**	**54**	**(1,734)**	**-**	**104,256**
Furniture and fixtures	18,694	**4,606**	**(217)**	**201**	**(4,034)**	**-**	**19,250**
Vehicles	1,434	**102**	**(264)**	**-**	**(312)**	**35**	**995**
Facilities	3,593	**1,502**	**-**	**1,001**	**(879)**	**-**	**5,217**
Land	14,999	**8,017**	**-**	**-**	**-**	**-**	**23,016**
Construction in progress	22,541	**116,832**	**(23,939)**	**(15,940)**	**-**	**-**	**99,494**
Other	5,597	**676**	**(119)**	**(3,852)**	**(507)**	**-**	**1,795**
	383,997	**237,465**	**(27,254)**	**-**	**(36,909)**	**29,738**	**587,037**

8. Property, plant and equipment (Continued)

Changes in the Company

Description	12/31/2011 (Restated)	Additions	Disposals	Transfers	Depreciation	Additions from business combinations (*)	12/31/2012
Hospital machinery and equipment	79,261	**45,010**	**(1,106)**	**3,180**	**(23,862)**	**8,785**	**111,268**
Surgical instruments	489	**354**	**-**	**431**	**(910)**	**-**	**364**
Machinery and equipment	29,497	**37,297**	**(1,996)**	**(1,386)**	**(9,037)**	**1,359**	**55,734**
Properties	212,563	**27,873**	**(81,188)**	**15,911**	**(10,018)**	**267,335**	**432,476**
Improvements	11,204	**9,674**	**(6)**	**(106)**	**(429)**	**-**	**20,337**
Leasehold improvements	104,256	**67,348**	**(1,000)**	**55,890**	**(15,234)**	**-**	**211,260**
Furniture and fixtures	19,250	**9,918**	**(42)**	**440**	**(4,005)**	**-**	**25,561**
Vehicles	995	**10**	**-**	**-**	**(97)**	**23**	**931**
Facilities	5,217	**2,173**	**-**	**946**	**(933)**	**-**	**7,403**
Land	23,016	**84,333**	**(18,789)**	**9,226**	**-**	**-**	**97,786**
Construction in progress	99,494	**106,966**	**(52,836)**	**(86,188)**	**-**	**-**	**67,466**
Other	1,795	**5,683**	**(1,375)**	**1,656**	**(2,880)**	**-**	**4,879**
	587,037	**396,669**	**(158,338)**	**-**	**(67,405)**	**277,502**	**1,035,465**

(*) 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 and SLPAR.

8. Property, plant and equipment (Continued)

Changes in Consolidated

Description	12/31/2010 (Restated)	Additions	Disposals	Transfers	Depreciation	Additions from business combinations	12/31/2011
Hospital machinery and equipment	81,867	**33,335**	**(2,530)**	**420**	**(25,182)**	**302**	**88,212**
Surgical instruments	329	**684**	**-**	**-**	**(218)**	**-**	**795**
Machinery and equipment	23,199	**13,902**	**(186)**	**1,970**	**(5,685)**	**38**	**33,238**
Properties	152,907	**17,299**	**-**	**16,167**	**(2,947)**	**29,363**	**212,789**
Improvements	10,313	**2,430**	**(7)**	**(21)**	**(323)**	**-**	**12,392**
Leasehold improvements	85,483	**45,937**	**(38)**	**54**	**(5,550)**	**-**	**125,886**
Furniture and fixtures	21,825	**5,516**	**(219)**	**201**	**(4,470)**	**-**	**22,853**
Vehicles	1,482	**230**	**(264)**	**-**	**(203)**	**35**	**1,280**
Facilities	8,860	**1,753**	**-**	**1,001**	**(1,697)**	**-**	**9,917**
Land	21,119	**78,383**	**-**	**-**	**-**	**-**	**99,502**
Construction in progress	22,541	**116,926**	**(23,939)**	**(19,792)**	**-**	**-**	**95,736**
Other	5,600	**676**	**(119)**	**-**	**(508)**	**-**	**5,649**
	435,525	**317,071**	**(27,302)**	**-**	**(46,783)**	**29,738**	**708,249**

8. Property, plant and equipment (Continued)

Changes in Consolidated

Description	12/31/2011 (Restated)	Additions	Disposals	Transfers	Depreciation	Additions from business combinations	12/31/2012
Hospital machinery and equipment	88,212	**77,496**	**(1,106)**	**3,180**	**(29,246)**	**8,785**	**147,321**
Surgical instruments	795	**694**	**-**	**431**	**(991)**	**-**	**929**
Machinery and equipment	33,238	**41,001**	**(2,021)**	**(1,386)**	**(11,600)**	**1,359**	**60,591**
Properties	212,789	**27,873**	**(81,188)**	**15,911**	**(10,029)**	**267,335**	**432,691**
Improvements	12,392	**9,897**	**(6)**	**(106)**	**(430)**	**-**	**21,747**
Leasehold improvements	125,886	**93,501**	**(1,002)**	**55,887**	**(23,653)**	**-**	**250,619**
Furniture and fixtures	22,853	**11,859**	**(42)**	**440**	**(4,637)**	**-**	**30,473**
Vehicles	1,280	**10**	**-**	**-**	**(107)**	**23**	**1,206**
Facilities	9,917	**20,789**	**-**	**962**	**(2,544)**	**-**	**29,124**
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	5,649	**6,379**	**(1,482)**	**1,657**	**(3,571)**	**-**	**8,632**
	708,249	**495,040**	**(158,530)**	**-**	**(86,808)**	**277,502**	**1,235,453**

9. Intangible assets

The balance of intangible assets is as follows:

	Annual rate		Company		Consolidated	
			12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Finite useful lives						
Software	**20%**		**9,829**	4,764	**10,108**	4,830
Indefinite useful lives						
Goodwill						
Acquisition of Copa D'Or		(a)	**80,058**	80,058	**80,058**	80,058
Acquisition of HMSL		(a)	**413,645**	413,645	**413,645**	413,645
Acquisition of Hospital Brasil		(a)	**87,716**	87,716	**87,716**	87,716
Acquisition of Hospital Assunção		(a)	**10,561**	10,561	**10,561**	10,561
Acquisition of Hospital Prontolinda		(a)	**30,595**	30,595	**30,595**	30,595
Acquisition of Vivalle		(a)	**25,537**	25,537	**25,537**	25,537
Acquisition of São Marcos		(a)	**-**	-	**7,133**	7,133
Acquisition of Santa Luzia		(b)	**131,560**	-	**131,560**	-
Acquisition of Sinisgalli		(b)	**150,661**	-	**150,661**	-
Acquisition of Hospital Esperança		(b)	**-**		**36,098**	
Other goodwill			**18,660**	13,561	**27,012**	22,888
Trademarks and patents			**190,810**	190,810	**190,810**	190,810
			1,149,632	857,247	**1,201,494**	873,773

(a) Goodwill on prior-year business combinations.

(b) Goodwill on business combinations described in Note 3.

10. Loans and financing

Company	12/31/2012			12/31/2011		
Bank	Short term	Long term	Total	(Restated)	Index	Spread
BNDES/FINAME	**4,896**	**7,269**	**12,165**	22,303	TJLP	3.30%
IFC - International Finance Corporation	**12,803**	**78,317**	**91,120**	94,000	LIBOR	3.30%
CCBs	**31,250**	**3,605**	**34,855**	14,054	CDI	4.47%
	48,949	**89,191**	**138,140**	130,357		

Consolidated	12/31/2012			12/31/2011		
Bank	Short term	Long term	Total	Total (Restated)	Index	Spread
BNDES/FINAME	**8,650**	**13,794**	**22,444**	**22,303**	TJLP	3.30%
IFC - International Finance Corporation	**12,803**	**78,317**	**91,120**	**94,000**	LIBOR	3.30%
CCBs	**35,578**	**7,234**	**42,812**	**20,077**	CDI	4.47%
	57,031	**99,345**	**156,376**	**136,380**		

Financing was obtained in order to make company acquisitions and to expand the size of hospitals. Loans and financing are guaranteed by controlling shareholders' properties.

10. Loans and financing (Continued)

In addition to the guarantees given, the maintenance of covenants, which are monitored and supervised by fiduciary agents, is provided for by certain loan and financing agreements. These include the assessment of indicators contractually determined based on net debt, adjusted ebitda, short-term loans, financing and leases maturing after twelve months and financial income (expenses) on net debt. Management understands that these covenants have always been complied with.

The aging list of long-term balances is as follows:

Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2014	**18,132**	2014	**20,197**
2015	**12,132**	2015	**13,513**
2016	**10,948**	2016	**12,195**
2017	**10,664**	2017	**11,878**
2018 to 2021	**37,315**	2018 to 2021	**41,562**
	89,191		**99,345**

11. Debentures payable

	12/31/2012	
	Company	**Consolidated**
Rede Dor São Luiz		
1st issue (a)	**1,007,898**	**1,007,898**
2nd issue (b)	**96,524**	**96,524**
3rd issue (c)	**647,359**	**647,359**
4th issue (d)	**802,338**	**802,338**
Medise		
1st issue (e)	**-**	**110,351**
LE	**-**	**201,308**
1st issue (f)		
	2,554,119	**2,865,778**

11. Debentures payable (Continued)

(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, 2018. 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 two years 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 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.

(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. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a. In the first two years, interest has been paid on a quarterly basis since March 10, 2012, and subsequently will be paid on a monthly basis. 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 5, 2019. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. There are no expected guarantees for the debentures.

11. Debentures payable (Continued)

(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 will be 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. carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$ 200,000, maturing on October 15, 2019. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 1.4% p.a. There are no expected guarantees for the debentures.

Such issues of debentures are linked to the Group's growth plan, as mentioned in Note 1. At December 31, 2012, these debentures totaled R$ 2,554,119 (R$ 1,765,199 in 2011) in Company and R$ 2,865,778 (R$ 1,864,462 in 2011) in Consolidated, R$ 165,549 and R$ 199,683 of which, respectively, are recorded in short term.

In addition to the guarantees given, the maintenance of covenants, which are monitored and supervised by fiduciary agents, is provided for by certain loan and financing agreements. Management understands that these covenants have always been complied with.

12. Tax liabilities and taxes paid in installments

a) Tax liabilities

	Company		Consolidated	
	12/31/2012	12/31/2011 (Restated)	12/31/2012	12/31/2011 (Restated)
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**2,772**	1,215	**3,163**	1,478
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**19,240**	5,819	**21,045**	7,059
Service Tax (ISS)	**9,247**	4,108	**13,725**	4,484
Withholding Income Tax (IRRF)	**9,674**	6,133	**10,950**	6,826
Income tax	**1,827**	1,727	**2,598**	2,340
Social contribution tax	**624**	577	**866**	797
Other	**4,801**	3,808	**5,732**	3,440
	48,185	23,387	**58,079**	26,424

b) Taxes paid in installments

	Company				Consolidated			
	12/31/2012			12/31/2011	12/31/2012			12/31/2011
Taxes paid in installments	Current	Noncurrent	Total	Total (Restated)	Current	Noncurrent	Total	Total (Restated)
ISS	**788**	**24,536**	**25,324**	3,093	1,088	25,024	26,112	3,313
Payment in installments – Law No. 11941/09	**4,412**	**57,230**	**61,642**	60,861	5,232	70,055	75,287	71,476
Other	**1,337**	**42,154**	**43,491**	4,008	2,295	43,002	45,297	4,542
	6,537	**123,920**	**130,457**	67,962	8,615	138,081	146,696	79,331

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.

13. Accounts payable for acquisitions

	Rate	Company and Consolidated	
		12/31/2012	**12/31/2011 (Restated)**
Noncontrolling Shareholders São Luiz	IPCA + 2%	**17,206**	-
Santa Luzia	CDI	**13,096**	-
Vivalle	CDI	**291**	6,176
São Luiz	CDI	**2,182**	3,487
Hospital Brasil	IPCA	**1,727**	12,311
Other		**2,902**	1,250
		37,404	23,224
Noncontrolling Shareholders São Luiz	IPCA + 2%	**51,713**	-
São Luiz	CDI	**212,346**	212,346
Hospital Brasil	IPCA	**11,167**	-
Vivalle	CDI	**3,200**	-
São Marcos	CDI	**4,446**	4,000
Other		**1,611**	3,578
		284,483	219,924

Accounts payable for acquisition of companies refer to the remaining balance of the considerations for acquisitions made in 2010, 2011, acquisition of noncontrolling interest in Rede D'Or and acquisitions from Santa Luzia (R$ 14,519).

14. Provision for contingencies, judicial deposits and commitments

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				Consolidated			
	12/31/2012		12/31/2011		12/31/2012		12/31/2011	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
			(Restated)				(Restated)	
Tax	**69,421**	**(19,289)**	49,183	(13,284)	**71,783**	**(21,882)**	53,602	(15,202)
Labor	**39,900**	**(4,227)**	35,409	(2,843)	**41,430**	**(5,326)**	36,530	(3,233)
Civil	**31,010**	**(10,663)**	21,121	(6,693)	**32,750**	**(11,719)**	22,838	(7,535)
	140,331	**(34,179)**	105,713	(22,820)	**145,963**	**(38,927)**	112,970	(25,970)

14. Provision for contingencies, judicial deposits and commitments (Continued)

Provision for contingencies and judicial deposits (Continued)

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

	Company				
	12/31/2012				12/31/2011
	Tax	Labor	Civil	Total	Total
					(Restated)
Opening balance	**49,183**	**35,409**	**21,121**	**105,713**	**130,649**
Additions, net of reversals	**14,487**	**(22,683)**	**6,283**	**(1,913)**	**(8,703)**
Monetary adjustments	**1,213**	**-**	**-**	**1,213**	**12,498**
Payments	**(754)**	**(2,310)**	**-**	**(3,064)**	**(28,731)**
Additions from acquisitions (*)	**5,292**	**29,484**	**3,606**	**38,382**	**-**
Closing balance	**69,421**	**39,900**	**31,010**	**140,331**	**105,713**

(*) These additions refer to companies merged for the year, i.e., Santa Luzia, Hospital do Coração, SLPAR, Sinisgalli, Hospital Nossa Senhora de Lourdes and Hospital da Criança.

	Consolidated				
	12/31/2012				12/31/2011
	Tax	Labor	Civil	Total	Total
					(Restated)
Opening balance	**53,602**	**36,530**	**22,838**	**112,970**	133,146
Additions, net of reversals	**14,487**	**(23,582)**	**6,306**	**(2,789)**	(9,122)
Monetary restatements	**1,372**	**1,308**	**-**	**2,680**	18,493
Payments	**(2,970)**	**(2,310)**	**-**	**(5,280)**	(29,547)
Additions from acquisitions (*)	**5,292**	**29,484**	**3,606**	**38,382**	-
Closing balance	**71,783**	**41,430**	**32,750**	**145,963**	112,970

(*) These additions refer to companies merged for the year, i.e., Santa Luzia, Hospital do Coração, SLPAR, Sinisgalli, Hospital Nossa Senhora de Lourdes and Hospital da Criança.

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.

14. Provision for contingencies, judicial deposits and commitments (Continued)

Provision for contingencies and judicial deposits (Continued)

Additionally, the Company is also a party to various tax claims, totaling approximately R$ 21,890 (R$ 8,971 in 2011) in Company and R$ 22,160 (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$ 59,564 (R$ 25,582 in 2011) in Company and R$ 62,598 (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$ 48,484 (R$ 57,099 in 2011) in Company and R$ 58,403 (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.

15. Commitments

Rede D'Or has lease agreements, commitments of which amount to approximately R$ 1,096,597 (gross nominal value) at December 31, 2012 in Company and R$ 1,234,775 in Consolidated, particularly corresponding to leased buildings for an average period of eighteen years. Lease expenses recognized for the year amounted to R$ 74,466 (R$ 56,344 in 2011) in Company and R$ 113,133 (R$ 62,686 in 2011) in Consolidated.

15. Commitments (Continued)

Breakdown of significant lease commitments of the Company at December 31, 2012 is as follows:

(Gross nominal value)	Company	Consolidated
Leased building - Hospital Brasil	320,337	320,337
Leased building - Anália Franco	200,831	200,831
Leased building - Morumbi	69,951	69,951
Leased building - Itaim	99,507	99,507
Leased building - Nossa Senhora de Lourdes	200,515	200,515
Leased building - Copa D'Or	39,410	39,410
Leased building - Esperança	-	72,006
Leased building - Hospital da Criança	57,327	57,327
Leased building - Quinta D'Or	32,169	32,169
Leased building - São Marcos	-	60,636
Leased building - Prontolinda	64,327	64,327
Leased building - Joari	12,223	12,223
Other leases	-	5,536
	1,096,597	**1,234,775**

16. Equity

a) Capital

Subscribed and paid-in capital at December 31, 2012 amounts to R$ 44,849, divided into 244,615,485 registered common shares, with no par value.

b) Allocations of income

The legal reserve is set up at 5% of net income for the year, limited to 20% of capital, in accordance with article 193 of Law No. 6404/76.

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, 2012, the Company distributed dividends amounting to R$ 26,424.

16. Equity (Continued)

c) Treasury shares

In 2012, the Company acquired 16,924,129 registered common shares, with no par value, from noncontrolling shareholders of Rede D'Or São Luiz S.A. amounting to R$ 129,594, recorded as treasury shares in equity.

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$ 441, 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.

At 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$ 4,822.

16. 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 at 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.

A call option is granted to the debenture holder that may, at the maturity date, convert such debentures into shares, which will represent 23.46% of Group's capital. If the debenture holder does not exercise such option, a put option will be granted to the Company that may pay the amount adjusted by means of shares representing such 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 consists of a membership certificate, for accounting purposes. Accordingly, the debentures were classified in equity until effective capitalization.

16. Equity (Continued)

f) Share-based payment (stock options)

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 acquire the stock option plan, 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 (November 30, 2011), 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).

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:

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in reais)	Expiration
1/1/2012	906,570	39.6%	10.5%	7.61	Unexpired
1/1/2013	906,570	39.6%	10.5%	7.89	Unexpired
1/1/2014	906,570	39.6%	10.6%	8.28	Unexpired
1/1/2015	906,570	39.6%	10.7%	8.64	Unexpired
1/1/2016	906,570	39.6%	10.7%	8.97	Unexpired
Total	4,532,850	Average risk-free rate	10.6%		

16. Equity (Continued)

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

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:

		Total recorded in profit or loss for the year	Total recorded in equity
2011	1,457	1,457	1,457
2012	16,234	16,234	16,234
2013	9,337	-	-
2014	5,799	-	-
2015	3,320	-	-
2016	1,378	-	-
	37,525		17,691

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.

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.

17. Income and social contribution taxes

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

	Company		Consolidated	
	12/31/2012	**12/31/2011 (Restated)**	**12/31/2012**	**12/31/2011 (Restated)**
Deferred				
Income tax	**(25,284)**	5,498	**(71,829)**	7,987
Social contribution tax	**(9,102)**	1,979	**(25,857)**	2,874
	(34,386)	7,477	**(97,686)**	10,861
Current				
Income tax	**-**	140	**(9,929)**	(9,715)
Social contribution tax	**-**	49	**(3,574)**	(3,497)
	-	189	**(13,503)**	(13,212)
Income and social contribution tax (expense) benefit	**(34,386)**	7,666	**(111,189)**	(2,351)

17. Income and social contribution taxes (Continued)

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

	Company						
	12/31/2010	Additional benefits (expenses) recorded	Additions from acquisitions	12/31/2011 (Restated)	Additional benefits (expenses) recorded	Additions from acquisitions	12/31/2012
Deferred income tax							
Income tax loss	5,054	23,886	-	28,940	**-**	**-**	**28,940**
Temporary differences	205,023	(13,321)	12,882	204,584	**(18,254)**	**76,500**	**262,830**
Deferred social contribution tax							
Social contribution tax loss	1,819	8,600	-	10,419	**-**	**-**	**10,419**
Temporary differences	73,809	(4,796)	4,636	73,649	**(6,574)**	**16,609**	**83,684**
Total deferred tax assets	285,705	14,369	17,518	317,592	**(24,828)**	**93,109**	**385,873**
Deferred income and social contribution tax liabilities on temporary differences	(11,130)	(6,892)	-	(18,022)	**(9,558)**	**(1,076)**	**(28,656)**
Total deferred tax liabilities	(11,130)	(6,892)	-	(18,022)	**(9,558)**	**(1,076)**	**(28,656)**
Net effect	274,575	7,477	17,518	299,570	**(34,386)**	**92,033**	**357,217**

	Consolidated						
	12/31/2010	Additional benefits (expenses) recorded	Additions from acquisitions	12/31/2011 (Restated)	Additional benefits (expenses) recorded	Additions from acquisitions	12/31/2012
Deferred income tax							
Income tax loss	5,054	23,886	-	28,940	**-**	**-**	**28,940**
Temporary differences	205,023	(9,993)	12,882	207,912	**(64,388)**	**138,081**	**281,605**
Deferred social contribution tax							
Social contribution tax loss	1,819	8,600	-	10,419	**-**	**-**	**10,419**
Temporary differences	73,809	(3,597)	4,636	74,848	**(23,179)**	**38,775**	**90,445**
Total deferred tax assets	285,705	18,896	17,518	322,119	**(87,566)**	**176,856**	**411,409**
Deferred income and social contribution tax liabilities on temporary differences	(11,697)	(8,035)	-	(19,732)	**(10,120)**	**(1,076)**	**(30,928)**
Total deferred tax liabilities	(11,697)	(8,035)	-	(19,732)	**(10,120)**	**(1,076)**	**(30,928)**
Net effect	274,008	10,861	17,518	302,387	**(97,686)**	**175,780**	**380,481**

17. Income and social contribution taxes (Continued)

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

	Company		Consolidated	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
		(Restated)		**(Restated)**
Income before income and social contribution taxes	**145,644**	79,668	**217,662**	92,998
Income and social contribution tax expenses at statutory rate	**49,519**	27,583	**74,005**	32,115
Adjustments to calculate effective rate				
Interest on debentures recorded as membership instrument	**(28,527)**	(31,308)	**(28,527)**	(31,308)
Equity pickup	**14,646**	(5,818)	**(4,573)**	(3,041)
Publicity and advertising expenses	**335**	1,173	**571**	1,332
Reversal of deferred income and social contribution taxes set up before acquisition (HNSI and Criança)	**-**	-	**68,181**	-
Other	**(1,587)**	704	**1,532**	3,253
Expense (benefit) in the income statement	**34,386**	(7,666)	**111,189**	2,351

18. Net revenue

	Company		Consolidated	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Gross revenue	**2,630,498**	1,903,940	**3,479,409**	2,333,076
Revenue deductions				
Cancellations and rebates	**(106,522)**	(75,083)	**(153,125)**	(136,000)
Income taxes	**(152,223)**	(110,222)	**(204,187)**	(104,845)
	2,371,753	1,718,635	**3,122,097**	2,092,231

19. Gain on disposal of properties

On December 26, 2012, the Company sold the building Hospital Brasil was 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 December 2013 and R$ 1,000 until December 2014. The Company recorded in profit or loss for the year a gain of R$ 66,646 and R$ 55,000 that will be deferred in 25 years.

20. Financial income (expenses), net

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

	Company		Consolidated	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Financial income				
Short-term investment yield	**56,293**	40,406	**61,135**	41,351
Other	**869**	1,472	**1,419**	2,600
	57,162	41,878	**62,554**	43,951
Financial expenses				
Interest on financing	**(63,995)**	(25,626)	**(74,899)**	(27,229)
Taxes on financial income (expenses)	**(2,556)**	(366)	**(2,748)**	(468)
Monetary and foreign exchange losses	**(24,847)**	(70,326)	**(10,515)**	(75,773)
Interest on debentures	**(151,145)**	(94,829)	**(167,804)**	(95,525)
Other	**(28,417)**	(7,413)	**(40,482)**	(12,525)
	(270,960)	(198,560)	**(296,448)**	(211,520)
	(213,798)	(156,682)	**(233,894)**	(167,569)

21. Financial instruments

21.1. Classification of financial instruments by category

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

	Company					
	12/31/2012			12/31/2011		
Financial assets	Receivables	Fair value through profit or loss (*)	Total	Receivables	Fair value through profit or loss (*)	Total
Cash and banks	**24,868**	**-**	**24,868**	113,260	-	113,260
Short-term investments	**-**	**793,026**	**793,026**	-	826,154	814,154
Accounts receivable	**684,572**	**-**	**684,572**	430,703	-	430,703
Recoverable taxes	**49,640**	**-**	**49,640**	28,430	-	28,430
Accounts receivable from related parties	**237,489**	**-**	**237,489**	108,213	-	108,213
Dividends receivable	**26,975**	**-**	**26,975**	-	-	-
Disposal of properties	**49,000**	**-**	**49,000**	-	-	-
Judicial deposits	**34,179**	**-**	**34,179**	22,820	-	22,820
	1,106,723	**793,026**	**1,899,749**	703,426	826,154	1,529,580

	Consolidated					
	12/31/2012			12/31/2011		
Financial assets	Receivables	Fair value through profit or loss (*)	Total	Receivables	Fair value through profit or loss (*)	Total
Cash and banks	**34,245**	**-**	**34,245**	115,332	-	115,332
Short-term investments	**-**	**966,871**	**966,871**	-	924,129	924,129
Accounts receivable	**831,892**	**-**	**831,892**	475,195	-	475,195
Recoverable taxes	**56,442**	**-**	**56,442**	31,298	-	31,298
Accounts receivable from related parties	**159,247**	**-**	**159,247**	85,065	-	85,065
Disposal of properties	**49,000**	**-**	**49,000**	-	-	-
Judicial deposits	**38,927**	**-**	**38,927**	25,970	-	25,970
	1,169,753	**966,671**	**2,136,624**	732,860	924,129	1,656,989

(*) 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.

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.

21. Financial instruments (Continued)

21.1. Classification of financial instruments by category (Continued)

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

	Company		Consolidated	
Financial liabilities	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Trade accounts payable	**155,007**	109,304	**247,832**	120,378
Loans and financing	**138,140**	130,357	**156,376**	136,380
Debentures	**2,554,119**	1,765,199	**2,865,778**	1,864,462
Accounts payable to related parties	**9,373**	1,604	**4,936**	477
Taxes and tax liabilities	**48,185**	23,387	**58,079**	26,627
	2,904,824	2,029,851	**3,333,162**	2,148,324

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 15.

21.2. Risk management

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) Foreign currency

The Company is exposed to market risks arising from its operations. Revenues are generated in Brazilian reais, while the Company has some leases in foreign currency, which may be subject to foreign exchange fluctuations, which could adversely impact its cash flow, financial position and operations. Currently, dollar-based commitments are not significant if compared to Company's operations; therefore, management understands that this risk is not significant.

21. Financial instruments (Continued)

21.2. Risk management (Continued)

b) Interest rate risk

The Company has financing in domestic currencies subject particularly to CDI rate fluctuation.

c) Credit risk

The financial instruments that subject the Company to credit risks refer to cash and cash equivalents and accounts receivable. All Company's operations are carried out with prime banks, which minimizes risks. The risk of incurring losses resulting from difficulty in receiving the amounts billed and billable from customers is minimized since there is no high concentration of revenue. The most significant trade account receivable represents approximately 15% of annual income.

d) Liquidity risk

Liquidity risk represents the risk of scarcity 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.

	Company - 12/31/2012					
	Up to 6 months	From 6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total financial Liabilities
Trade accounts payable	155,007	-	-	-	-	155,007
Salaries and labor charges	180,289	-	-	-	-	180,289
Taxes paid in installments	3,322	3,214	14,226	39,475	70,219	130,457
Loans	27,738	21,211	18,132	33,744	37,315	138,140
Debentures	64,554	100,995	385,413	1,544,966	458,190	2,554,119
Total	430,910	125,420	417,772	1,618,185	565,724	3,158,012

	Consolidated - 12/31/2012					
	Up to 6 months	From 6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total financial Liabilities
Trade accounts payable	247,832	-	-	-	-	247,832
Salaries and labor charges	203,761	-	-	-	-	203,761
Taxes paid in installments	4,361	4,253	15,817	43,468	78,796	146,696
Loans	32,318	24,713	20,197	37,586	41,562	156,376
Debentures	88,810	110,874	414,735	1,721,516	529,844	2,865,778
Total	577,082	139,840	450,749	1,802,570	650,202	3,620,443

21. Financial instruments (Continued)

21.2. Risk management (Continued)

e) Derivatives

The Company did not take out any derivatives at December 31, 2012 and 2011.

22. 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	**205,000**
	Electrical damages	**7,270**
	Parking lots	**14,800**
	Whirlwind/hurricane/cyclone/smoke/hail/plane crash	**13,800**
	Loss of profits/lightning/fire/explosion	**52,250**
	Sprinkler leakage	**3,200**
	Lease loss	**840**